

# Schools Forum

## PLEASE NOTE TIME OF MEETING

Wednesday, 12th July, 2023  
at 4.00 pm

Virtual Meeting via MS Teams

This meeting is open to the public

LEAD OFFICER  
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## AGENDA

**1 APOLOGIES AND CHANGES IN MEMBERSHIP (IF ANY)**

**2 MINUTES OF PREVIOUS MEETING (Pages 1 - 2)**

Minutes of the meeting held on 18<sup>th</sup> January 2023, attached.

**3 DECLARATIONS OF INTEREST**

In accordance with the Localism Act 2011, and the Council's Code of Conduct, Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.

NOTE: Members are reminded that, where applicable, they must complete the appropriate form recording details of any such interests and hand it to the Democratic Support Officer.

**4 STANDING ITEM: LA UPDATE ON DFE/ESFA FUNDING ANNOUNCEMENTS**

To consider an update on any DFE/ESFA funding announcements.

**5 DSG AND SCHOOLS OUTTURN 2022-2023 (Pages 3 - 8)**

To consider a briefing paper detailing the DSG and schools outturn 2022-2023.

**6 SOUTHAMPTON CITY COUNCIL SCHEME FOR FINANCING SCHOOLS (Pages 9 - 48)**

To consider the Southampton City Council Scheme for Financing Schools for approval.

**7 PFI UPDATE**

To discuss a review of PFI contracts.

**8 ANY OTHER BUSINESS AND CLOSING REMARKS AND DATE OF THE NEXT MEETING**

To consider any additional items and note the date of forthcoming meeting

Day and Date: Wednesday 20<sup>th</sup> September 2023

Time: 3:45pm for 4:00pm start

Venue: Virtual

Tuesday, 4 July 2023

Service Lead, Education and Early Help,

# Agenda Item 2

## SCHOOLS FORUM

MINUTES OF THE MEETING HELD ON 18 January 2023

<b><u>In attendance</u></b>	
<b><u>Chair and Vice Chair</u></b>	
John Draper	Headteacher – Swaythling Primary
Harry Kutty	Headteacher – Cantell
<b><u>Primary Schools</u></b>	
Amanda Talbot-Jones	Headteacher – St Denys Primary
Mike Adams	Headteacher – Bitterne Manor Primary School
Peter Howard	Headteacher – Fairisle Junior
PK Macbride	Primary Governor – Bannister
<b><u>Secondary Schools</u></b>	
Jim Henderson	Headteacher Woodlands Community College
Roger Peplow	Governor St Georges
Martin Brown	Principal Oasis Sholing Academy
<b><u>Academy</u></b>	
James Rouse	St Anne's Catholic School
Sean Preston	Hamwic Trust
<b><u>Special Schools</u></b>	
Neil Revell	Headteacher – Cedar School
Debbie McKenzie	Headteacher – Compass School
<b><u>Nursery</u></b>	
Anna Wright	PVI for Early Years
<b><u>Non-Schools</u></b>	
Rob Sanders	Diocese of Winchester
<b><u>Observers</u></b>	
<b><u>SCC officers</u></b>	
Derek Wiles	Head of Education and Learning– Education
Steve Wade	Finance Business Partner
Clodagh Freeston	Service Manager - Education Strategy, Planning and Improvement
Tammy Marks	Service Manager - Special Educational Needs and Disability
Virginia Newsom	Finance Analyst
<b><u>Apologies</u></b>	

1. **MINUTES OF PREVIOUS MEETING**

**RESOLVED:** that the minutes for the Forum meeting on 23 November 2022 be approved as a correct record.

2. **STANDING ITEM: LA UPDATE ON DFE/ESFA FUNDING ANNOUNCEMENTS**

The Forum received and noted a briefing paper detailing updates on the Provisional National Funding Formula announcement and additional support. The paper details additional funding being release by central government for the Mainstream Schools Grant 2023-2024 and school capital Funding.

3. **2023-24 SCHOOLS REVENUE FUNDING ARRANGEMENTS AND DEDICATED SCHOOLS GRANT**

The Forum considered a paper detailing the 2023-2024 revenue funding arrangement and the dedicated schools grant.

The Forum reviewed a number of local adjustments given to Private Finance Initiative (PFI) schools, growing schools and a requested transfer to the Central School Services Block, required because of reduced central funding.

Upon being put to the vote the Forum agreed to the local adjustments for the PFI schools of £738,900, Growth Funding of £462,000, £160,000 for school improvements and the requested transfer to the Central School Services Block of £186,000.

The Forum then reviewed the shortfall generated by the local adjustments. The papers set out scenarios of how the potential shortfall might be addressed and the Forum discussed them. The methodology of maintaining the Minimum Funding Guarantee 0.5%, and reducing AWPU Primary Schools and reducing AWPU Secondary Schools was considered. Upon being put to the vote it was agreed that in addressing any shortfall, the differing balances between secondary and primary schools should be taken into account. The Forum sought to weight in favour of primary schools and that officers would use this principle when finalising the submission to the Department for Education.

4. **SPECIALIST SEND EARLY YEARS PROVISION**

The Forum noted a paper detailing potential future arrangements for regard to specialist provision of SEND for Early Years Provision.

5. **ANY OTHER BUSINESS AND CLOSING REMARKS AND DATE OF THE NEXT MEETING**

The Forum noted an additional paper reviewing the funding and support for pupils with additional needs in Southampton mainstream schools and setting.

It was noted that Southampton City Council was seeking to strengthen inclusive practice in its mainstream schools and settings and to ensure that its mainstream offer is high quality and consistently good. As part of this process, it wants to review the way in which the sector is funded and supported.

The Forum were informed that following the review the findings and recommendations would be shared with them a future date.

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## BRIEFING PAPER

**SUBJECT:** 2022/23 OUTTURN DSG & SCHOOLS  
**DATE:** 12 July 2023  
**RECIPIENT:** School's Forum

### THIS IS NOT A DECISION PAPER

**SUMMARY:**

Update of 2022/23 outturn

1. Schools Balances
2. DSG Update

**BACKGROUND and BRIEFING DETAILS:**

2022/23 OUTTURN

1. The schools outturn statement for 2022/23 is shown in Appendix A for schools revenue accounts, these are maintained schools only. One school converted to academy during 2022/23, with a deficit balance which was met by the council's general fund. The overall balance of the remaining 42 maintained schools has increased by £0.32M.
2. The following table summarises the movement in school balances of the 42 maintained schools at the end of March 2023

Description of Movement	Number of schools	Sum of Movement (£M)
Increased Deficit	7	1.127
reduced deficit	3	(0.350)
Used surplus	13	0.736
increased surplus	14	(1.935)
returned to surplus	3	(0.432)
gone into deficit	2	0.530
	<b>42</b>	<b>(0.324)</b>

3. Twelve schools have carried forward a deficit into the new financial year. The council had received deficit recovery plans from seven schools but there are five schools with outstanding deficit recovery plans.

# BRIEFING PAPER

4. Primary schools, special schools and pupil referral units may carry forward up to 10% of their budget share and secondary schools may carry forward up to 8%. Anything above this is an excess surplus balance. There are five schools carrying an excess surplus totalling £1.476M; two schools have submitted plans to utilise their excess surplus.
5. The Dedicated Schools Grant (DSG) is a ring-fenced grant and balances are carried forward each year. There was a £0.992M in-year surplus for 2022/23, reducing the cumulative net deficit to £10.101M. The table below provides an outline of the balances for 2022/23

<b>Block</b>	<b>Balance £M</b>
Dedicated Schools Grant - Central Services	0.032
Dedicated Schools Grant - Early Years	0.135
Dedicated Schools Grant - High Needs	(1.113)
Dedicated Schools Grant - Schools	(0.046)
<b>Total</b>	<b>(0.992)</b>

6. The deficit in the Central Services block is largely due to the transfer of the teachers and pension funding to centrally employed teachers in the Music Service and Specialist Teachers.
7. The deficit in the Early Years block is mostly due to the funding at the Startpoint Scholing nursery being below expectation. The service is currently reviewing options to resolve this issue.
8. Pressures on the High Needs services is a nationally recognised issue with significant pressures reported in most local authorities. The primary strategy for managing the increase in High Needs is 3-fold:
  - a. Reduce the number of children requiring an EHCP through targeted early intervention support, through enhanced training and support to schools and parents.
  - b. Reduce the number of children requiring a place at a special school, by improving the consistency of offer and inclusive practice at mainstream schools and by developing SEND units and resourced provisions within mainstream schools.
  - c. Maintain a reduction in the reliance of placements in high cost out of city special independent school places, by enhancing the offer and facilities of local mainstream schools, and on the development of highly specialist units and resourced provisions



# BRIEFING PAPER

9. The variances in the High Needs Block are outlined below:

<b>Service</b>	<b>Variance £M</b>
Language Intervention Team	0.000
Early Years Teachers/SENCO	(0.111)
Portage.	(0.071)
Pupils with EHCP's	0.081
Early Years Sen Funding	0.321
OLA Special School Placements	0.089
Contingency	(0.461)
Specialist Teacher Advisors	(0.012)
MARP - Education Placements	(1.092)
Special School Funding	0.324
Outreach Funding	0.000
Pupil Referral Unit	(0.181)
<b>Total</b>	<b>(1.113)</b>

10. The overall reduction is due to the increase in funding to the High Needs Block as well as the strategy for reducing pressures in this area. The largest favourable variance relates to reduced expenditure on the out of city placements and the unused contingency amount. This was offset by increases in Special School and Early Years SEN funding.

11. The variance on the Schools' block relates to the funding adjustment for excluded pupils.

<b>Further Information Available From:</b>	<b>Name:</b>	Steve Wade
	<b>E-mail:</b>	Steve.Wade@Southampton.gov.uk

# APPENDIX A

School	Revenue balance as at	March-23 £	Movement in year £
	March-22 £		
<b>Nursery and Alternative Provision.</b>			
Hardmoor EYC	690,637	<b>800,789</b>	110,152
Alternative Learning Provision	350,455	<b>473,315</b>	122,860
<b>Primary schools</b>			
Newlands Primary	(268,556)	<b>(163,105)</b>	105,451
Sinclair Primary School	(149,239)	<b>(96,139)</b>	53,100
Mansel Primary	(242,235)	<b>(227,530)</b>	14,705
Bassett Green Primary	529,028	<b>386,187</b>	(142,841)
Bevois Town Primary	(109,359)	<b>107,726</b>	217,085
Bitterne Manor Primary	(19,173)	<b>(53,030)</b>	(33,857)
Bitterne Park Primary	(233,267)	<b>(261,860)</b>	(28,593)
Mount Pleasant Junior	(34,084)	<b>(7,942)</b>	26,142
Maytree Infant	(100,837)	<b>(158,313)</b>	(57,476)
Valentine Primary	685,508	<b>542,145</b>	(143,363)
St Denys Primary	(132,017)	<b>(102,116)</b>	29,901
St Johns Primary and Nursery	(266,572)	<b>(327,464)</b>	(60,892)
Swaythling Primary	(39,720)	<b>(72,136)</b>	(32,416)
Banister Infant	(140,944)	<b>(133,646)</b>	7,298
Mansbridge Primary	142,215	<b>332,432</b>	190,217
Redbridge Primary	(28,126)	<b>(8,735)</b>	19,391
Moorlands Primary	(138,203)	<b>(110,602)</b>	27,601
Townhill Junior	321,734	<b>329,518</b>	7,784
Oakwood Primary	7,010	<b>55,677</b>	48,667
Fairisle Infant	(54,056)	<b>(6,827)</b>	47,229
Fairisle Junior	(251,840)	<b>(388,533)</b>	(136,693)
Foundry Lane Primary	(323,043)	<b>(257,381)</b>	65,662
Shirley Warren Primary	127,116	<b>316,851</b>	189,735
Mason Moor Primary	(151,254)	<b>161,567</b>	312,821
Bitterne CofE Primary	(34,953)	<b>(60,123)</b>	(25,170)
St Marks Primary	31,883	<b>489,931</b>	458,048
St Marys Primary	(269,928)	<b>(131,526)</b>	138,402
Highfield Primary	(125,484)	<b>(45,279)</b>	80,205
Holy Family Primary	(228,028)	<b>(403,194)</b>	(175,166)
St Patricks Primary	121,192	<b>(9,320)</b>	(130,512)
<b>Secondary schools</b>			
Regents Park Community College	(542,688)	<b>(871,730)</b>	(329,042)
Redbridge Secondary	(801,598)	<b>(1,206,871)</b>	(405,273)
Bitterne Park Secondary	(352,173)	<b>(830,092)</b>	(477,919)
Woodlands Secondary	83,383	<b>(160,046)</b>	(243,429)
Cantell Secondary	(791,276)	<b>(670,264)</b>	121,012
St George Catholic V.A. College	(821,941)	<b>(959,821)</b>	(137,880)
<b>Special schools</b>			
Springwell	(190,696)	<b>(199,512)</b>	(8,816)
Cedar	(69,800)	<b>(95,712)</b>	(25,912)
Polygon	502,428	<b>438,353</b>	(64,075)
Vermont	39,874	<b>(18,058)</b>	(57,932)
	<b>(3,299,061)</b>	<b>(3,602,416)</b>	<b>(323,789)</b>

# BRIEFING PAPER

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# **SOUTHAMPTON CITY COUNCIL SCHEME FOR FINANCING SCHOOLS**

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- 1.3 Key Principles for Delegated Management

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- 2.1 General
- 2.2 Removal of Delegation
- 2.3 Notice of Concern
- 2.4 Schools Financial Value Standard (SFVS)
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### **3. The Role of the Local Authority under Delegated Management**

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- 3.2 Services from Centrally Held Budgets
- 3.3 Strategic Management
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- 3.5 Special Educational Needs
- 3.6 School Improvement
- 3.7 Expenditure Supported by Specific Grants
- 3.8 Services Bought Back from the Local Authority from Schools Delegated Budgets
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### **4. Pupils with Special Educational Needs**

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- 5.7 Budgeting
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- 5.10 Loans from School Balances
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- 5.13 Income and Charges
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5.16 Delegation to New Schools

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**7. Repairs and maintenance**

**8. Health and safety**

**9. Insurance and Governor's liabilities**

**10. Community use of schools**

**11. Child Protection**

**Annex A: Scheme for Loans from School balances**

**Annex B: Teachers' Pension Regulations**

**Annex C: Utilisation of Surplus Balances Form**

**Annex D: Deficit Recovery Plans**

**Annex E: List of Southampton Local Authority Maintained Schools**

**Annex F Service Level Agreements**

The Southampton City Council Scheme for Financing Schools has been updated in line with the Department for Education Scheme for Financing Schools Guidance Issue 14 and in the following areas.

There are no directed revisions.

The regulations refer to the School and Early Years regulations 2022.

5.5 Banking – The interest rates have been updated due to changes in the Bank of England base rate.

5.9 Deficit budget policy – line inserted to confirm the Local Authority is not able to write off the deficit budget of a school see the ESFA Guidance 6.7

5.14 Taxation – amendments to clarify what records and returns need to be made to the Local Authority.

9.0 Insurance has been updated to reflected changes to the insurance available.

Annex E The list of maintained schools has been updated.

References to the services provided by the Local Authority under service level agreements have been updated, and the new service level agreements are now listed in Annex F

## **1. Introduction**

### **1.1 Background to the Scheme**

- 1.1.1 This document sets out Southampton City Council's Scheme for Financing Schools. It explains the powers and responsibilities of governors and the Local Authority under delegated management together with the financial controls within which a delegated budget can be operated.
- 1.1.2 The scheme will apply to all schools maintained by Southampton City Council, "the Local Authority" including community, nursery, voluntary, foundation (including trust), community special and foundation special schools and pupil referral units (PRU's), whether they are situated in the area of the authority or situated elsewhere. It does not apply to academies or schools situated in the authority's area which are maintained by another authority. Special units attached to maintained mainstream schools and nursery units attached to maintained primary schools are covered by the scheme.
- 1.1.3 Regulations require the Local Authority to publish their scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.
- 1.1.4 Other than revisions directed by the Secretary of State, schools will be consulted on any proposed amendments to the scheme before submission to Schools Forum for approval from the members of Schools Forum representing maintained schools.
- 1.1.5 The schools forum may approve or refuse the local authority proposals to revise the scheme or approve the proposals subject to modification. If any proposals are refused or the modifications are unacceptable to the Local Authority, the Authority may apply to the Secretary of State for approval of the proposals.

### **1.2 Summary of Funding Framework**

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

Under this legislation, local authorities determine for themselves the size of their Schools Budget and the non-schools education budget – although at a minimum an authority must appropriate its entire Dedicated Schools Grant to their Schools Budget.

The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on the Local Authority's maintained schools except for capital and certain miscellaneous items.

The Local Authority may centrally retain funding from their schools budget for purposes defined in regulations made by the Secretary of State under s.45A of the Act.

The amounts to be retained centrally are decided by the Local Authority, subject to any limits or conditions; including gaining the approval of the Schools forum or the Secretary of State in certain circumstances, as prescribed by the Secretary of State.

The balance of the schools budget left after deduction of 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).

The Local Authority must distribute the ISB amongst its 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 Local 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 Local Authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the Local Authority.

Subject to any provision of the Scheme, governing bodies of schools may spend such amounts of their budget shares, as they think fit, for any purposes of their school and for any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act. Amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if they were amounts spent for the purposes of the school

The Local Authority may suspend a school's right to a delegated budget if the provisions of the Scheme for Financing Schools (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons under schedule 17 to the Act but in that case there is no right of appeal.

The Local 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; The funding formula and details of centrally retained expenditure are also set out in the statement. After each financial year the Local Authority must publish a statement showing out-turn expenditure

The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State. A copy of each year's budget and outturn statement should be made easily accessible to all schools.

### **1.3 Key Principles for Delegated Management**

- 1.3.1 The Local Authority's educational purpose is to secure the highest quality of learning for all. It wishes to promote a partnership which enables its self-managing schools to work within a climate of freedom and confidence.
- 1.3.2 Governors and head teachers should have maximum freedom to determine spending priorities, including related decisions on the appointment of staff and the



use of premises.

- 1.3.3 Those involved in the management of schools should receive appropriate training and support.
- 1.3.4 With regards to the provision of services to schools, the Local Authority will seek the best match between the needs of pupils, the wishes of schools and its own statutory responsibilities. Support services should be matched to the needs of each type of school.
- 1.3.5 The Local Authority will consult all schools before variations to the scheme are submitted to the Schools' Forum for approval.
- 1.3.6 Resources will be allocated to governing bodies on a basis which reflects objective needs, is simple, is as schools would wish, and is consistent with the Local Authority's duty to provide and keep under review a sufficient level of resources.
- 1.3.7 Governing bodies should have the ability to plan future spending to meet longer term needs and objectives. They will, therefore, be able to carry forward unspent balances and receive interest at a rate determined by the Chief Finance Officer
- 1.3.8 The character of each special school, and thus its resource levels, will be determined by the Local Authority. Each school is resourced to meet a described range of needs. It is the responsibility of the Local Authority to ensure that children with special educational needs are placed in the school which best suits their needs (and in the case of pupils with education, health and care plans, in accordance with those plans). It is the responsibility of governors to ensure that resources are deployed in a way which meets the individual requirements and entitlements of each pupil.

## **2. The Role of School Governing Bodies under Delegated Management**

### **2.1 General**

- 2.1.1 Under the School Standards and Framework Act 1998 (as amended), governing bodies have the right to receive a delegated budget which covers all areas of expenditure which fall within the area of responsibility of schools. They have the freedom to manage resources delegated to them, including staff and to spend the schools' budget for the general purposes of the school. A number of duties and responsibilities are placed on governing bodies with delegated budgets, in order to ensure that they make good use of local authority resources, achieve efficiencies and value for money, to optimise their resources and invest in teaching and learning, taking into account the purchasing, tendering and contracting requirements, and to play an appropriate part in raising standards of education.
- 2.1.2 The following sections of the Scheme set out in detail the governors' powers and responsibilities with regard to:

Special educational needs	Section 4
Financial administration	Section 5
Personnel	Section 6
Repairs and maintenance	Section 7
Health and safety	Section 8
Governor's liability and insurance	Section 9

2.1.3 Governing bodies should consider the extent to which they wish to delegate their financial powers under this scheme to the head teacher. Their decisions on this matter (and any subsequent amendments) should be recorded in the minutes of the governing body.

2.1.4 Governing bodies have the power under the School Standards and Framework Act to make payments to individual governors from the school's delegated budget for expenses incurred on journeys or governing body business. No allowances may be paid to governors except those specified under the Act. In addition, schools may not pay expenses which duplicate those paid directly by the Secretary of State to additional governors appointed by them to schools under special measures.

## **2.2 Removal of Delegation**

Clear evidence of mismanagement, such as increasing over-spending with no clear plan to remedy the situation, or where there is a persistent failure to meet the requirements of the scheme e.g. in relation to the education of pupils with special needs, would lead to the Local Authority considering whether powers of local management should be removed from a governing body or modified. It is expected such cases to be rare.

## **2.3 Notice of Concern**

The Local Authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Chief Finance Officer and/or the Service Director, Children and Learning, and/or the Service Lead for Education and Learning, 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.

A notice may be issued as a first step to signal the Local Authority's serious concerns and will hopefully be a precautionary measure. It should be seen by the Head Teacher and the Governing Body as signalling the need for major improvements in financial management.

A further notice will be issued if the Local Authority exercises its right to withdraw financial delegation from the Governing Body. Withdrawal of delegation will not normally be initiated as we expect to work in partnership with the Governors to address concerns before such a stage is considered necessary. The Local Authority will not hesitate, however, to withdraw delegation if a school consistently fails to meet the Local Authority's stated requirements, and/or continues to exceed agreed deficit recovery plan limits. 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 or 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 the Local Authority's financial management systems; and

imposing restrictions or limitations on the manner by which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections, financial monitoring reports on such activities or both.

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 for the notice to be withdrawn. It will also state the actions that the Local Authority may take where the governing body does not comply with the notice.

### **2.4 Schools Financial Value Standard**

All Local Authority maintained schools (including nursery schools and pupil referral units that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard and complete the assessment form on an annual basis. It is for the school to determine at which time of the year they wish to complete the form.

Governors must demonstrate compliance through the submission of the Schools Financial Value Standard form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within specified deadlines. All maintained schools with a delegated budget must submit the form to the Local Authority before the end of the financial year.

### **2.5 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 those controls. This information must also be included in the induction for new school staff and governors.

## **3. The Role of the Local Authority under Delegated Management**

### **3.1 Formula Funding**

The Local Authority is responsible for maintaining the schools covered by this scheme. This includes the duty of providing for all the expenses of maintaining them

(except in the case of voluntary aided schools where some of the expenses must be met by the governing body).

The Local Authority may delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses.

Part of the way in which the Local Authority maintains schools is through the funding system set out in the regulations made under section 45 to 53 of the School Standards and Framework Act. The formula used for calculating delegated budgets for Southampton schools in accordance with these regulations is shown in detail in the Budget Share Guidance document, which is available on the Local Authority Schools Finance website.

### **3.2 Services from centrally held budgets**

The Local Authority holds central budgets which can be used to provide support to schools including, in certain circumstances, payments to schools in addition to their budget share. The main areas to be funded from central budgets are set out in subsections 3.3 to 3.7 below.

The Local Authority will decide, in consultation with head teachers and governors where appropriate, on what basis central services will be provided to schools. However, there will be no discrimination between categories of schools in provision of these services unless:

- funding has been delegated to some schools only

- discrimination is justified by a difference in statutory duties of schools or of the Local Authority in respect of different categories of schools (e.g. voluntary aided schools).

The Local Authority may make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget shares. Such allocations will be subject to conditions setting out the purpose or purposes for which the funds may be used.

### **3.3 Strategic Management**

Policy development and strategic management of the education service will be provided by staff within Education and Learning in consultation with Head-teachers and Governors. Support to schools under this heading may include the following:

- advice to governors on staffing matters including head teacher appointments and provision of other information to governors

- health and safety monitoring

- payment of premature retirement and redundancy costs where appropriate within the Local Authority's policy on this area.

### **3.4 Access to Education**

Education and Learning staff are also responsible for ensuring that sufficient school places and other necessary educational facilities are available and that all eligible children in the city have access to them. Services provided under this heading include:

- Central administration of admissions, exclusions and appeals

- Home to school transport

The Educational Welfare Service  
Environmental education facilities.

### **3.5 Special Educational Needs**

Although much of the funding for special educational needs is delegated to schools, the Local Authority also provides the following services centrally:

The educational psychology service

Administration of education, health and care plans

Top up funding for children in mainstream schools with low incidence statements or other exceptional needs (e.g. specialised equipment)

Top up funding for children in special schools with exceptionally severe or complex special needs

Provision for education otherwise than at school including pupil referral units, and hospital education.

### **3.6 School Improvement**

The Local Authority believes that standards are best secured through the process of school self-review in relation to the objectives identified in its School Improvement Plans and monitored against agreed performance indicators.

Council Officers will categorise schools using relevant available data. Where necessary, categorisation will lead to discussions in relation to pupil progress, attainment and efficient use of resources. Information may be drawn from Ofsted reports, performance tables and school level expenditure.

Schools will buy in a range of visits to review quality of provision, in the context of its development plan. Alternatively, officers will investigate how the school intends to improve its outcomes if there are issues of concern from the local authority categorisation.

Subsequent to any visit in relation to significant concerns, the Local Authority will write a letter identifying the issues to the Head teacher and Chair of Governors. Any further action will be based on the Department for Education guidance on schools causing concern intervention protocols.

### **3.7 Expenditure Supported by Specific Grants**

Education and Learning staff are responsible for managing and administering specific grants for education allocated to the Local Authority by central government.

Grants will be devolved to schools wherever possible in accordance with the objectives and regulations relating to each grant. Advice will be given to schools on the appropriate use and accounting arrangements for devolved grants. Some grants will also be held and managed centrally to support the agreed objectives of the School Improvement Plan.

No deduction will be made, in respect of interest costs to the Local Authority, from payments to schools of devolved specific or special grants.

### **3.8 Services Bought Back from the Local Authority from Schools Delegated Budgets**

The services shown in Appendix F are provided by the Local Authority which may be purchased by schools from their delegated budgets:

These services are offered to schools at prices intended to generate income which is no less than the cost of providing the services. The total cost of the service will be met by the total income, even though different types of school may be charged on different bases.

Initial agreements between the Local Authority and schools for purchase of any services from delegated budgets shall cover a period of no more than five years, subject to consultation with schools. Where an agreement lasts longer than three years, the terms of the agreement must be reviewed after a minimum of three years.

Services offered on a buy back basis will not be packaged in such a way that unreasonably restricts schools' freedom of choice among the services available.

Service level agreements for the provision of services to schools must be in place by 31 March to be effective for the following financial year. Schools will have at least a month to consider the terms of the agreements prior to their taking effect.

Services covered by service level agreements may also be provided to schools on an ad hoc basis if they do not sign up for the full agreement. However, services provided on an ad hoc basis may be subject to different bases of charging and arrangements for service delivery from the same services when provided under a service level agreement.

### **3.9 Training**

The Local Authority is committed to the provision and monitoring of quality training in delegated management for school governors, head teachers, teachers and support staff. Such training can be provided by the Local Authority or bought in from other bodies and can be purchased by schools from their delegated budgets.

## **4. Pupils with Special Educational Needs “SEN”**

The School Standards and Framework Act 1998 confirms the principle of educating pupils with special needs in ordinary schools whenever possible. Under this Act, and the SEN Code of Practice, governors have a particular duty to use their best endeavours to ensure that children's special educational needs are identified, assessed and met. All schools may have some pupils with education, health and care plans including those placed in special units. Governors have a particular duty to ensure that resources are allocated in such a way that the educational provision specified in each child's plan is met.

## **5. Financial Administration**

### **5.1 The Role of the Chief Financial Officer**

The Chief Financial Officer of the Local Authority has a statutory duty to Council Taxpayers to report on all expenditure including that of schools. Governing bodies

when managing their school budget share will therefore have to comply with standards set by the Chief Financial Officer to ensure proper stewardship and accounting.

Governing bodies must permit the Chief Finance Officer, or their representative, to attend meetings of the governing body at which any agenda items are relevant to the exercise of their responsibilities.

## 5.2 Financial Regulations and Other Financial Controls

To assist governing bodies the Local Authority's Financial Regulations and Contract Standing Orders, have been reviewed to take account of the local management in schools. Schools must follow these regulations to the extent that they are compatible with the provisions of this scheme. Schools will be required to follow the general accounting policies of the Local Authority including the year end accounting procedures. Details of these are available from the Local Authority's school finance team.

**Control of Assets.** Schools will be required to maintain an inventory of their moveable, non-capital assets. Guidance on the format of school inventories will be provided by the school finance team. Schools must follow this format in respect of assets with a value of £1,000 or over. Schools should also follow guidance given on the disposal of assets, in particular the basic authorisation procedures.

**Business interests.** Governing bodies are required to keep a register of business interests for each member of the governing body, the head teacher and members of their immediate families. This should detail any other educational establishments that they govern and any relationships between school staff and members of the governing body. The register should be kept up to date with notification of changes and through annual review of entries. This register should be made available for inspection by governors, parents, staff of the school and other Local Authority staff and published on a publicly accessible website.

If any other employee of a school has other paid employment or outside interests where there is a potential conflict of interest, they should inform the head teacher and record the interest appropriately. This includes the recording of gifts and hospitality in a register as required in the Local Authority's Policy on Gifts and Hospitality.

**Whistleblowing** If any member of staff or governor of a school becomes concerned about poor financial management or financial impropriety in a school, they should immediately inform the Service Lead for Education and Learning who will decide in consultation with the Chief Finance Officer what form of investigation should be undertaken. Wherever possible the head teacher and Chair of Governors will be immediately informed of any such allegation and kept informed of the progress of any investigation.

If the Chief Finance Officer believes that reasonable grounds exist for suspecting a loss may have occurred as a result of misappropriation, irregular expenditure or fraud, they must, in consultation with the Head of Legal Services and the Service Lead of Education and Learning, refer the matter to the Police.

If the Chief Finance Officer on investigation, believes that a loss may have occurred as a result of poor financial management, they will consult the Service Lead of Education and Learning and/or the Governing Body, as appropriate, as to the

appropriate disciplinary action.

The Local Authority Whistleblowing Policy should be followed and can be provided by the HR team on request.

### **5.3 Efficiency and Value for Money**

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

It is for head teachers and governors to determine at school level how to secure better value for money. There are significant variations in efficiency between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements.

### **5.4 Audit Arrangements**

All schools maintained by the Local Authority will be subject to the Local Authority's internal audit and external audit regimes as determined by the Local Audit and Accountability Act 2014. All funding for audit will therefore be retained centrally under the heading of Strategic Management.

Schools may, if they wish, use funds from their budget share to obtain external audit certification of their accounts. Both the school and the Local Authority must make available to both internal and external auditors any relevant information required by them in the course of audit inspections.

Governing bodies must provide annual audit certificates in respect of any unofficial funds under their control. Guidance on the level of audit required can be obtained from the Local Authority's internal audit team or school Finance. Audit certificates should be submitted to Schools Finance by 31 October each financial year.

### **5.5 Banking Arrangements**

5.5.1 The Chief Finance Officer under the general direction of the relevant Cabinet Member is required to oversee all banking arrangements for Local Authority establishments, including schools with delegated management. As part of this responsibility all schools are given local bank accounts for modest purchases.

5.5.2 All schools, except for those which are operating with a budget deficit, may choose to have a bank account in their own name into which their budget share will be paid. The account must be held with a bank or building society approved by the Chief Finance Officer and consistent with the Local Authority's Treasury Management Policy. Alternatively, schools may keep their delegated budgets and any invested balances in the Local Authority's main bank account. Schools whose budgets are in deficit will only be able to open their own bank account once the deficit is cleared.

5.5.3 Schools with their own bank accounts must not go overdrawn or borrow money unless they have written permission by the Secretary of state, which will only be in exceptional circumstances, or for limited schemes introduced by the Secretary of State. This provision does not apply to loan schemes run by the Local Authority.

5.5.4 The mandate for any official account held by a school must state that Southampton City Council is the owner of the funds and that the Local Authority can take control



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of the account in the event that the school's right to a delegated budget is suspended. In such a case the Local Authority will have the power to determine the signatories to the account. These may include appropriate Local Authority officers.

5.5.5 Schools which invest their carried forward balances with the Local Authority will receive interest on any funds which they designate as investments. The rates of interest payable are as follows:

All school balances up to £15,000 or 3% of annual budget	3%
All school balances in excess of £15,000 or 3% of annual budget	0.1%

5.5.6 Schools will be free to retain any interest earned from their own bank account. Schools may only open a bank account at the start of a financial year and notice should be given of their intention to do so by 31 December of the preceding financial year to the Service Lead – Finance Business Partnering.

5.5.7 If a school opens an external bank account, the Local Authority will, if the school desires, transfer immediately to the account an amount agreed by both the school and the Local Authority as the estimated surplus balance held by the Local Authority in respect of the school's budget share. There may, however, be a subsequent adjustment to that amount when the accounts for the relevant financial year are closed.

Schools with bank accounts, which make their own arrangements for payment of salaries and wages, will have the whole of their budget share paid into their bank account. Where the full amount of the budget share is to be paid into a local bank account, schools will receive 12 equal monthly instalments, to be paid in advance on the first day of each month.

5.5.8 If a budget share instalment is paid late to a school as a result of Local Authority error, interest will be paid on the instalment for the number of days by which the payment is late, based on the Bank of England base rate.

5.5.9 Schools whose budget shares are banked with the Local Authority will have the ability to draw on the full amount of their budget share from 1 April each year.

## 5.6 Financial Systems

5.6.1 Schools can have on line access to the Local Authority's accounting and financial management system, Business World, to help them manage their financial affairs.

Access to this system is via a personal computer located at the school which is linked to the Local Authority's central computer. A summary of the functions provided are:-

- Comprehensive on-line management information for budgetary preparation and control.
- Recording of all income and expenditure.
- On-line ordering, recording of goods received, authorising payments to suppliers

- Electronic mail facility for communication and transfer of appropriate documents.
- Reports which identify all charges made against the school's budget and give schools the ability to agree or challenge central recharges against their budgets.

5.6.2 Staff carrying out tasks on behalf of the Chief Finance Officer will also have on-line access to individual schools' budgetary and accounting information via Business World. This will enable them to provide immediate systems support and carry out necessary monitoring of schools' expenditure without requiring schools to submit additional reports. All data will only be accessible by authorised users of the system and will be treated as confidential.

5.6.3 Schools may choose to use alternative financial management systems. However, such schools will be subject to additional audit checks to ensure the integrity of their systems. Additional requirements will also be imposed on these schools regarding monitoring the budget and accounting for Value Added Tax.

5.6.4 Schools which do not use Business World must submit quarterly reports of income and expenditure against budget to Schools Finance. The format for budget plans and budget monitoring reports for these schools will be agreed between the head teacher and the Schools Finance Business Partner but should take account of the Consistent Financial Reporting Framework.

5.6.5 Governors are free to set a budget which involves the use of some or all of their accumulated balances in addition to their annual budget allocation. In setting their initial budget plan schools must take account of the estimated level of balances brought forward from the previous financial year. (This may also apply to any subsequent budget revisions which are agreed before the final level of balances brought forward is issued). Where a school plans to use balances to finance on going expenditure such as staff costs, the head teacher should discuss with the School Finance Business Partner how it is planned to bring expenditure in line with the annual budget allocation in the future if the school's balances are used up.

5.6.6 Governors also have the freedom to vire funds within their delegated budgets.

5.6.7 The Local Authority will provide schools with a statement of their final balance brought forward together with a summary of income and expenditure for the previous financial year by 1<sup>st</sup> September each year. All other income and expenditure data will be available to each school through the Local Authority's or the school's own financial system.

## **5.7 Budgeting**

5.7.1 In order to adopt good financial practice schools should prepare annual budgets and ensure that they are regularly reviewed. The first formal budget plan of the year must be approved by the full governing body, or by a committee of the governing body. The Chief Finance Officer requires access on a regular basis to information about income and expenditure against budget for schools. This is to enable them to fulfil their responsibilities under Section 151 of the Local Government Act 1972; to ensure that the necessary financial standards are being met and to make an informed response to questions raised in relation to schools.

5.7.2 Governing bodies should, therefore, ensure that in each financial year the Local Authority has access to their latest approved budget plan. They should also make available on request, information about the assumptions underlying their budget

plan e.g. the estimated level of balances brought forward from the previous financial year; rationale for estimating levels of income. All schools must make available their initial approved budget plan by 31 May each financial year.

5.7.3 Schools are also required to make available to the Local Authority a copy of any revised budget which has been approved by the governing body. Revised budgets must be made available to the Local Authority by 31<sup>st</sup> October at the latest, unless the Governing Body has decided not to revise the original budget, in which case the School Finance Business Partner should be informed.

5.7.4 The Local Authority requires schools to submit a three year budget forecast by 30 June, to ensure schools are undertaking effective financial planning.

## **5.8 School Balances**

5.8.1 Schools will carry forward any overspending or underspending from one year to the next.

5.8.2 When a school closes, any balances held will revert to the Local Authority. However, the funding formula will allow additional payments to be made to new schools to reflect the balances held by preceding schools (where appropriate).

5.8.3 Where a school converts to academy status under section 4(1)(a) of the Academies Act 2010, the balance will transfer to the academy.

5.8.4 The Local Authority recognises that schools may wish to carry forward a surplus balance to allow for future variations in funding or unforeseen expenditure requirements. However, the Local Authority is committed to keeping the level of school balances to a minimum, in order to ensure that available resources are effectively targeted at the needs of pupils currently in Southampton schools.

Surplus balances held by schools as permitted under this scheme are subject to the following restrictions:

Primary schools, Special schools and Pupil Referral units may carry forward up to 10% of the current year school budget share as general balances. Secondary schools can carry forward up to 8%. Anything above this is an “excess surplus” balance.

There are three allowable purposes for which excess surplus balances can be used:

- As a revenue contribution to capital projects within a time limited maximum two year period.
- To maintain a reserve to fund staffing levels in the short / medium term due to a verified dip in pupil numbers.
- To provide reasonable and proportionate resources to fund the impact of major changes in Government policy on the curriculum for multiple subject areas. Any decisions to retain surplus balances for this reason will be subject to review by the Local Authority.

Schools may lose their excess surplus balances if:

- They do not inform the Local Authority of the governing body decision before 31 May that there are proposals to use any excess surplus balances and that those proposals have been approved and included in the minutes by the appropriate governing body or Sub-Committee by this time.
- The proposals do not relate to one of the allowable purposes for the use of

surplus balances.

- The Utilisation of Balances Pro-forma is incomplete.
- The intended use of the balance was on a capital project, which has not materialised at the end of the time limited two year period.

Extensions to the deadline for submission of proposals for the use of the excess surplus balance will need to be agreed with the Local Authority.

Excess surplus balances removed from schools will be added to a schools surplus fund for redistribution.

5.8.5 The procedure to obtain approval to carry forward excess surplus balances is as follows:

- Schools should complete a proposal for utilisation of their surplus fund and return to the Schools Finance team by the 31 May for consideration and approval. This form must include detailed plans and objectives. Relevant minutes at the governing body or sub-committee meeting must be attached detailing the decisions agreeing to spend the surplus balances and retained for a period of two years. An example is attached at Annex C.
- The Schools Finance Team will monitor the balances and remove the excess as detailed above if the Utilisation of surplus fund does not comply with the revised principles of the scheme. The Schools Finance Team will ask for a breakdown and evidence of expenditure plans.
- It is the intention that excess surplus balances will be removed in the summer term of the following financial year if the spend does not materialise within the timescale detailed.

5.8.6 Funds deriving from sources other than the Local Authority will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise. Funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the Local Authority.

## **5.9 Deficit Budget Policy**

The Local Authority may not write off the deficit balance of a school.

Schools should not plan for a year end deficit budget when submitting budget plans at the start of the year i.e. expenditure exceeding funding and income for the year plus any balances brought forward from the previous year. Schools that submit deficit plans will be required to provide a deficit recovery plan to bring the budget back into balance within three years.

The authority may intervene if a school is unable to set a balanced budget, by identifying the action a school could take and ultimately by suspending delegation. Any unplanned deficit incurred during the year would be a first call on the following year's budget; the school would need to include the deficit in its balanced budget plan for the following year. Schools that incur unplanned deficits in successive years would be treated the same as schools submitting deficit plans and the authority would need to intervene.

**The deficit recovery plan** When a school first becomes aware of a potential deficit it should follow the procedures in Annex D in order to obtain the Local Authority's approval for a licensed deficit. A summary of the steps are:

Step 1 Preparation

Step 2 Notify the Local Authority with supporting documentation

Step 3 Initial meetings with the Local Authority schools finance team.

Step 4 Submit a deficit recovery plan. This becomes the formal application for a licensed deficit.

Step 5 Monitoring. The requirements and monitoring which the school will need to follow.

**Issue of a Notice of Concern** The Local Authority may issue a Notice of Concern to the governing body of any school it maintains, where in the opinion of the Service lead for Education and Learning, the school has failed to comply with any provisions of the scheme, and / or where actions need to be taken to safeguard the financial position of the local authority or the school.

## 5.10 Loans from School Balances

The Local Authority currently operates a loan scheme that allows schools to borrow amounts of up to £200,000 from the pool of school balances to fund certain types of project. Projects to be supported may include:

- Investment projects which will produce a future revenue saving e.g. schemes to improve energy efficiency.
- Projects to improve school security (deemed as necessary by Health & Safety).
- Major purchases of equipment (e.g. IT).
- Major maintenance or improvements to school properties (deemed as necessary by Capital Assets).

The project must make a contribution to raising educational standards as part of a school development plan. Loans will be repayable over two to five years and will be subject to the terms and conditions set out in the School Loans Scheme, which is set out in detail in Annex A of this document.

The scheme will be open to all schools, including those with their own bank accounts, but balances held by schools with bank accounts will not be included in the amount available for loans.

Schools will not be permitted to borrow other than through the Local Authority's scheme for loans from school balances except with the written permission of the Secretary of State, or where borrowing is undertaken by trustees or foundations and the debt is not serviced directly from a school's delegated budget.

Schools may not use credit cards as these are a form of borrowing. However schools are able to use purchase cards as these are a useful means of facilitating electronic purchase.

## 5.11 Purchasing and Contracts

5.11.1 Schools have the freedom to choose their suppliers of goods and services. If the governing body of a school with a delegated budget enters into a contract, in most

cases it does so on behalf of the Local Authority. In certain circumstances, 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 schools for the employment of staff. The governors of a school will not incur any personal financial liability in respect of any contract they enter into in good faith while exercising their delegated powers under local management.

5.11.2 Schools also have the right to opt out of contracts arranged centrally by the Local Authority for services for which funds have been delegated to schools except where schools specifically agree to be covered for a set period by central contracts for services.

5.11.3 In the above case the schools in question will not be able to opt out of the contract until the end of the period for which they have agreed to be covered by it.

5.11.4 However, in exercising their powers, governors must comply with the Local Authority's Financial Regulations and Contract Procedure Rules to ensure propriety and value for money in purchasing matters.

- Schools must follow the appropriate Contract Procedure Rules for all spend up to £100,000 in contract value and should seek advice on the appropriate route to market from the Local Authority's procurement team for all spend above £25,000 in contract value.
- All spend above £100,000 in contract value must be managed by the Local Authority's procurement team.
- The latest financial regulations and contract procedure rules can be obtained by the Local Authority's Finance Team or the Procurement Team.
- It is the intention of the Local Authority that in following these procedures schools should not do anything incompatible with any of the provisions of this scheme, or any statutory provision.
- Schools must ensure that any contract entered into with a supplier or provider contains a suitable indemnity in favour of both the Local Authority and the School requiring the contractor to indemnify the Local Authority and the School against any loss suffered as a result of a default on the part of the contractor or any sub-contractor.
- Schools are not required to select suppliers from an approved list

5.11.5 In all cases where governors make their own arrangements with private contractors for providing services, the Local Authority draws their attention to health and safety and equal opportunity requirements see section 8.

## **5.12 Capital Expenditure**

5.12.1 Where a school is financing expenditure using its capital budget, the school will be subject to the procedures set out in the Local Authority's Finance Procedure Rules.

5.12.2 Governors have the right to use money from within their revenue budget for capital spending. However, schools should inform the Service Lead - Education & Learning of any proposed capital scheme. This is necessary in order to assess the likely impact on the structure of the school buildings. Schools Finance staff will also need to check the funding available for the scheme, and to notify the Chief Finance Officer so they may take account of it in the overall consideration of capital financing for the Local Authority.

Landlord's consent must be obtained for any scheme that involves alterations or extensions to the buildings or site. A Landlord's Consent form is available for this purpose from the Capital Assets Manager. The Head of Property Services must be consulted on the procurement of schemes in excess of £100,000.

5.12.3 Trust schools are not required to obtain landlord's consent as the land and buildings are owned by the Trust. However as the Local Authority retains a residual liability in the land and buildings, and trust schools are eligible for capital funding allocated to the Authority for school premises, trust schools are required to notify and consult with the Authority on the servicing and maintenance of its assets and any scheme that involves alterations or extensions to the buildings or site.

### **5.13 Income from fees, lettings, fund raising etc**

- Schools may retain income from fees and charges for any service which is provided using funds which have been delegated to the school, provided those charges are made in accordance with the Local Authority's policies on charging for school activities and use of school premises (see also section 10 on the use of school premises for community purposes).
- Schools may also retain any income raised through fund raising activities.
- Income from the sale of assets may be retained by the school, except where the asset concerned was purchased through non-delegated funds or the asset concerned is land and buildings forming part of the school premises and is owned by the Local Authority. Where an asset (other than land and buildings) purchased from non-delegated funds is disposed of, the Service Lead-Education and Learning will decide in each case whether the school should retain the proceeds.

### **5.14 Taxation and payroll**

5.14.1 For schools which make and account for payments via Business World, any VAT on income and expenditure will be charged/credited directly to the Local Authority's VAT account and will not go through the school's account. Schools are responsible for ensuring valid VAT receipts are requested and held for inspection on request.

5.14.2 Schools with their own bank accounts, which do not use Business World, will be required to pay VAT on expenditure where necessary. In order to reimburse these schools for any recoverable VAT at the end of each month a VAT claim must be submitted to the Local Authority giving details of the actual amount of VAT paid. More detailed guidance on the treatment of VAT is available from the Local Authority's VAT officers. More detailed guidance on the treatment of VAT is available from the Local Authority's VAT. Schools are expected to complete and send returns by the third day of the calendar month.

5.14.3 Schools with a delegated budget are treated as exempt from the Construction Industry Tax Deduction Scheme where the contract is between the school/governing body and the subcontractor. Schools with their own bank accounts are responsible for ensuring that these rules are followed correctly.

5.14.4 Schools are advised to check with the Local Authority, before using contractors,

agency or temporary staff that the IR35 off payroll working rules will be applied correctly.

5.14.5 Since staff are deemed employees of the Local authority, each school using an external payroll provider must ensure that monthly remittances and annual returns for staff pensions and payroll taxes are accurate and submitted to the Local Authority on a timely basis.

## **5.15 Charges against the School's Budget Share**

Charges will not be made against the schools' budget share without the express agreement of the governing body except where specifically allowed for in this scheme. Provisions for charging schools; budgets are made in the sections on health and safety and insurance. School's budgets may also be charged in the following circumstances:

- For the salaries of staff employed at the school at their actual cost
- Where premature retirement costs have been incurred without the prior written agreement of the Local Authority to bear such costs
- Other expenditure incurred by schools to secure resignation where the school has not followed Local Authority advice
- Awards by courts and industrial tribunals or out of court settlements against the Local Authority arising from action or inaction by the governing body contrary to the Local Authority's advice
- Where a disputes procedure set out in a service level agreement establishes that monies are owed by the school to the Local Authority
- Expenditure incurred by the Local Authority in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Local Authority or the school has voluntary controlled status.
- Expenditure incurred by the local authority in carrying out health and safety work or capital expenditure for which the authority is liable where funds have been delegated to the governing body for such work but the governing body has failed to carry out such work.
- Expenditure incurred by the local authority in insuring its own interests in a school but the school has failed to demonstrate that it has arranged cover at least as good as that which would have been arranged by the authority.
- Recovery of moneys due from a school for services provided to the school, where a dispute over the moneys has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the Local Authority
- Recovery of penalties imposed on the Local Authority, by HM Revenue and Customs, Teachers Pensions, the Environment Agency or regulatory authorities as a result of school negligence
- Correction of Local Authority errors in calculating charges to a budget share
- Additional transport costs incurred by the Local Authority arising from decisions by the governing body e.g. on the length of the school day, or failure to notify the Local Authority of non-pupil days resulting in unnecessary transport costs



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- Legal costs which are incurred by the Local Authority because the governing body did not accept the advice of the Local Authority
- Costs of necessary health and safety training for school staff where funding for training has been delegated but the necessary training has not been carried out
- Compensation paid to a lender where a school takes out a loan beyond its legal powers.
- Cost of work done in respect of teacher pension remittance and records for schools using non-Local Authority payroll contractors where the charge will be the minimum needed to meet the cost of the Local Authority's compliance with its statutory obligations
- Costs incurred by the Local Authority in securing provision specified in an Education, Health and Care Plan where the governing body of a school fails to secure such provision despite the delegation of funds in respect of that pupil's plan
- Costs incurred by the Local Authority due to submission by the school of incorrect data
- Recovery of amounts spent from specific grants on ineligible purposes
- Costs incurred by the Local Authority as a result of the governing body being in breach of the terms of a contract.
- Costs incurred by the Local Authority in undertaking or putting into place any remedial action necessary to protect the Local Authority from liability arising as a result of any action or inaction or any failure on the part of the school or governing body or any other default whatsoever or howsoever arising on the part of a school, the Governing Body or a contractor engaged to provide services to a school by the school or on its behalf (including the failure to adequately monitor services provided to the school which give rise to such liabilities).
- Costs incurred by the authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.
- Costs incurred by the authority in administering admissions appeals, where the local authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.

Schools will be consulted prior to any such charge being made against their budget share. Schools will also be informed when a charge has been made. The exception to this will be in respect of charging schools for actual salary costs of staff employed by the school, as this will be a regular monthly payment and there should be no need to specifically consult or inform schools about it.

### **5.16 Delegation to New Schools**

Where a new school has yet to receive a delegated budget, the Local Authority may selectively delegate amounts to the governing body which are necessary for them to carry out their duties. This may include funds to meet governors' expenses where appropriate.

## **6. Personnel**

## 6.1 Employment responsibilities

All staff (other than those in voluntary aided, trust or foundation schools) are formally employees of the Local Authority. However, the School Standards and Framework Act places the power for determining most personnel/HR and staffing matters firmly with the governing bodies of schools with delegated budgets. The power ranges from decisions on staff numbers to appointments, dismissals, establishment and operation of disciplinary and grievance procedures.

To assist governors and head teachers in exercising the employment responsibilities conferred upon them by the Act, the Local Authority has produced policies and processes which can be obtained from the HR team. If these are followed, then individual or collective difficulties will be less likely to arise.

Professional associations and trade unions were consulted on the contents of the policies. The effective induction, training and development and appraisal of employees are emphasised as key areas in the employment of people.

## 6.2 Redundancy and Early Retirement

The Local Authority has a policy for schools for carrying out redundancies and early retirements. In brief Section 37 subsections (4 - 6) Education Act 2002, says the default position is that premature retirement costs must be charged to a school's delegated budget, while redundancy costs must be charged to the Local Authority's budget.

The Local Authority must agree in writing to accept charges of premature retirement, and in the case of redundancy costs must have good reasons for charging the school's delegated budget, and that cannot include having a no redundancy policy.

The Local Authority views the following as examples of good reasons as to when a school's budget may be charged with redundancy costs.

- Non-compliance with the redeployment policy
- Accepting voluntary redundancy rather than a cheaper compulsory redundancy (on the basis that the individual school would bear the difference in cost)
- Failure to implement the redundancy policy/procedural guidelines
- Failure to adopt the redeployment process set out for all schools
- Where a governing body uses redundancy to avoid addressing capability or conduct issues, which will need to be dealt with using the appropriate procedures
- Where a school has a surplus balance and no agreed plan to use this balance.
- Where staffing reductions arise from a deficit caused by factors within the school's control.
- If schools choose to re-employ staff following redundancy and/or early retirement, this must not be for a period of 3 years at the same school and a period of 2 terms at other Southampton maintained schools.

For staff employed under the community facilities power the default position is under sub section (7) 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 duties imposed by the education acts.

Further information and advice can be sought from the Local Authority's HR team.

## 7. Repairs and Maintenance

Schools should use their delegated budget to cover all repairs and maintenance of school buildings except for works which meet the Local Authority's usual definition of capital expenditure. The main areas which may be designated as capital are as follows:

new buildings, extensions or significant improvements as part of the Local Authority's schools' capital programme.

maintenance or improvement works supported by specific grants

large scale replacement, renewal or maintenance of the structure of a building e.g. foundations, structural walls, roof, chimney, floor and staircase structures

large scale window replacement (e.g. all windows in one face of a building)

large scale replacement or renewal of electrical, heating or other services

demolition, including site clearance and sealing off of drains and other services

large scale health and safety work e.g. asbestos removal, complete resurfacing of playgrounds

installation, replacement or structural maintenance of temporary buildings

significant measures to improve access to the building for people with disabilities e.g. installation of lifts or access ramps

The funds and the responsibility for all other aspects of repairs and maintenance is delegated to governors. A full breakdown of maintenance responsibilities between the Local Authority and schools can be obtained from the Local Authority property team.

For voluntary aided schools, the liability of the Local 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 grants from the Secretary of State for capital works at voluntary aided schools depends on the *de minimis* limit applied by the Department for Education to categorise such work, not the *de minimis* limit used by the Local Authority.

Where schools carry out repairs, modifications or extensions to buildings or services **they must obtain a landlord's consent** to the proposed work from the Local Authority as per section 5.12.

## 8. Health and Safety

The Local Authority delegates to the governing bodies and head teachers the duty, in expending the school's budget share, to take the necessary actions to comply with health and safety legislation. However, it cannot delegate its corporate legal responsibility under the "Health and Safety at Work Act 1974" and Regulations made under it. It should also be remembered that all staff have individual responsibilities under Health and Safety legislation.

Schools will operate within the Local Authority's health and safety policies including

Safe Working Procedures but with the delegation of powers under this scheme. Governing bodies and head teachers will need to take positive action to ensure that Health and Safety is adequately managed within the school premises and on school organised trips.

Safety functions falling within the direct responsibility of governing bodies and head teachers include:-

- formulating, disseminating and reviewing the school's health and safety policy statements in the context of Local Authority policy.

- ensuring that arrangements are in hand to effectively plan, organise, control, monitor and review preventative and protective measures.

- buying and maintaining equipment (including firefighting equipment).

- maintaining and repairing fixtures and fittings and other equipment are the responsibility of the governing body.

- cleaning, both indoors and outdoors.

In fulfilling their Health and Safety functions governing bodies and head teachers must by virtue of "The Management of Health and Safety at Work Regulations 1992", appoint a competent person(s) to assist in undertaking measures to comply with Health and Safety legislation. The Local Authority has a Corporate Health and Safety service, and guidance should be taken from them.

Governing bodies will have direct health and safety responsibility for most aspects of the maintenance of school buildings, other than works of a capital nature.

Governors will therefore be required to demonstrate that they have budgeted adequately for repairs and maintenance in order to ensure that they are in a position to carry out any reasonable maintenance required for health and safety reasons. Schools are, therefore, requested to produce an annual plan for repairs and maintenance expenditure which will enable officers to monitor whether health and safety work has been allowed for and to allow health and safety monitoring where necessary of major works undertaken by the school. This plan should be submitted to the Capital Assets Liaison Manager by 31<sup>st</sup> March each year.

The Local Authority has a direct Health and Safety responsibility for some elements of the maintenance of school buildings. However, if any item within the Local Authority's responsibility presents an obvious hazard to a member of staff, pupil, visitor or other third party this must be reported to the Local Authority for action immediately, after taking any possible temporary measures to make the situation safe (any such reasonable costs will be reimbursed by the Local Authority).

It should be ensured that when engaging contractors for goods and services that they conform to appropriate Health and Safety standards in the goods and/or services they provide, particularly where this may impinge upon the safety of staff, pupils or third parties on school premises. Particular attention is drawn to the potential direct legal liability for Health and Safety as a client under the "Construction (Design and Management) Regulations 2015" when engaging contractors on certain activities that are defined as construction work. (This can include the more extensive building maintenance activities). Competent advice should be sought.

Where a governing body fails to comply with the Local authority's Health and Safety policies, the Local Authority will take the necessary action and

reserves the right to charge the cost to the school's budget.

## 9 Insurance and Governor's liabilities

### 9.1 Insurance

Governing bodies of maintained schools can 'buy back' into the Local Authority's corporate insurance contract and associated insurance and risk management service offering or make alternative insurance arrangements. Such an alternative arrangement may include consideration of the Risk Protection Arrangement (**RPA**) which is an alternative to insurance for schools and is provided by the Department for Education (DfE). Full details of the RPA Rules (cover) and scheme details can be found on the RPA website: <https://www.gov.uk/guidance/the-risk-protection-arrangement-rpa-for-schools>. Those schools who 'buy back' into the Local Authority's corporate insurance contract, via the Insurance Service Level Agreements ('SLAs'), are charged according to the delegated funding allocated in their budget share. The 'buy back' option comprises separate Insurance SLAs for 'Liability Insurances' and for 'Material Damage'.

9.1.1 **'Liability insurances'** are primarily intended to provide protection to the insured (the school) in the event it becomes legally liable to pay damages, costs or expenses to a claimant (e.g. member of public, employee or other third party). Under the 'Liability Insurances' SLA the following is cover is provided:

- Employers Liability
- Public Liability
- Officials' Indemnity (including Governors' Liability)
- Libel and Slander
- Fidelity Guarantee
- Professional Negligence (arranged on request, where necessary)

9.1.2 Voluntary Aided / Trust schools are legally required to have their own Employers Liability cover in place which recognises that the Governing Body / Trustees are the employers of the staff. Under the Liability Insurance SLA each Voluntary Aided or Trust school is provided with its own individual Employers Liability Certificate on an annual basis. With regard to Voluntary Aided Schools, the cover applies in respect of the normal educational activities of the school, therefore the Diocese, or equivalent, would be expected to arrange cover in respect of any non-educational (parish related) activities.

9.1.3 A similar position applies in respect of Public Liability insurance whereby, in respect of a Voluntary Aided school, the Diocese, or equivalent, would be expected to arrange cover in respect of any non-educational (parish related) activities.

9.1.4 In respect of a 'PFI School' the service provider will have in place both public and employer's liability insurance in respect of its responsibility for both the site and its own employees. Any liability claim not relating directly to educational activities or the actions of a council employee would therefore be dealt with by the service provider under their insurance arrangements.

- 9.1.5 It is the responsibility of the governing body to ensure that adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power. A school proposing to provide community facilities should, as an integral part of its plans, undertake an assessment of the insurance implications and costs, seeking professional advice if necessary.
- 9.1.6 Any Hire Agreement, or equivalent, issued by the school should notify the hirer that they are required to accept responsibility for accidental damage to premises and equipment caused by or arising out of their use of the school premises and for any third party claims involving accidental injury to persons and/or damage to property except when caused solely by the negligence of the council, its servants or agents.
- 9.1.7 **'Material Damage'** insurances refer to school buildings and contents including IT equipment. In respect of the 'Material Damage SLA' this also includes cover in respect of:
- Buildings and Contents
  - IT Equipment
  - Additional Expenses/Business Interruption
  - Contract Works (relating to the extension or refurbishment of existing premises)
  - Money
  - School Journey
  - School Minibus
  - Engineering Inspection and Insurance (statutory inspection of plant and equipment in order to comply with relevant health and safety legislation).
- 9.1.8 An adjustment is made for those schools where the Local Authority does not have responsibility for the operation and management of the school premises and/or where a third party is responsible for insurance of the school buildings.
- 9.1.9 Schools who 'buy back' into the Local Authority's insurance programme via the 'Insurance SLAs are provided with support from the Local Authority's Risk & Insurance team. This support includes responding to any queries regarding the scope of insurance cover provided, assistance with submitting claims to insurers and provision of an experienced claims team who co-ordinate handling of any claims made by third parties against the school (including litigated claims).
- 9.1.10 Any school wishing to make its own arrangements for insurance is expected to put in place an insurance programme that is at least equivalent to the minimum cover provided under the council's 'Insurance Service Level Agreements'. Any proposed alternative insurance arrangement must include suitable wording such that it provides appropriate indemnity to the council in respect of any claims received. The school will be required to assume full responsibility for all claims that may arise irrespective of the circumstances and/or amount claimed. Schools would therefore be expected to obtain independent professional advice on the type and scope of

cover and support required.

- 9.1.11 If a claim is made against the Local Authority in respect of an activity which is the responsibility of a school with its own insurance arrangements, then the claim will be referred back to the school for them to refer to their own insurers.
- 9.1.12 Any school that is intending to arrange its own insurance programme, must, by no later than 31st January (for 1<sup>st</sup> April renewal), submit full details of the proposed alternative insurance arrangements to Risk and Insurance Services. The school should not commit to any alternative insurance arrangement until that intended arrangement has been agreed by Risk & Insurance Services.
- 9.1.13 The Local Authority reserves the right to continue to arrange cover and charge a school for insurance under the council's corporate insurance programme if satisfactory evidence of the alternative cover is not provided in sufficient time and/or it is considered that the alternative arrangement proposed by a school is not at least equivalent to the minimum cover provided under the council's 'Insurance Service Level Agreements'.
- 9.1.14 The Local Authority does not provide a facility to top-up cover where the cover that would be provided under the arrangements proposed by a school is not deemed to be adequate.
- 9.1.15 Should a school convert to academy status during the period then cover arranged under the 'Insurance Service Level Agreements' will cease from the date of transfer and the Schools Finance Team will provide a premium rebate on a pro rata basis.
- 9.1.16 In all cases, schools are responsible for ensuring that all material facts are disclosed. A "material" fact is defined as one which would influence an underwriter when they were deciding whether to accept the risk. Non-disclosure of a material fact may give the insurer the right to cancel the cover. Advice should be sought if a school is unsure as to whether something needs or ought to be declared to insurers and/or whether it would constitute a material fact.

## **9.2 Governors Liability**

The terms of the School Standards and Framework Act section 50(7) gives governors of maintained school's legal protection, both individually and collectively, from any personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith. The Act does not cover any negligence by the governing body in the exercise of powers when not directly attributable to the spending of the school's delegated budget. An example of behaviour which is not in good faith is the carrying out of fraudulent acts. Breaches of the scheme for financing schools are not in themselves failures to act in good faith; neither is rejection of local authority advice as to financial management.

Governors/Trustees of voluntary aided and trust schools should seek their own independent advice in respect of the cover that they may require in respect of their potential liabilities as governors /trustees in respect of any non-educational (parish related) activities.

## **10. Community Facilities**

## **10.1 Introduction**

Schools are encouraged to discuss any proposals for developing services or facilities for community use (i.e. opening their premises for wider use by the local community) with the Local Authority.

Governing bodies can incur expenditure, enter into agreements with any person, co-operate with, or facilitate or co-ordinate the activities of any person, and provide staff, goods, services and accommodation to any person.

Subject to the provisions of Chapter 3 of Part 6 of the Education Act 1996 (charges in connection with education), governing bodies can charge for any services or facilities provided.

Schools, which choose to exercise the power conferred by section 27 (1) of the Education Act 2002 to provide community facilities, will be subject to controls. Regulations made under section 28 (2) if made, can specify activities which may not be undertaken at all under the main enabling power. Under section 28 (1), the main limitations and restrictions on the power will be those contained in this scheme made under section 48 of the School Standards and Framework Act 1998 as amended by paragraph 2 of Schedule 3 to the Education Act 2002. This amendment extended coverage of the scheme to include the exercise of the powers of governing bodies to provide community facilities.

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

This section of the scheme does not extend to joint-use agreements, transfer of control agreements, or agreements between the Local Authority and schools to secure the provision of adult and community learning.

From 1<sup>st</sup> April 2011, schools may spend their budget share on community facilities.

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

## **10.2 Consultation with the Local Authority – Financial Aspects**

Schools are encouraged to discuss any proposals for developing services or facilities for community use (i.e. opening their premises for wider use by the local community) with the Local Authority. As public bodies schools are expected to act reasonably, and this includes consulting those affected by decisions they make.

The school may wish to consider the following information in planning any community activity:

A full business plan for the provision of the proposed community facilities, incorporating a full risk assessment;

in the case of capital projects affecting the existing buildings on the school site and/or the construction of new buildings works proposed then the Local Authority should be consulted from the outset and will work with the school on how to proceed with the work;

details of any planning and environmental considerations and evidence of discussions with relevant regulatory agencies;

details of the progress on consultations with school staff and parents;



expressions of support from potential user groups details as to how the facility will be managed and how this relates to the management of the school;

a statement that the proposed activities will not interfere with the performance of any duty imposed on them by section 21(2) or by any other provision of the Education Acts;

details of any proposed funding agreements with third parties;

the insurance arrangements proposed;

details of any licenses or permissions required, e.g. Ofsted inspection of playgroups

### **10.3 Funding agreements with third parties**

Any proposed funding agreement with a third party (who will either be supplying funding and/or taking on part of the provision) should be submitted to the Local Authority for comment, at least one month in advance of the agreement taking place.

If an agreement has been or is to be concluded against the wishes of the Local Authority, or has been concluded without informing the Local Authority, which in the view of the Local Authority is seriously prejudicial to the interests of the school or the Local Authority, that may constitute grounds for suspension of the right to a delegated budget.

### **10.4 Other prohibitions, restrictions and limitations**

The Local Authority may require that in a specific instance of use of the community facilities power by a governing body, the governing body concerned shall make arrangements to protect the financial interests of the Local 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 Local Authority

The Local Authority at this point in time does not propose to impose any restrictions through the scheme but in all instances the Local Authority is mindful that any activity takes place within the context that it will not in any way jeopardise the financial position of the Local Authority or school, or the protection of pupil welfare or education.

### **10.5 Supply of financial information**

Schools using Business World should record expenditure and estimated budgets in respect of the community facilities power using a separate cost centre.

Schools using a non-council financial system, should provide the Local Authority every six months with a summary statement, showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next six months.

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

### **10.6 Audit**

The school must grant access to the school's records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure.

Schools, in concluding funding agreements with other persons pursuant to the exercise of the community facilities power, to ensure that such agreements contain adequate provision for access by the council 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 Local Authority to satisfy itself as to the propriety of expenditure on the facilities in question.

#### **10.7 Treatment of income**

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

Schools can carry such retained net income over from one financial year to the next as a separate community facilities surplus. Subject to the agreement of the Local Authority at the end of each financial year, surpluses over and above any community subsidy given to a school, can be transferred to the budget share balance.

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

Schools must ensure that no deficit arises from the operation of community facilities. If a deficit arises as a result of mismanagement, this could constitute grounds for suspension of the right to a delegated budget.

#### **10.8 Health and safety matters**

The health and safety provisions outlined in section 8 extend to the community facilities power.

The governing body is responsible for the costs of securing Disclosure and Barring clearance, where appropriate for all adults involved in community activities taking place during the school day. Governing bodies would be free to pass on such costs to a funding partner as part of an agreement with that partner.

#### **10.9 Insurance**

It is the responsibility of the governing body to ensure that adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice if necessary. See section 9.

#### **10.10 Taxation**

Schools should follow the advice of the Local Authority and the local VAT office on any issues relating to the possible imposition of Value Added Tax on expenditure in connection with community facilities.

If any member of staff employed by the school or Local Authority in connection with community facilities at the school is paid from funds held in a school's own bank account (whether a separate account is used for community facilities or not), the school is likely

to be held liable for payment of income tax and national insurance, in line with HM Revenue and Customs rules.

Schools should follow advice in relation to the Construction Industry Scheme where this is relevant to the exercise of community facilities power. Schools are also recommended to seek advice from the Local Authority in regards possible IR35 off payroll workers where this is relevant to community facilities

#### **10.11 Banking**

Schools should either maintain separate bank accounts for budget share and community facilities (for cheque book schools), or use a separate cost centre.

For schools operating their own bank account, the banking arrangements in paragraph 5.4 apply to the community facilities power. However, where a bank account is set up specifically for community facilities, the account mandate should not imply that the Local Authority is the owner of the funds in the account except insofar as those funds have been provided by the Local Authority itself.

Schools are reminded that they may not borrow money without the written consent of the Secretary of State, except through the Local Authority's Loans scheme.

#### **11. Child Protection**

11.1.1 Schools should release staff when required to attend child protection case conferences and other related events

## **Annex A: Scheme for Loans from School balances**

### **1. About the scheme**

- 1.1 The Authority operates a loan scheme for schools that may require a revenue loan during a period of financial difficulty. The Loan Scheme enables a proportion of the balances held by Southampton schools to be used for projects for the benefit of children currently in schools.
- 1.2 The scheme will enable schools to borrow resources from the pool of school balances in order to carry out works or make purchases that they could not afford from within their annual budget or accumulated balances. It is hoped that the scheme will also encourage schools with large balances to spend them in the short term, as they may be able to borrow additional funds now to make up the cost of a planned future project, rather than saving for several more years.
- 1.3 Loans are intended for one-off projects and purchases, not to support on-going revenue expenditure. Schools which, due to circumstances beyond their control, are likely to incur a budget deficit because of ongoing revenue commitments, should follow the deficit budget procedure set out in the Scheme for Financing Schools.
- 1.4 A school **must not** incur expenditure prior to any loan application being approved. Loans will not be granted where a scheme has already commenced, and cannot therefore be applied for retrospectively.
- 1.5 Balances held by schools with their own main bank accounts will not be available for loan by other schools. However, these schools will be able to take out loans as the scheme is intended to encourage these schools along with others to use the available resources to support the education of children currently in school.

### **2. SUMMARY OF TERMS AND CONDITIONS**

#### **2.1 AMOUNT TO BE BORROWED**

- 2.1.1 The overall amount of loans issued at any one time will be restricted to 30% of total available balances (excluding any balances held in schools' own bank accounts) so that investing schools can still be guaranteed access to their investments if they wish to withdraw them.
- 2.1.2 If applications are received for loans which exceed this limit, applications will be prioritised according to the contribution which it will make to raising educational standards as part of a school development plan.

#### **2.2 PURPOSE OF LOAN**

- 2.2.1 Loans will be made for the following purposes only:
- maintenance or improvements to school properties,
  - investment projects which will produce a future revenue saving e.g. schemes to improve energy efficiency
  - projects to improve school security, major purchases of equipment.

- 2.2.2 The school must also demonstrate that the project will make a contribution to raising educational standards as part of a school development plan.

### **2.3 PERIOD OF LOAN AND INTEREST RATE**

- 2.3.1 Loans for the purposes described above will normally be repaid over a minimum of two years and a maximum of five years. In exceptional circumstances, the loan period may be extended to 10 years, subject to full analysis by and consultation with the Service Director for Education and Learning. However, where loans are used to purchase equipment which depreciates in value relatively quickly - especially information technology equipment - loans will be repaid over a maximum of four years. The repayment period for each loan will be agreed when the loan is approved.
- 2.3.2 Interest will be charged on loans at an average previous year base rate plus 0.5%. This rate reflects the average rate currently paid to investing schools, plus a small element for the cost of administering the scheme, so that interest can continue to be paid to investing schools. The rate will vary from year to year as the bank base rate varies.
- 2.3.3 Repayments (including interest) will be made in annual fixed instalments. The repayment amount will be agreed with the school before the loan is approved. The first repayment will be due at the beginning of the financial year following that in which the loan was granted. The agreed payments will be deducted from the school's account by journal transfer at the beginning of each financial year until the loan is repaid.
- 2.3.4 If a school refuses to repay the loan, the authority reserves the right to charge the schools budget share. Any default on a loan by the academy will be raised with the funding agency in the first instance, who may require to sign as guarantor as part of the CTA. If an informal resolution cannot be agreed, it will be treated as a civil debt and recovered through the County Courts accordingly.

### **2.4 SCHOOL CONVERTING TO AN ACADEMY**

- 2.4.1 If the school converts to academy during the period of the loan, the academy or sponsor will be responsible for any outstanding loan. Any outstanding loan will be transferred into the name of the academy and will be detailed on the Commercial Transfer Agreement (CTA).
- 2.4.2 Any new loans taken out by a maintained school will need to be fully repaid should the school become a non-sponsored academy. Should a school become a sponsored academy, the academy will be required to repay the loan under the original terms, unless the loan can be fully repaid without incurring a deficit, in which case the loan must be fully repaid prior to conversion.

## **Annex B: Teachers' Pension Regulations**

1. In order to ensure that the performance of the duty on the Local Authority to supply Teachers Pensions with information under the Teachers' Pensions Regulations 1997, the following conditions are imposed on the Local Authority and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares.
2. The conditions only apply to governing bodies of maintained schools who have not entered into an arrangement with the Local Authority to provide payroll services.
3. 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 Local Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Local Authority which the Local Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Local Authority will advise schools each year of the timing, format and specification of the information required. A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) are passed to the Local Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.
4. A governing body of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the Local Authority which the Local Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Local Authority will advise schools each year of the timing, format and specification of the information required from each school. A governing body shall also ensure that Additional Voluntary Contributions (AVCs) are passed to the Local Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

**Annex C: Utilisation of Surplus Balances Form**

**Revenue School Balance 20XX/XX**

**School:**

**Revenue Balances as at 31<sup>st</sup> March 20xx:**

Brought forward balance	£
Allowable surplus (8% or 10% of budget share)	£
Excess surplus	£:
Of which the following is	
Committed	£
Uncommitted	£
Total	

**Summary of Spending Plans :**

<b>Committed</b>
<b>Uncommitted</b>

**Signed** \_\_\_\_\_

**Date** \_\_\_\_\_

**Chair of Governors:**

Please return the completed form by 31 May 20XX to  
[school.finance@southampton.gov.uk](mailto:school.finance@southampton.gov.uk)

## **ANNEX D Deficit Recovery Plans**

### **Step 1 – Preparation**

When a school is first aware of a potential deficit it should:

- Check for accuracy all the figures and the assumptions that have been made
- Identify the cause of the forecasted deficit. (e.g. Falling roll )
- Undertake a benchmarking exercise to help identify areas of high expenditure.
- Discuss and draw up a range of management actions to help reduce areas of high expenditure.

This action should be undertaken with a view to being able to amend the budget so that the Deficit Recovery Plan clears the deficit to nil within three years. Only after undertaking this work, which must be documented within the Governor minutes, should the school approach the Local Authority to discuss the possibility of having a Deficit Recovery Plan approved. The School Improvement Officer will expect sound arguments to be offered as to why early remedial action cannot be taken or why it was not taken in the past.

Following this course of action represents sound financial management practice, and schools that contact the Local Authority having completed the preparatory work will be viewed as following the correct procedures; schools that fail to follow these steps and go into deficit or produce a deficit budget without this analysis could result in further action being taken by the Local Authority.

### **Step 2 – Notification and Supporting Documentation**

Once the preparatory work has been completed and the governing body is satisfied that a potential deficit is unavoidable without a significant impact on the provision of education, then the Local Authority Schools finance team should be contacted. This must be done by the end of May by e-mail sent to the schools finance inbox) outlining the deficit position. The Chair of Governors must be made aware that the Local Authority has been contacted regarding the budget situation.

On receipt of the notification the school will be asked to submit supporting documentation for analysis. This will include details of the actions that would be required to avoid a deficit and why those actions are not possible or acceptable. In the extreme case of a current year deficit that was not previously anticipated, a full explanation will be required as to how this has arisen, together with evidence of internal monitoring and reports to Governors.

### **Step 3 – Initial Meeting (if needed)**

The Schools finance team may contact the school to arrange a meeting with the Head teacher. go through the process, and to discuss the documentation previously provided by the school. Any observations that the Schools Finance Team have made relating to the data will be reviewed and potential savings will be discussed with the school.

The school may wish to have the Chair of Governors or the Governor responsible for finance present at the meeting. In certain circumstances the Local Authority may require attendance of the Chair of Governors/Finance. Notes of the meeting will be circulated to the Head teacher, Chair of Governors and the School Finance Team.

The school will then be required to make any agreed adjustments to their Deficit Recovery Plan and/or salary calculations, and the plan should be sent to Schools Finance within ten working days of the initial meeting.

Schools Finance will undertake further checks in order to reach a decision on whether the submitted Deficit Recovery Plan is appropriate. The school will be notified by email recording any decisions made at the meeting including confirming if further action is required.



#### **Step 4 – Submitting a Deficit Recovery Plan**

The school will need to work with the School Finance Team (if they have purchased SCC Finance Services via an SLA) or their own finance support (if they have not bought back SCC Finance Services) to produce a robust Deficit Recovery Plan, ensuring the spend is brought back in line with their allocated funds within a three year time period.

The purpose of a Deficit Recovery Plan is to identify the actions that can be taken to bring the school budget back to a balanced position within three years. The recovery plan can be a simple statement showing:

- What actions will be taken and who will be responsible for these actions.
- When these actions will be implemented.
- How much will be saved by each action i.e. part year / full year financial impact of proposed savings.

The Deficit Recovery Plan must be approved by the governing body and signed by the Chair of Governors prior to the final submission. This may require the school to call an extraordinary meeting of the governing body. The signed Deficit Recovery Plan must be submitted to the Local Authority in line with the date stated in the written confirmation. The Deficit Recovery Plan will become the formal application for an approved deficit and must show that the school will return to a balanced position within a maximum of three years.

If the Deficit Recovery Plan does not meet the requirements of the Local Authority it may be rejected providing reasons as to why and the school will be required to resubmit.

#### **Step 5 – Monitoring a Deficit Budget**

The confirmation letter will include details of the Local Authority's deficit monitoring requirements, with which the school must comply. During the period covered by the Deficit Recovery Plan schools will not be permitted to make any staff changes (other than for High Needs / EHCP children) that are above the agreed level of staffing within the plan, without prior agreement of the Local Authority.

The school's progress against the Deficit Recovery Plan will be reviewed regularly by the Local Authority and further meetings may be required. Failure to keep within the terms of this guidance will put the school at risk of being issued with a formal Notice of Concern, while further failure to comply may lead to the withdrawal of financial delegation.

#### **Notice of Concern**

The Local Authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Service Lead for Education and Learning.

- The school has failed to comply with any provisions of the scheme
- Where actions need to be taken to safeguard the financial position of the LA or the school.

A notice may be issued as a first step to signal the Local Authority's serious concerns, and will hopefully be a precautionary measure. It should be seen by the head teacher and the governing body as signalling the need for major improvements in financial management.

A further notice will be issued if the Local Authority exercises its right to withdraw financial delegation responsibility from the governing body. Withdrawal of delegation will not normally be initiated as we expect to work in partnership with governors to address concerns before such a stage is considered

necessary. The Local authority will not hesitate, however, to withdraw delegation if a school consistently fails to meet the Local Authority's stated requirements, and/or continues to exceed agreed deficit recovery plan limits.

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 the 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 Local Authority may take where the governing body does not comply with the notice.

**ANNEX E List of Maintained Schools at 1<sup>st</sup> July 2023**

Banister Primary School	Bitterne Park School
Bassett Green Primary School	Cantell School
Bevois Town Primary School	Redbridge Community School
Bitterne C of E Primary School	Regents Park Community College
	St George's Catholic Voluntary Aided College
Bitterne Manor Primary School	Southampton
Bitterne Park Primary School	Woodlands Community College
Fairisle Infant and Nursery School	
Fairisle Junior School	Hardmoor Early Years Centre
Foundry Lane Primary School	Springwell School
Highfield Church of England Primary School	
Holy Family Catholic Primary School	The Cedar School
Mansbridge Primary School	The Compass School
Mansel Park Primary School	The Polygon School
Mason Moor Primary School	Vermont School
Maytree Nursery and Infants' School	
Moorlands Primary School	
Mount Pleasant Junior School	
Newlands Primary School	
Oakwood Primary School	
Redbridge Primary School	
Shirley Warren Primary & Nursery School	
Sinclair Primary and Nursery School	
St Denys Primary School	
St John's Primary and Nursery School	
St Mark's C of E Voluntary Controlled Primary School	
St Mary's Church of England Voluntary Controlled Primary School	
St Patrick's Catholic Primary School	
Swaythling Primary School	
Townhill Junior School	
Valentine Primary School	

**ANNEX F Local Authority Service level agreements 2023-24**

Children's Data Team

Free School Meals check

Education psychologists

Speech and language school assistants

School library service

Southampton language services

Early Years Advisory Teachers

Education Welfare Officers

Design Services

Music services

Offsite activities and educational visits ( EVOLVE)

Cultural Services

Financial management support to schools

Creditors,

Debtors

Banking services

Business World System

IT Services and Support

Insurance and Risk Management

Legal services

Courier service

Corporate Health and Safety Service

Asbestos management

Pest control

Health & Safety & Emergency response and business continuity

Term servicing - Repairs and Maintenance

Grounds maintenance contract management

Trade Union Facilities