

SCHEME FOR FINANCING SCHOOLS – KEY POINTS FOR GOVERNORS

The Scheme is required by statute and within regulations set by the DfES. This document provides a summary of certain parts of the Scheme only. A full copy of the Scheme is available in each school or via the Schools Accountancy Section (tel 020 8359 7225) or on the Barnet Schools Funding & Finance website (www.funding.barnet.lgfl.net). It was updated in February 2007, *new clauses are in italics*. Further details of operational requirements are set out for school staff in the Financial Guide for Schools.

Abbreviations - GB = Governing Body, CFO = Chief Finance Officer, CEO = Chief Education Officer, currently the Director of Children's Service.

1.2 Role of Scheme

Sets out the Financial relationship between LA and maintained schools; binding on both the LA and schools.

1.6 Delegation of Powers

The GB has responsibility for financial management of school and must ensure the Scheme and associated guidance from CFO are met. It must prepare its own Financial Management Policy & Procedures and ensure they are implemented.

2.2 Provision of Financial Information and Reports

Schools to provide

- Monthly submission of VAT and bank reconciliation
- Monthly (or quarterly) submission of actual income & expenditure
- Year end forecasts of income & expenditure as at end of Sept. and December

2.3 Payment of Salaries and Invoices

Salaries, wages, pensions etc must be paid through payroll administration direct to employees' bank accounts. Employees must be appointed and paid in accordance with policies and procedures agreed by GB.

Invoices must be paid promptly to avoid penalty or obtain discount, by authorised employees. Approved posts to verify & certify invoices separate from posts doing ordering and paying.

2.8 Submission of Budget Plans

- Budget shares and associated data/guidance issued to schools by 15 March
- Full GB to approve budget plan by 31 March and report it to CFO by 1 May
- LA to issue estimated Budget Share and grants for next two financial years
- *LA may require schools to submit a budget forecast for future years.*

2.9 Best Value

A statement re implementation of Best Value principles must be submitted with the school's Budget.

2.13 Audit of Voluntary & Private Funds

The GB is responsible for all voluntary/private funds held by school (not Governors funds or PTA funds). The GB must monitor funds to ensure they meet tax requirements; appoint auditors and receive audited accounts and report from responsible employee. Auditor's statements to be submitted to CFO.

2.14 Register of Business Interests

GB must have register which lists for each Governor, Headteacher and relevant staff, any material business interests they or their immediate family have.

2.15 Purchasing, Tendering and Contract Requirements

The GB must follow LA's Contract Orders for Schools.

2.18 Spending for the Purposes of the School

GBs are allowed to spend budget shares for purposes of the school subject to legal requirements and requirements of Scheme. The GB must 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.

2.20 Financial Management Standards in Schools

All schools must demonstrate compliance with the DCSF' Financial Management Standard in Schools in line with the timetable determined by the authority. The authority may require schools to demonstrate compliance through the submission of evidence showing that the school has undergone an external assessment.

2.21 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 CFO and the CEO, 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.

3 Instalments of the Budget Share; Banking Arrangements

Any change in banking or funding arrangements must be notified to the CFO by 28 February each year.

Four options for payment of budget share and banking arrangements -

- A. Uses LBB contracted banker + LBB payroll service. Estimated amount for salaries held centrally, remainder to school's bank account.
- B. Uses approved banker (but not LBB banker), into which receives 12 monthly instalments of total budget share, invoiced for salary costs.
- C. Uses approved banker (not LBB banker), uses LBB payroll service; receives Budget share less estimated amount for salaries in 12 monthly instalments.
- D. Uses LBB contracted banker (but not LBB payroll service) receives 12 monthly instalments of total budget share, invoiced for salary costs.

All schools can open Reserve accounts.

3.5 Bank and Building Society Accounts

No school account may be overdrawn.

Only accounts with an approved bank or building society allowed

Schools are not permitted to use charge cards or credit or debit cards except under terms & conditions agreed with CFO.

4.1 The Right to carry forward Surplus Balances

Schools are permitted to carry forward the surplus or deficit balance from one financial year to the next. Surplus balances may be subject to certain deductions by the LA if uncommitted balances are above a certain level. The school is able to assign a sum to a specific project/development with a reason for deferral which will not count as part of the balance considered for “claw-back”. *Amendments to the detail of this paragraph were introduced in January 07.*

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

Schools with a revenue deficit in excess of 2% of Budget Share (or 1% of Budget Share in two successive years), are required to submit a recovery plan with their balanced budget plan. The recovery plan must be agreed by CFO and CEO and include certain details.

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

4.9 Licensed Deficits

Schools may not generally plan for a deficit budget. In exceptional circumstances, deficit revenue budget may be permitted, which must be approved by the CFO and CEO and conform to certain terms and conditions as set out in the Scheme.

4.10 Loan Scheme

The GB may approve an application for an advance of Budget Share and/or capital for future years for a specific project. This will be granted subject to certain terms and conditions as set out in the Scheme.

5 Income

Schools are allowed to retain income from lettings, fees & charges, fund-raising activities and sale of assets.

6 The Charging of School Budget Shares

The Scheme allows the Budget Share of a school to be charged without the consent of the GB only in circumstances expressly permitted by the Scheme.

7 Taxation

Schools must adhere to VAT and Construction Industry Scheme procedures.

10 Insurance

Insurance is delegated and GB can choose provider. If external provider is chosen the LA may require the school to demonstrate that the cover relevant to the LA's insurable interests is as good as the relevant minimum cover arranged by the LA.

11 Miscellaneous

Governors expenses allowed for purposes specified in Sch 11 of the SS&F Act 1998. Legal Costs – the school's delegated budget must generally meet the legal costs incurred by the GB with the exception of dismissal and discrimination costs.

Whistleblowing – the LA has approved a policy and code of practice to be followed by persons working at a school or school governors.

13. Responsibility for Repairs & Maintenance and Capital Work

Revenue funding for repairs & maintenance is delegated together with devolved capital funds; schools must use these funds to implement capital works identified in the school's Asset Management Plan. Only capital expenditure for major capital schemes at community and foundation schools and LA liability at VA schools is retained by LA. Capital expenditure is defined and included as Annex D in Scheme.

14. Power to Provide Community Facilities

Schools, which choose to exercise the power to provide community facilities are subject to a range of controls. These include restrictions contained in schools' own instruments of government, if any and the Scheme. The school is obliged to consult its LA and have regard to advice from the authority. Details of requirements on a range of matters are included in the Scheme.

The GB must ensure that the exercise of this power does not interfere with its duty to promote high standards of education. Nor should the GB undertake any scheme that the LA feels would prejudice the financial position of the school or the welfare or education of pupils at the school.

The budget share (including surplus balances from previous years) of a school may not be used to fund community facilities – either start-up costs or ongoing expenditure - or to meet deficits arising from such activities. The mismanagement of community facilities funds can be grounds for suspension of the delegated budget.

