Policy Document
Children's Services' Education Services Team

Scheme for Financing Schools

September 2025

For further information contact
Tom Easterbrook or Vanessa Eddey
Tom.easterbrook@dorsetcouncil.gov.uk | 01305 224567
vanessa.eddey@dorsetcouncil.gov.uk | 01305 225918

Contents

1. Summary

1.1 About this document

This is the November 4 version of the Dorset Scheme for Financing Schools, (formerly known as the Scheme of Financial Management). It has been amended following guidance from the Secretary of State for Education and following consultation with all Dorset maintained schools to make the changes summarised in paragraph 1.5 below.

Local authorities are required to publish schemes for financing schools setting out the financial relationship between them and the schools they maintain, to meet the provisions of Section 48(4) of the School Standards and Framework Act 1998, and Schedule 14 paragraph 2A(2) to that Act.

When making any changes to their schemes, they are required to consult all maintained schools in their area and then obtain the approval of the members of their schools' forum representing maintained schools, except in the case of changes known as 'directed revisions' requested by the Secretary of State.

1.2 Directed revisions

The power of 'directed revision' is used by the government either to remove outdated provisions or insert new provisions to reflect latest legislation or policy. In this instance, local authorities are directed by the Department for Education to incorporate within, or remove from, their schemes specific wording and no consultation with maintained schools or approval of the Schools' Forum is necessary.

Before making a directed revision to schemes, the Secretary of State is required, by provisions in the School Standards and Framework Act 1998, to consult the relevant local authorities and other interested parties.

1.3 Expiry or review date

This scheme is reviewed annually and updated as necessary.

1.4 Contact information for Dorset Schools' Forum members

This is available online should you wish to discuss any aspects of this Scheme with a member of the Schools' Forum.

1.5 Changes from the November 2024 version of this scheme

Following guidance from the Secretary of State the changes summarised below have been made to reflect current policy positions and changes in legislation.

Summary of changes:

- There are no new directed revisions in this issue.
- “the regulations” definition has been updated to the School and Early Years Finance (England) Regulations 2025
- Section 4.2 has been updated to add requirement for schools to use the Dorset Council published chart of accounts for financial reporting. Introduced a prohibition on the use of internal trading codes to ensure data compatibility and integrity.
- Section 8.3 has been updated in line with the new regulations to ensure that the cost of an undisputed invoice for energy where a school has entered into an agreement with the Secretary of State for the supply of energy and failed to pay such an invoice school budget shares can be charged to recover the debt.

2. The outline scheme

The following references are made throughout this scheme:

- "the act" is the School Standards and Framework Act 1998
- "the authority" is Dorset Local Authority
- "the council" is Dorset Council
- "the regulations" are the School and Early Years Finance (England) Regulations 2025

The regulations state that schemes must deal with the following matters:

- the carrying forward from one funding period to another of surpluses and deficits arising in relation to schools' budget shares;
- amounts which may be charged against schools' budget shares;
- amounts received by schools which may be retained by their governing bodies and the purposes for which such amounts may be used;
- the imposition, by or under the scheme, of conditions which must be complied with by schools in relation to the management of their delegated budgets and of sums made available to governing bodies by the authority which do not form part of delegated budgets, including conditions prescribing financial controls and procedures;
- terms on which services and facilities are provided by the authority for schools maintained by them;
- the payment of interest by or to the authority;
- the times at which amounts equal in total to the school's budget share are to be made available to governing bodies and the proportion of the budget share to be made available at each such time;
- the virement between budget heads within the delegated budget;
- circumstances in which a local authority may delegate to the governing body the power to spend any part of the authority's non-schools' education budget or schools budget in addition to those set out in section 49(4)(a) to (c) of the 1998 act;
- the use of delegated budgets and of sums made available to a governing body by the local authority which do not form part of delegated budgets;
- borrowing by governing bodies;
- the banking arrangements that may be made by governing bodies;
- a statement as to the personal liability of governors in respect of schools' budget shares having regard to section 50(7) of the 1998 act;
- a statement as to the allowances payable to governors of a school which does not have a delegated budget in accordance with the scheme made by the authority for the purposes of section 519 of the 1996 act;
- the keeping of a register of any business interests of the governors and the head teacher;

- the provision of information by and to the governing body;
- the maintenance of inventories of assets;
- plans of a governing body's expenditure;
- a statement as to the taxation of sums paid or received by a governing body;
- insurance;
- the use of delegated budgets by governing bodies to satisfy the authority's duties imposed by or under the Health and Safety at Work etc Act 1974;
- the provision of legal advice to a governing body;
- funding for child protection issues;
- how complaints by persons working at a school or by school governors about financial management or financial propriety at the school will be dealt with and to whom such complaints should be made;
- expenditure incurred by a governing body in the exercise of the power conferred by section 27 of the 2002 act.

3. Introduction

3.1 The Funding Framework

The funding framework which replaced Local Management of Schools is set out in the legislative provisions in section 45 to 53 of the School Standards and Framework Act 1998.

Under this legislation, local authorities determine for themselves the size of their Schools' Budget and their Non-Schools Education Budget, although at a minimum the LA 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 Authority's maintained schools except for capital and certain miscellaneous items.

Local authorities may deduct funds from their Schools' Budget for purposes specified in regulations made by the Secretary of State under section 45A of the Act (the centrally retained expenditure).

The amounts to be deducted for these purposes are decided by the authority concerned, subject to any limits or conditions, including gaining the approval of the Schools' Forum or the Secretary of State in certain instances, as prescribed by the Secretary of State.

The balance of the Schools' Budget left after deduction of the centrally retained expenditure is termed the Individual Schools Budget (ISB). Expenditure items in the Non-Schools Education Budget must be retained centrally, although earmarked allocations may be made to schools.

Local authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school.

This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with section 51 of the Act.

Upon approval of the Individual Schools Budget by the Authority and it being allocated in accordance with the formula, the Governors, or the Head teacher if authorised on their behalf, is empowered to incur expenditure for the purposes and up to the amount specified in the estimates as approved.

The financial controls within which delegation works are set out in a scheme made by the LA in accordance with section 48 of the Act and regulations made under that section. All proposals to revise the scheme must be submitted for consultation with all schools (both head teachers and governing bodies) and approved by the Schools' Forum, though the authority may apply to the Secretary of State for approval in the event of the Forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.

Subject to any provision made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school[1]. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under section 50 of the Act.

Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (section 50(3A) of the act).

Dorset LA 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. A school's right to a delegated budget share may also be suspended for other reasons, under schedule17 to the Act. There is no right of appeal.

Each authority is obliged to publish each year a statement setting out details of its planned Schools' Budget and other expenditure on Children's Services, showing the amounts to be centrally retained and funding delegated to schools. The formula used to calculate the budget share for each school will be published by the LA separately from this Scheme.

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.

3.2 The role of the scheme

The scheme defines the financial relationship between the Authority and the maintained schools which it funds.

The requirements of the scheme relating to financial management and associated issues are binding on both the Authority and schools. They ensure compliance with statutory requirements, accounting and auditing standards and codes of practice which are established by the professional accounting bodies and shall apply to all staff employed at the school, including consultants.

Section 48(3) of the School Standards and Framework Act provides that where there is any inconsistency between the scheme and any other rules or regulations made by the LA relating to the funding or financial management of schools which they maintain, the terms of the scheme shall prevail.

3.3 Application of the scheme to the authority and maintained schools

The scheme applies to all community, nursery, special, voluntary, foundation (including trust), foundation special schools and PRUs maintained by the LA, whether they are situated in the area of the Authority or located elsewhere. It does not apply to schools situated in the LA's area which are maintained by another authority. Nor does it apply to academies. A list of schools to whom this scheme applies is published at Annex A to this scheme.

3.4 Publication of the scheme

A copy of the scheme and any subsequent revisions will be accessible to the public and supplied to the head teacher and governing body of each school covered by the scheme via the Dorset Council website by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date. It will also be available at LA offices if required.

3.5 Revision of the Scheme

Any proposed revisions to the scheme will be the subject of consultation with the governing body and head teacher of every school maintained by the authority before they are submitted to the Schools Forum for approval by members of the Forum representing maintained schools. Where the Schools' Forum does not approve them or approves them subject to modifications which are not acceptable to the Authority, the Authority may apply to the Secretary of State for approval.

It is also possible for the Secretary of State to make directed revisions to the scheme after consultation. Such revisions become part of the scheme from the date of the direction.

The Authority undertakes to provide schools with a summary of the responses to consultations on amendments to the Scheme via the Dorset Council website.

3.6 Delegation of powers to the head teacher or subcommittees of the governing body

Governing bodies are required to consider, within statutory limitations, the extent to which they wish to delegate any power granted to them by this Scheme to a subcommittee of governors or to the head teacher. These considerations should be undertaken annually and formally recorded in the minutes of the first formal meeting of the full governing body for that year.

It is recommended that governing bodies give head teachers delegated power to spend within budget headings set by the governing body, and that in turn, the head teacher formally sets out levels of delegation and financial limits for staff with budgetary and procurement responsibilities at local level. Expenditure should not be incurred where there is no budgetary provision, and contracts should not be agreed where Contract Procedure Rules have not been adhered to. The first formal budget plan of each financial year (as submitted to the LA in accordance with para 4.3) must be approved by the full governing body, and termly financial forecasts by the full governing body or a subcommittee thereof.

Provided a governing body has made provision for discharging its statutory duties in any financial year, it may vire funding between budget headings within the delegated budget share. The governing body may also approve virements to, but not from budgets earmarked by the Authority for specific purposes, and the Head Teacher may be authorised to vire between budget heads up to a maximum value approved by a resolution of the full governing body. Any virements authorised by the Head Teacher must be reported at the next meeting of the governing body.

When the head teacher deals with a matter arising from delegated functions and does so in accordance with this scheme, then they shall be deemed to have taken delegated action on behalf of the Governors. The governing body of a school may delegate any of its financial functions to a subcommittee or individual with the exception of:

a) setting the budget;

b) determining the terms of reference for subcommittees or individuals;

c) planning and conducting its affairs to remain solvent;

d) establishing proper arrangements for financial management and internal control of budgets;

e) providing such information as the LEA may reasonably require to enable it to ascertain that the governing body is able to fulfil its financial obligations;

f) ensuring that funding is used only for the purposes for which it was intended.

The head teacher is responsible to the governing body for the financial management of the school including:

g) the management of the school's finances at a strategic and operational level;

h) the management of effective systems of internal control;

i) preparation of income and expenditure estimates for approval by the governors as required by this Scheme;

j) ensuring that the governing body is provided with proper training, guidance and advice on financial matters;

k) ensuring that accounts are prepared in a proper manner as specified by the LA.

3.7 Maintenance of Schools

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

4. Financial controls

4.1 General procedures

Application of financial controls to schools

In managing their delegated budgets schools must abide by the Authority's requirements on financial controls and monitoring as set out in the scheme and in detailed publications referred to in the scheme but outside and compatible with it. These additional publications include the Dorset Council Contract Procedure Rules.

Where a school has delegated powers concerning payment it is required to comply with all relevant legislation (e.g. tax and national insurance).

Provision of financial information and reports

Schools are required to provide the Authority with details of anticipated and actual expenditure and income, in a form and at times to be determined by the Authority and notified to schools at appropriate times (see section 4.3). Requirements may vary according to the financial system and banking arrangements adopted by the school.

Reports may not be required more often than once every three months except where:

a) the Authority has notified the school in writing that in its view the schools financial position requires more frequent submission;

b) the school is in its first year of operation;

c) returns are for the purpose of tax or banking reconciliation;

d) schools are part of an on-line accounting system operated by the LA.

Payment of salaries and payment of bills

Schools are required to comply with the administrative procedures for payment of salaries and invoices published separately by the Local Authority. Where payments are not from central systems, schools will need to provide such additional information as is needed for statutory returns and appropriate monitoring.

Control of assets

Schools are required to maintain an inventory of moveable, non-capital assets, excepting goods sold generally as a normal day to day school activity, and must follow the Authority's procedure for the sale or disposal of surplus goods.

Moveable property surplus to the school's requirements must not be disposed of except by sale on the authority of the governors. The sale must normally be by public auction or competitive tender but, where neither is appropriate, the governors must adopt the method which best serves the interests of the school. Where the sale is to a governor or an employee of the school or the Authority, the written authority of the Chief Executive must first be obtained.

Schools may determine their own arrangements for keeping a register of assets worth less than £1,000. This should include anything that is portable and attractive, such as a camera.

The governing body must ensure that all inventories are reviewed at least once a year and all discrepancies reported to the governing body. A record of all items written off must be maintained.

Each governing body is responsible for the custody and control, and maintaining proper security arrangements for buildings, stock, equipment, cash, personnel and financial records under its control. All moveable property of the school shall as far as practical be marked as school property.

If it appears to the Head Teacher that there are deficiencies of equipment or stores, a report must be made immediately to the governors and the Chief Financial Officer, who may authorise the items to be written off. The Governors must maintain a record of all items written off. Where it is suspected that money or property of the school has been stolen or otherwise misappropriated, or that a financial irregularity has occurred see paragraph 4.17 below.

Accounting policies, including end of year procedures

Schools are required to abide by the Authority's accounting policies and procedures, including end-of-year procedures which will be issued annually to schools.

Writing off debts

Debts owing to schools may be written off in accordance with paragraph 7.6 below.

4.2 Basis of accounting and Financial Systems

Schools are required to report to the Authority on a cash basis with year-end accruals being made separately for outstanding debtors and creditors.

Schools must use the Dorset Council published chart of accounts to ensure that financial data can be processed correctly and accurately. This requirement is essential for consistency across the Authority's financial reporting. The use of internal trading codes is strictly prohibited, as these interfere with the integrity and compatibility of submitted data.

Schools are free to operate their own internal system but are required to report to the Authority in the form specified above.

Schools are required to maintain a financial system that integrates with Dorset Council finance systems so that it successfully complies with Making Tax Digital legislation in the Finance (No.2) Act 2017. The local authority maintains a list of supported systems that it encourages schools to use.

Use of alternative financial systems are permitted, however, all costs incurred in building an interface that complies with Making Tax Digital legislation will be borne solely by the school.

Any change to a school's financial system must be notified in writing to the local authority a minimum of 12 months before the scheduled change. Schools are required to run the new financial system alongside previous systems to allow for a period of successful transition.

4.3 Submission of budget plans and financial forecasts

Each school is required to submit budget plans and financial forecasts in accordance with the timetable below.

Submission Date	Financial Return	Reason Required
1 May, or 28 days after budget data has been made available to schools by the LA, whichever date is the later.	3-year budget plan including income and expenditure for the current financial year with explanatory notes on the assumptions underpinning the budget, plus budget plans for the following two financial years.	To provide a budget in the financial accounts and to show that the Governing Body can meet expenditure requirements within the resources available to them, or their best estimate of the resources available to them.
30 June, 30 November, 28 February	Forecast income and expenditure to the end of the year in comparison with the budget plan, with explanatory notes on the assumptions underpinning those projections.	To show that the budget set at the beginning of the year is being met and to allow the LA to discuss spending with the school where it appears not to be as shown in the budget, or where it looks as if the budget will end up in deficit.

The Local Authority will consider the extent to which 3-year budget plans may be used for more than just confirming schools are undertaking effective financial planning, for example, as evidence to support the LA's assessment of schools' financial value standards or to support the LA's balance control mechanism, and will confirm the intended use to schools annually in the budget setting letter issued in February each year.

The format of financial returns will be compatible with the Consistent Financial Reporting framework and may vary from year to year according to the requirements of the Authority. Detailed requirements are included in the statements sent out annually for completion and issued separately to this scheme.

The governing body must take the following into account when considering their budget proposals:

a) the progress of spending against budget in the current year;

b) known and estimated future commitments including inflation, which may be either external or internal in origin;

c) actual and projected pupil numbers;

d) likely changes in the allocation formula or the school's budget share;

e) priorities set out in the School's Development Plan;

f) the full year impact of any proposals implemented after the start of the financial year;

g) estimated surpluses/deficits at the previous 31 March;

h) any agreed repayment schedule.

The budgeted spend for any given year may not exceed the delegated budget for the school for that year plus or minus any accumulated surplus or deficit. This requirement may only be waived in accordance with the provisions of paragraphs 6.9, 6.10 of this Scheme.

The LA will make available to schools such information as it holds on income and expenditure by schools which is necessary for efficient planning by them. This information will be made available in the budget guidance issued each year by the Schools Accountancy Support Team.

4.4 School resource management

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

It is for heads and governors to determine at school level how to optimise the use of resources and maximise value for money. There are significant variations in effective management of resources 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.

4.5 Virement

After discharging its statutory duties, the governing body has the power to vire between budget headings in the expenditure of their budget shares. In so doing the governing body must take into account the long-term effects of those virements.

The head teacher may be authorised to vire between budget headings but such virements must be approved by a resolution of the full governing body and be in accordance with this Scheme.

4.6 Audit: General

All schools covered by this Scheme are subject to the Authority's audit regime, which covers both internal and external audit. The Authority will determine the audit regime on an annual basis and may require different arrangements for those having external bank accounts than those schools having bank accounts that are sub-accounts of the Local Authority.

Schools are required to:

a) provide access to records, documents and correspondence to both internal and external auditors;

b) allow access for audit purposes at all reasonable times to any premises or land owned by the Council, or the governing body of an Aided or Foundation school maintained by the LA;

c) allow the copying and/or removal of prime documents for audit purposes.

4.7 Separate external audits

A governing body may use funds from the school's budget share to fund external audits. Such audits will be separate and in addition to any audit requirements of the Authority and are entirely at the discretion of the governing body. No funds will be delegated specifically for this purpose.

4.8 Audit of voluntary and private funds

Each school must retain valid audit certificates in respect of any voluntary and private funds it holds. Schools should provide the audit certificates to the local authority on request. Such funds include those held by trading organisations controlled by the school. Audit of Community Facilities funding is separately covered in section 15.6.

The document "Voluntary Fund Guidance for Schools & Governors" states that "the voluntary fund should be regarded as public money and accounted and treated as such. It is not a private discretionary fund". The purpose of requesting the audit certificates is to allow the local authority to satisfy itself that public funds are not being misused.

A school refusing to provide audit certificates to the local authority as required by this scheme is in breach of the scheme and the authority can take action on that basis.

4.9 Register of business interests

The governing body of each school must have a register listing the business interests of each member of the governing body and the head teacher. This register must also include:

- the business interests of the immediate family of members of the governing body and the head teacher;
- details of any other educational establishments they govern;

- any relationships between school staff and members of the governing body.

This register must be maintained and updated regularly, be subject to minuted annual review, be available for inspection by governors, staff, parents and the LA, and be published on a publicly accessible website. It must also comply with any more detailed guidance on the maintenance of such a register issued by the authority.

4.10 Purchasing, tendering and contracting requirements

Schools must abide by the Contract Procedure Rules and Financial Regulations within the Constitution of Dorset Council as applied to schools. This duty includes the requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the LA's separately published policies and procedures.

All members of staff authorised to issue official orders must be familiar with the Council's Contract Procedure Rules.

Orders for the supply of goods or services shall be issued only when authority exists to incur that expenditure. They shall be in writing on serially numbered forms except that, in an emergency, orders may be given orally, but the order shall be confirmed in writing on the appropriate order form.

Orders may not be raised on behalf of or for the benefit of private individuals including members of staff, or organisations which are not part of the Council.

The requirement to abide by the Authority's Contract Procedure Rules applies in all cases except where this would require schools to:

a) do anything incompatible with any provisions of this scheme, or any statutory provision;

b) seek LA officer countersignature for any contracts for goods or services for a value below £60,000 in any one year;

c) select suppliers only from an approved list;

d) seek fewer than three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year, subject to the specific listed exceptions in section 2 of the Authority's Contract Procedure Rules.

Notwithstanding (a) – (d) above, the type of procurement process, including the minimum number of quotes or tender that should be sought or invited dependent on the total value over the life of the contract, is set out within the Council's Contract Procedure Rules.

The fact that an authority contract has been let in accordance with procurement procedures does not in itself make it possible to bind a school into being part of that contract. For the purposes of the procurement directives schools are viewed as discrete contracting authorities.

Schools may seek advice on a range of compliantly procured deals via Buying for schools.

Any payment from a school's delegated budget to a self-employed person who is engaged specifically to provide an education service e.g. tuition, demonstration or performance must be made through the payroll system and not by cheque or cash. This is to ensure that the requirements of HM Revenue and Customs (HMRC) are adhered to (see 9.2 below).

4.11 Application of contracts to schools

Schools have the right to opt out of Local Authority arranged contracts.

Although governing bodies are empowered under paragraph 3 of Schedule 1 of the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the LA as maintainer of the school and owner of the funds in the budget share. On occasions, the governing body may enter into contracts on its own behalf. In these circumstances the governing body will have clear statutory obligations e.g. the employment of staff in aided or foundation schools.

4.12 Central funds and earmarking

The Authority is authorised to make sums available to schools from central funds in the form of allocations which are additional to and separate from a school's budget share.

Such allocations, for example, sums for SEN or other initiatives funded from the central expenditure of an authority's Schools Budget or other authority budget should be subject to conditions setting out the purpose or purposes for which the funds may be used. These conditions will normally preclude virement and prohibit their inclusion in the school's budget share.

Schools will be required to demonstrate that funds allocated for a specific purpose have been spent appropriately and in accordance with specified conditions and have not been vired into the school budget share.

The Authority may require earmarked funds to be returned to the LA if not spent in the period for which they were intended.

The LA is specifically prohibited from making any deduction in respect of interest costs to the authority, from advances made in respect of earmarked centrally provided funds that have been devolved to schools.

4.13 Spending for the purposes of the school

Section 50(3) of the SSAF Act 1998 allows governing bodies to spend budget shares for the purposes of the school subject to regulations made by the Secretary of State and any provisions of this scheme. By virtue of Section 50 (3A) amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

Section 50(3)(b) of the SSAF Act 1998 also provides for the Secretary of State to determine additional purposes for which spending of the budget share may occur. For example, under the School Budget Shares (Prescribed Purposes)(England) Regulations 2002, which have been amended by the School Budget Shares (Prescribed Purposes)(England)(Amendment) Regulations 2010 schools are permitted to spend their budgets on pupils who are on the roll of other maintained schools or academies.

Schools must ensure that all payments to staff are in line with centrally agreed terms and conditions namely, the School Teachers Pay and Conditions Document for teaching staff, and the local authority Green Book (including amendments by the authority) for school support staff. The governing body has no discretion to make payments to staff outside of these arrangements.

4.14 Capital spending from budget shares

To help meet responsibilities with the School Premises (England) Regulations 2012, the Workplace (Health, Safety and Welfare) Regulations 1992, the Regulatory Reform (Fire Safety) Order 2005, the Equality Act 2010, and the Building Regulations 2010,Governing bodies are permitted to use their budget share to meet the cost of capital expenditure on school premises. This includes expenditure by a governing body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998. The governing body of a school must notify the Authority of any capital expenditure in excess of £15,000 in any one financial year and is required to take account of any advice from the Director of Children's Services as to the merits of the proposed expenditure. If the premises are owned by the LA or the school has voluntary controlled status, then the governing body must obtain the permission of the LA before commencing any capital work, but such consent can only be withheld on health and safety grounds.

4.15 Notice of Concern

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

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

These may include:

a) insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;

b) insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;

c) 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;

d) insisting on regular financial monitoring meetings at the school attended by local authority officers;

e) requiring a governing body to buy into a local authority's financial management systems;

f) 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; and

g) requiring a school to return to using the Dorset Council banking arrangements.

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

4.16 Schools Financial Value Standard (SFVS)

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

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

All maintained schools with a delegated budget must submit the form to the Local Authority before the end of the financial year.

The Chief Financial Officer will sign a declaration each year assuring the Education and Skills Funding Agency that the Local Authority has a system of audit for schools in place which gives adequate assurance over their standards of financial management and the regularity and propriety of their spending, and remedies any shortfalls. If requested, the LA will provide the names of schools not meeting the standard to the ESFA.

4.17 Fraud

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

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

Where it is suspected that money or property of the school has been stolen or otherwise misappropriated, or that a financial irregularity has occurred, the Head Teacher must immediately report the matter to the Chief Financial Officer and the Director for Children's Services.

5. Instalments of the budget share and banking arrangement

5.1 Frequency of instalments

The Authority will make available budget share instalments, on a monthly basis to schools which request it, provided that the request is made by December 31st prior to the start of the relevant financial year.

A non-bank account school may draw on its entire budget share from the start of the financial year.

For schools that opt to take their full budget share in cash, instalments will be made available on a monthly basis and will be paid by the Banks' Automated Credit System (BACS) to schools on or shortly before the 28th day of each month.

For the purposes of this section, budget share includes any place-led funding for special schools or pupil referral units. Top up payments for pupils with high needs will be made on a monthly basis unless alternative arrangements have been agreed with the provider.

5.2 Proportion of budget share payable at each instalment

This applies only to schools that have chosen to receive their funding in cash.

The Authority will make funds available to schools as set out in the table below.

Date	Proportion of total budget share
First banking day of April	1/36
Each month end from April to February	1/12
End March	1/18

Where schools have signed up in Nexus to receive Dorset Council annual support services by 31st March in any year and have been charged a one off fee up front for those services at the beginning of the year, an equivalent amount of cash will be made available on the first banking day of April in addition to the 1/36 proportion of their total budget share, and month end instalments from April to February will be reduced accordingly.

5.3 Interest Clawback

The Education budget set each year may include an estimate of interest to be earned through the temporary investment of unspent cash.

When the budget is distributed each school may receive within its delegated budget an element of interest from the total budget for education.

Where schools receive their budget shares into local accounts on a monthly basis interest is lost by the Council. In order not to disadvantage all schools for this loss of interest the Authority may deduct from each school's budget an amount equal to their share of the estimated loss of interest that could be incurred by the LA as a result of these arrangements. Schools remaining within the Council's banking arrangements can expect to be paid back this top-slice from the LA.

Details of the deduction mechanism will be published prior to its implementation.

5.4 Interest on late budget share payments

The LA may add interest to any late payments of budget share instalments where the reason for late payment is LA error. The interest rate and method of calculation will be the same as that used to clawback interest.

5.5 Budget shares for closing schools

Where approval for discontinuation of a school has been obtained, its budget share may be made available until closure on a monthly basis net of estimated pay costs, irrespective of the method previously used by the Authority.

5.6 Bank and building society accounts

Subject to the conditions set out below, schools may choose to operate their own bank or building society accounts into which their budget share instalments (as determined by other provisions) will be paid. Where schools have such accounts they will be allowed to retain all interest payable on the account unless they choose to have an account within an LA contract which makes other provision. Alternatively, they may choose to operate a subsidiary account within the Local Authority's accounts. The Chief Financial Officer is responsible for making arrangements with the Council's bankers for the operation of subsidiary accounts.

Conditions relating to the operation of bank or building society accounts:

a) external accounts must always operate in surplus unless a deficit has been authorised in accordance with the provisions of paragraphs 6.9 or 6.10 of this scheme or unless borrowing is expressly authorised by the Secretary of State. The Authority must be formally consulted before any application to borrow is made to the Secretary of State;

b) subject to © below, schools must give the period of notice specified in paragraph 5.1 of an intention to operate an external bank or building society account;

c) the Authority must give written confirmation that it has assured itself of the financial standing of any bank or building society selected by a school before an account is opened by the school;

d) the procedure for the operation of bank accounts must be in accordance with any instructions issued by the Chief Financial Officer.

5.7 Restrictions on accounts

Accounts held by schools for budget share purposes may be held in the name of the school rather than the authority. Funds paid to the school by Dorset LA and held in external accounts remain LA property until spent (s.49(5) of the SSFA 1998) and are subject to the conditions of this scheme. If the school operates an external account for budget share purposes and the account is held in the name of the school, the account mandate must provide that the LA is the owner of the funds in the account; that it is entitled to receive statements, and that it can take control of the account if the school's right to a delegated budget is suspended by the LA.

The Authority may negotiate arrangements with certain banks whereby the accounts are in the name of the Authority but specific to each school, and offer such arrangements to schools.

There are no restrictions on the use of direct debits or standing orders for a bank account operated by a school, except where the account is part of an authority contract.

5.8 Borrowing by Schools

Governing bodies may only borrow money), with the written permission of the Secretary of State. Schools should consult the Authority before making an application to borrow money to the Secretary of State and must inform the Authority of the outcome of such an application. The Secretary of State's general position is that schools will only be granted permission in exceptional circumstances, although they may, from time to time, introduce limited schemes to meet broader policy objectives. Schools may use any such schemes which the Secretary of State has said are available to schools without obtaining specific approval.

Schools are not permitted to use credit cards or overdrafts as these are regarded as borrowing. However, the Authority encourages the use of Government Procurement Cards (P-cards) by schools as these can reduce transaction costs and can enable schools to benefit from significant discounts. They are also a useful means of facilitating electronic purchases. P-cards must be paid off in full each month by direct debit, and include an LA officer as account manager.

This provision does not apply to loan schemes run by the Authority (see section 6.10 below) or to borrowing by Trustees and Foundations, where borrowing, as private bodies, makes no impact on Government accounts. Debts incurred by Trustees and Foundations may not be serviced directly from the delegated budget, but schools may agree charges for services which the Trustees or Foundation are able to provide as direct consequences of their own borrowing provided that acceptance of such charges does not contravene the Authority's Scheme of Financial Management or Contract Procedure Rules. Governing bodies do not act as agents of the authority when repaying loans.

The introduction of IFRS16 for local authorities from 1 April 2024 ends the distinction between operating and finance leases at maintained schools for accounting purposes. Under the Education Act 2002, all leases will be classed as borrowing and will require the Secretary of State for Education's consent.

The Secretary of State has, however, agreed to provide blanket consent to a range of the most common leasing activities, as set out in the IFRS16 Maintained Schools Finance Lease Class Consent 2024. Leases not included in this Order will still require the written consent of the Secretary of State, and it remains the general position that schools will only be granted permission for other types of borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes to meet broader policy objectives.

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

6.1 Right to carry forward surplus balances

Each school is allowed to carry forward from one financial year to the next any shortfall in expenditure relative to the school's budget share for the year plus or minus any balance brought forward from the previous year, subject to the following restrictions:

a) the authority shall calculate by 30 June each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;

b) if the surplus balance is a sum greater than whichever is the greater of 5% of the previous year's budget share (secondary schools) or 8% (primary and special schools, and pupil referral units), or £30,000 (where that is greater than either percentage threshold) then the Authority may deduct from the current year's budget share an amount equal to the excess.

Funds deriving from sources other than the 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 be taken into account.

The total of any amounts deducted from schools' budget shares by the Authority under this provision are to be applied to the Schools Budget of the Authority.

Each school's surplus balance at 1 April is equal to that at 31 March of the preceding financial year.

Payment on account of 90% of balances at 31 March will be made to schools choosing to open bank accounts with approved external providers into which their budget share will be paid for the first time in April. This balance will be adjusted by 31 July in the subsequent financial year. Any interest due on the outstanding amount will be calculated at the rate currently provided under the Council's banking arrangements from 1 April up to that date.

6.2 Controls on surplus balances

The Authority retains the right to a mechanism to control surplus balances by clawing back excess surpluses in accordance with 6.1 above where there is no agreement with the LA over their proposed use.

Schools are required to comment to the Director of Children's Services, on the proposed use of excess surplus balances as follows:

<u>Primary and special schools, and pupil referral units:</u>
Where balances are in excess of 8% of the total delegated budget or £30,000 (where that is greater), for an individual school for the financial year in question.

Secondary schools:
Where balances are in excess of 5% of the total delegated budget or £30,000 (where that is greater) for an individual school for the financial year in question.

Comments must be subject to a formal minute by the Governing Body, made in writing and be submitted when the final balance for the school is known. Schools will be asked to demonstrate how the planned use of excess surpluses will be linked to the School Development Plan and 3 year budget plans. The Authority will consider these proposals and determine any clawback of excess surplus balances from schools.

For the purposes of determining the percentage threshold for excess surplus the total delegated budget will comprise:

Primary & secondary schools:
all grant funding paid to the school by the LA, excluding funding from the High Needs Block except place and top up funding for pupils in special units.

Special schools:
all grant funding paid to the school by the LA, excluding funding from the High Needs Block except place and top up funding.

Pupil Referral Units:
all grant funding paid to the school by the LA (including any funding recouped from other schools or academies for dual registered or excluded students) and excluding funding from the High Needs Block except place and top up funding.

6.3 Interest on balances

Schools whose bank account is within the Dorset Council banking arrangements may be credited or charged with interest on the difference between their budget to date and spending to date, including any balances carried forward. This will be reviewed annually in the light of interest rates, and the basis of the calculation, detailed in separate guidance issued at the time as appropriate. The LA reserves the right not to pay interest where schools do not meet the timetables for submission of financial returns required by the Local Authority.

6.4 Obligation to carry forward deficit balances

Schools with budget deficits will have these carried forward. These will be a first charge on the delegated budget share of the school for the following financial year.

Any school to which this scheme applies, and which is operating a deficit on 31 March will have that deficit carried forward to 1 April of the following financial year.

The Authority will require all schools with deficit budgets on 31 March to schedule repayments from the following year’s budget share.

6.5 Planning for deficit budgets

Schools may not run or plan to run a deficit budget, except where they have a licensed recovery plan in place, and must notify the Local Authority immediately if they become aware of any unplanned deficit, or risk thereof, so that an agreed recovery plan can be put in place where necessary (see section 6.9 below).

6.6 Charging of interest on deficit balances

The LA may charge interest on all deficit balances operated by maintained schools.

Where they are operating within Dorset Council's banking arrangements and the LA is charging interest on deficit balances, schools with budget deficits or loans under the provisions of paragraphs 6.9 and 6.10 will be charged interest at a rate related to the Bank of England base rate. The initial rate and any change in the relationship with base rate will be notified separately to schools, but it will not be more than 1% above base rate. Interest will be calculated on a monthly basis on the average balance relating to each school during that month.

6.7 Writing off deficits

The Authority is not permitted to write off the deficit balance of any school.

However, the LA may give assistance towards the elimination of a deficit balance through the allocation of a cash sum from within the Schools' Budget (from a centrally held budget specified for the purpose of expenditure on special schools and pupil referral units in financial difficulty or, in respect of mainstream maintained schools, from a de-delegated contingency budget where this has been agreed by the Schools Forum).

6.8 Balances of opening, closing and replacement schools

Where a school opens or closes during a financial year, it will have its budget share calculated on a pro-rata basis for the school terms that it operates.

Where a school opens or is replaced it may receive a payment in addition to its delegated budget for the financial year in question in respect of revenue based setting up costs as calculated by the Authority in accordance with the Pupil Growth Policy published separately from this Scheme.

Any balance of a closing school (whether surplus or deficit) reverts to the authority, other than where a school converts to academy status under section 4(1)(a) of the Academies Act 2010.

Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, a local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share (including any surplus carried over from previous funding periods) of the closing school for the funding period in which it closes.

6.9 Licensed deficits

The Authority will work with schools currently in deficit to agree a recovery plan to repay that deficit in line with the procedures of the Authority's Financial Efficiency in Schools Policy (normally within a 3 year period).

In circumstances where a school requires a budget share advance in order not to be to be overdrawn at their bank, this should be treated as a cash advance and not a loan. This will have no effect on the school's budget and outturn statements.

6.10 Loan Schemes

The Authority may exceptionally operate a loan scheme in agreement with individual schools. However, loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year.

Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income.

If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new Academy school.

Credit union approach

If schools wish to group together to use externally held balances to loan funds through a credit union type of operation the Authority must be satisfied that these externally held balances are sufficient to support such a scheme. The Authority will therefore require audit certification proving that such funds are available and must give written authorisation for such schemes to operate. The Authority will have to take account of the impact on other arrangements for licensed deficits and loans before giving authorisation to such schools.

7. Income

7.1 Income from lettings

Schools are allowed to retain income from the letting of school premises which would otherwise accrue to the LA, subject to any alternative provisions arising from any joint-use or Private Finance Initiative (PFI) agreement.

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

Schools may cross-subsidise lettings for community and voluntary use with income from other lettings provided the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement.

Schools are required to have regard to any advice and guidance issued by the LA as to the use of the school premises, as permitted under the School Standards and Framework Act 1998 for various categories of schools.

7.2 Income from fees and charges

Schools are permitted to retain income from fees and charges except where a service is provided by the LA from centrally retained funds.

In setting their fees and charges schools are required to have regard to any policy statements on charging and remission of charges for school activities produced by the Authority. Income from boarding charges is collected on behalf of the authority and should not exceed that needed to provide board and lodging for the pupils concerned.

All income scales for the purposes of assessing amounts due to, or entitlement to benefits from, the school shall be determined by the governors having regard to LA policy and guidelines.

7.3 Income from fund-raising activities

Schools are permitted to retain all income from fund-raising activities.

7.4 Income from the sale of assets

Schools are permitted to retain the proceeds from the sale of assets except where the asset was purchased from non-delegated funds in which case it is for the Authority to decide whether the school should retain the proceeds. Schools are not allowed to retain income from the sale of land or buildings that form part of the school premises and are owned by Dorset Council. Any retention of funds from the sale of land assets is subject to the consent of the Secretary of State, and any conditions the Secretary of State may attach to that consent relating to use of proceeds.

The retention of proceeds of sale for premises not owned by the local authority will not be a matter for the scheme.

7.5 Collection of income

Schools must have regard to advice or guidance issued by the LA.

The Governors may remit in advance, all or part of any charges made for chargeable activities from its delegated budget. Once a charge has been raised, no debtor shall be excused a payment due, other than with the approval of the governing body or the head teacher where power of approval to write off has been delegated. The school will maintain a record of such write offs, which will be available for inspection by the Local Authority.

7.6 Purposes for which income may be used

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

7.7 Conditional gifts or grants greater than £5,000

The governors must provide the Director for Children's Services and the Chief Financial Officer, with full details of any conditional gift or grant greater than £5,000, before any such gift or grant is accepted.

8. The charging of school budget shares

8.1 General provision

The budget share of a school may be charged by the LA without the consent of the governing body only in the circumstances set out in 8.3 below.

Dorset LA will consult schools on the intention to so charge, the basis of the calculation of such charge and inform schools when such a charge has been made. Whenever possible, prior advice of the charge will be given to the governing body. Such charge shall normally only be made as a last resort as good practice requires that agreement should be sought with schools about the nature of any charge made against the school budget (the authority cannot act unreasonably in the exercise of any power given by the scheme, or it may be the subject of a direction under s.496 of the Education Act 1996).

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

8.2 Charging of salaries at actual cost

The authority is required to charge the salaries of school-based staff at actual cost against school budget shares.

8.3 Circumstances in which school budget shares may be charged without the consent of the governing body

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

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

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

4. Expenditure by the LA in carrying out health and safety work, or capital expenditure for which the LA is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work; this includes circumstances in which the LA's expenditure would have been avoided if the governors had undertaken work for which they had delegated responsibility in a timely manner.

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

6. Expenditure incurred by the LA in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the LA.

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

8. Recovery of penalties imposed on the LA by HM Revenue and Customs, Teachers' Pensions, the Environment Agency or other regulatory authorities as a result of school negligence.

9. Correction of LA errors in calculating charges to a budget share (eg pension deductions). Before applying any such provision the authority will consider whether it is reasonable to do so. If the error dates back several years it may be questionable whether such charging is reasonable.

10. Additional transport costs incurred by the LA arising from decisions by the governing body on the length of the school day or opening times (including term dates), or failure to notify the LA of non-pupil days resulting in unnecessary transport costs.

11. Legal costs which are incurred by the LA because the governing body did not accept the advice of the LA.

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

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

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

15. Costs incurred by the LA in securing provision specified in an Education, Health and Care Plan (EHCP) as a result of the governing body of a school failing to secure such provision despite the delegation of funds in respect of low cost, high incidence SEND and/or specific funding for a pupil with high needs.

16. Costs incurred by the LA due to submission by the school of incorrect data.

17. Recovery of amounts spent from specific grants on ineligible purposes.

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

19. Costs incurred by the LA or schools in ending or withdrawing from a partnership arrangement with other schools, for example, where redundancy costs are incurred in respect of staff providing services across the partnership.

20. 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.

21. Budget share adjustments relating to pupils excluded from the school.

22. Adjustment to reflect actual cost where this is part of the formula.

23. Expenditure incurred by the LA as a result of a school defaulting on a payment.

24. Charges incurred by the governors as a result of signing a Service Level Agreement with the LA. These may be deducted from a school's budget share before this is paid to the school. The phasing of these deductions is subject to agreement between each school and the LA.

25. Ad hoc charges for support services provided by the LA following a request from the school for the service.

26. Costs incurred by the LA arising from the school's failure to comply with the Council's Contract Procedure Rules or LA Scheme of Financial Management

27. The cost of an undisputed invoice for energy where a school has entered into an agreement with the Secretary of State for the supply of energy and failed to pay such an invoice (Regulation 23 of the regulations).

9. Taxation

9.1 Value Added Tax (VAT)

Dorset Council will reclaim Value Added Tax (VAT) on expenditure relating to non-business activity. HM Revenue & Customs have agreed that VAT incurred by schools when spending any funding made available by the LA will be treated as being incurred by the LA and qualifies for reclaim by the LA. This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings, nor capital works at foundation schools funded directly by the DfE.

Schools will not require a refund for VAT paid on local transactions if they use an accounting system supported by Dorset Council (ESS), because VAT will be accounted for centrally. Dorset Council will continue to refund VAT monthly to schools using other accounting systems (e.g. SIMS, LRM, Sage).

Further guidance may be obtained by contacting the Authority's Corporate Accountant (VAT).

9.2 Construction Industry Scheme (CIS)

Schools are required to abide by the procedures issued by the Authority in connection with the Construction Industry Scheme and payments to self-employed individuals. Such guidance will be published separately from the Scheme. This clause also applies to schools when exercising the community facilities power.

10. The provision of services and facilities by the local authority

10.1 Provision of services from centrally retained budgets

Dorset LA will determine on what basis services from centrally retained funds will be provided to schools. Such services include existing premature retirement costs (PRC) and redundancy payments.

The authority will not discriminate between categories of school in its provision of services to schools except in cases where this would be allowable under the school and early years finance regulations or the dedicated schools grant (DSG) conditions of grant.

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

Any arrangements, with the exception of centrally funded premises costs and liability insurance, by which schools buy back services from the Authority shall be limited to a maximum of three years from the date of the agreement between the school and the Authority.

Any subsequent agreement to buy the same services from the Authority will be limited to a maximum length of five years.

However, schemes for contracts for supply of catering services may be limited to a maximum of 5 years, with a maximum agreement of 7 years if the contract is extended.

When a service is provided for which expenditure is not retainable centrally by the authority under the Regulations made under section 45A of the act, it should be offered at prices which are intended to generate income which is no less than the cost of providing those services. The total cost of the service should be met by the total income, even if schools are charged differentially.

It is recognised that absolute break-even or profit is not always achievable over fixed financial years; it is for the authority to show during audit tests that the charging policy can reasonably be expected to avoid central subsidy of services.

10.3 Packaging services for buyback

Any service which the authority is providing on a buyback basis will be offered in a way that does not unreasonably restrict schools' freedom of choice among the services available, and where practicable, will allow for schools to buy back on a service-by-service basis as well as in packages of services.

10.4 Service level agreements

The terms relating to any services or facilities provided by the authority under a service level agreement, whether free or on a buyback basis, will be reviewed at least every three years.

Where services are provided by the authority they will be made available on a basis which is not related to an extended agreement wherever reasonable as well as on the basis of such an agreement. Where services are provided on an ad hoc basis it is permissible for the authority to charge for these services at a different rate than if provided on the basis of an extended agreement.

To be effective for the following financial year, service level agreements with schools for the provision of services must be in place by 28 February in the preceding financial year. Schools must have at least one month to consider the terms of such service level agreements. In exceptional circumstances the dates may be varied by mutual agreement.

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

10.5 Teachers' Pensions

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

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

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the authority which the authority requires to submit its monthly return of salary and service to Teachers' Pensions and to produce its audited contributions certificate.

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

A governing body of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the authority which the authority requires to submit its monthly return of salary and service to Teachers' Pensions and to produce its audited contributions certificate.

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

11. Private Finance Initiatives (PFI) and public private partnerships (PPP)

Schools may only enter into a Private Finance Initiative/Public-Private Partnership with the prior written approval of the authority.

The authority may charge to a school's budget share amounts calculated under a PFI/PPP arrangement entered into by the authority and the governing body of that school. Sums charged will reflect the extent to which funding delegated to the school relates to services covered by the PFI/PPP contract fee and will be subject to indexation in accordance with the agreement between the authority and the governing body.

12. Insurance and risk management

Where funds for insurance are delegated to any school, the LA will require the school to demonstrate that cover relevant to the LA's insurable interests under a policy arranged by the governing body, is at least as good as the relevant minimum cover arranged by the authority if the authority makes such arrangements, either paid from central funds or from schools' delegated budgets.

The evidence required to demonstrate the parity of cover should be reasonable, not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier.

Such insurance is to be in the joint names of the school and the Council. In fixing this minimum level of cover the LA must have regard to the actual risks which might reasonably be expected to arise in the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools.

Instead of taking out insurance, a school may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA. Schools may do this individually when any insurance contract of which they are part expires. Where primary and /or secondary maintained schools are concerned they may opt to join the RPA collectively by agreeing through the Schools' Forum to de-delegate funding.

Head teachers must notify the Local Authority of:

a) any alteration in risks which may affect existing insurances;

b) any indemnity which may be requested of the Authority;

c) any accident, fire or other event which may involve the school or the Council in liability or a claim for loss.

Head teachers and governing bodies must ensure that all reasonable action is taken to minimise risks.

The Chief Financial Officer has overall responsibility for insurance and risk management and schools must adhere to the insurance and risk management requirements published by the authority.

13. Miscellaneous

13.1 LA right of access to information

Governing bodies are required to supply to the Authority all financial information and other information which might reasonably be required to enable the Authority to satisfy itself as to the school's management of its delegated budget share, or the use made of any central expenditure by the Authority (e.g. earmarked funding) on the school. This includes providing such information about programmes of development, including capital requirements, as the Authority considers necessary to facilitate discussions with the governors about school policies and the degree of development appropriate to the school.

Governing bodies shall provide information in a form and at times which shall be determined by the Authority.

13.2 Liability of governors

The governing body of each school is a corporate body. Under the terms of section 50(7) of the School Standards and Framework Act 1998, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

Note: An example of behaviour which is not in good faith is the carrying out of fraudulent acts.

13.3 Governors' expenses

The Authority may delegate to the governing body of a school yet to receive a delegated budget share, such funds as it shall determine appropriate to meet governors' expenses.

Under section 50(5) of the School Standards and Framework Act 1998, only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget share. Schools are prohibited from paying any other allowances to governors and from duplicating payment of expenses by the Secretary of State to additional governors appointed by them to schools under special measures.

For schools with delegated budgets, authorities may publish separately from the scheme, a guide to what it considers to be reasonable expenses.

13.4 Responsibility for legal costs

The costs of legal actions incurred by the governing body are the responsibility of the LA as part of the cost of maintaining the school, (unless they relate to the statutory responsibility of voluntary aided school governors for buildings). These may be charged to the school's budget share unless the Governing Body acts in accordance with the advice of the Authority. This includes any costs awarded against an LA, but not the cost of any legal advice provided.

It may very occasionally be the case that there is a conflict of interest between a governing body and the LA where the governing body would wish to obtain separate legal advice and in such a situation the solicitors to the Authority would be available to advise the governing body as to practitioners with the necessary expertise.

A school cannot expect to be reimbursed with the cost of legal action against the authority itself (although there is nothing to stop the authority making such reimbursement if it believes this to be desirable or necessary in the circumstances).

13.5 Health and safety

In expending the school's budget share, governing bodies are required to have due regard to the duties placed on the Authority in relation to health and safety, and the Authority's policy on health and safety matters published separately from this Scheme. Section 39(3) of the School Standards and Framework Act provides that the LA may issue directions to the governing body and head teacher of a voluntary controlled, community, foundation, foundation special or community special school on health and safety matters. These directions are enforceable via Section 497 of the Education Act 1996 if not complied with.

13.6 LA right of attendance at governing body meetings

Governing bodies are required to permit the Chief Finance Officer of the Authority, or any officer of the Authority nominated by the Chief Finance Officer, to attend and speak, but not to vote, at meetings of the governing body at which any agenda items are relevant to the exercise of his or her responsibilities.

The Chief Finance Officer's attendance should normally be limited to items which relate to issues of probity or overall financial management; such attendance should not be regarded as routine. The authority should give prior notice of such attendance unless this is impracticable.

13.7 Special educational needs

Governing bodies must use their best endeavours in spending their delegated budget share to secure appropriate provision for children assessed as having special educational need. In doing so they must give due regard to advice and guidance published by the Authority. The LA reserves the right to suspend delegation where a situation is serious enough to warrant it (this would not normally relate to an individual pupil).

Where funding is delegated governing bodies must ensure that all the provision specified in the Education, Health and Care Plan of special educational need for a child is made from the delegated budget in accordance with those duties under Section 66 of Part 3 of the Children and Families Act 2014.

13.8 Whistleblowing

Schools are required to follow the Authority's scheme published separately for dealing with staff or governors who wish to complain about financial management or financial propriety at the school.

13.9 Child Protection

Schools are required to release staff to attend child protection case conferences and other related events. Funding for the cost of attendance is deemed to be part of the delegated school budget share.

13.10 Redundancy and early retirement costs

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

A de-delegated contingency for schools in financial difficulty can be provided, if Schools' Forum agrees, to support individual schools where a governing body has incurred expenditure which it would be unreasonable to expect them to meet from the school's budget share.

The Authority's policy on funding for premature retirement and redundancy is determined in discussion with the Schools Forum and published separately on the Council's website for schools.

Costs are normally funded as set out in the 2002 Education Act as summarised at Annex B. The policy in Dorset as agreed with the Schools' Forum is published separately from this scheme.

13.11 Data Protection

Head teachers are responsible for ensuring compliance with data protection legislation and controlling access to all data covered by such legislation.

13.12 Appointment and dismissal of staff

The arrangements for the appointment and dismissal of staff of the School shall be in accordance with the provisions of Schedules 13 and 14 of the Education Act 1996 or subsequent legislation but, subject to the provisions of the Act, the following regulations shall apply to the appointment of School staff.

Every vacant post shall be advertised, except where the Governors decide otherwise. In discharging this responsibility Governors must give regard to local and national requirements.

Applicants for posts, other than existing members of staff, shall be required to submit the names and addresses of two people to whom reference should be made. One of these must be from their current, or most recent employer, and must be in writing and should ask specifically about a candidate's suitability to work with children, as well as their suitability for the post, and should be obtained prior to interview.

Canvassing any Governor of the School for any appointment shall disqualify a candidate for appointment. This regulation shall be made known in all particulars issued for a vacant post.

A Governor shall not solicit for any person an appointment with the School.

Governors are empowered to approve:

a) the selection and appointment of permanent and temporary staff in all schools; working of paid overtime; additional increments for holders of existing posts; incentive allowances within any limits imposed by legislation;
b) the giving of lectures by staff during working hours and the retention of any fees received by the member of staff concerned;
c) provision of protective clothing;
d) payment of fees, financial assistance and attendance for non-teaching staff post entry training;
e) subject to the provisions contained in the relevant enactments, dismissal or termination of a contract of employment; the undertaking of disciplinary or grievance procedures; special leave without pay.

13.13 LA right to institute legal proceedings and public enquiries

The Local Authority shall be empowered to institute legal proceedings for the recovery of sums due to the Council and for the possession of Council property, to lay information, to make complaints, to institute, defend or settle proceedings, to take legal action to enforce rights or obligations, to appear at public enquiries where it is considered by the LA to be in the Council's interest, and to engage counsel.

13.14 Arrangements for the assets and liabilities of school partnerships

Where a pair or group of schools/academies enter into partnership arrangements (including informal arrangements), all partners must agree in writing, in advance of entering into the partnership, a statement providing for the sharing of costs incurred during the partnership period, and how the assets and liabilities will be distributed upon dissolution of the partnership. This must include the arrangements to be made for sharing out employment costs if staff are engaged (including redundancy payments), or for any other financial arrangements that have been entered into. In the event of disagreements, this statement will be followed where possible, or the LA will charge schools in accordance with paragraph 8.3 (19) of this Scheme as it sees fit.

14. Responsibility for repairs and maintenance

All revenue funding for repairs and maintenance is now delegated, therefore the governing body is responsible for costs of all revenue funded repairs and maintenance.

The LA will retain capital funding for programmed strategic repairs and maintenance items. This definition includes works costing more than the amount published on the Dorset Council website financial pages as the limit of strategic repairs and maintenance.

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

The Authority may operate a mutual insurance scheme on behalf of schools to cover the cost of delegated repairs and maintenance items. If such a scheme is organised on behalf of schools by the authority it will be subject to such terms and conditions published separately from this Scheme.

15. Community facilities

15.1 Introduction

Under section 27 (1) of the Education Act 2002, the governing body of a maintained school shall have power to provide any facilities or services whose provision furthers any charitable purpose for the benefit of:

a) pupils at the school or their families, or

b) people who live or work in the locality in which the school is situated.

Under section 27 of the Education Act 2002 at least once in every school year the governing body of a maintained school in England shall consider whether, and if so how, they should exercise the power under subsection (1).

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 a range of controls. Regulations made under section 28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power.

Section 88 of the Children and Families Act 2014, has removed the requirements in section 28(4) and section 28(5) of the Education Act 2002 for maintained schools in England. Under section 28(4) a school was obliged to consult its authority and under section 28(5) a school must have regard to advice or guidance from the Secretary of State or their local authority when offering this type of provision.

Under section 28 (1) the main limitations and restrictions on the power will be:

a) those contained in schools' own instruments of government, if any; and

b) any contained in this scheme for financing schools (as 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 which extends the coverage of schemes to include the exercise of powers of governing bodies to provide community facilities.

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

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

15.2 Consultation with the authority: financial aspects

Whilst there is no requirement for a school to consult or obtain advice from the local authority on decisions regarding establishing community facilities, as public bodies, they are expected to act reasonably, and this includes consulting those affected by the decisions that they make.

If it is found that there has been mismanagement of the community facilities funds, the LA may suspend the right for the school to receive a delegated budget.

15.3 Funding agreements – Local Authority powers

Where a third party is involved with supplying funding and/or taking part in the provision, an agreement in writing must be made between the school and the third party(s). The proposed agreement must be provided to the LA and will be considered along with the plan. The LA will have up to one month to consider and provide advice regarding the agreement. The LA may not veto the agreement or acquire a right to countersign an agreement. Note: If the third party requires authority consent to the agreement for it to proceed, such a requirement and the method by which authority consent is to be signified is a matter for that third party, not for the scheme.

However, if the LA considers that an agreement is against the wishes of the LA, has been concluded without the complete knowledge of the LA, or is in the view of the LA, seriously prejudicial to the interests of the school or the authority, this may constitute grounds for suspension of the right to a delegated budget.

15.4 Other prohibitions, restrictions and limitations

If the LA considers that risks associated with the project in question require the protection of the authority's financial interests, the governing body shall follow the advice of the LA to obtain indemnity insurance, or carry out the activity through the vehicle of a limited company, as specified by the authority.

If Governing Bodies choose or are advised to carry out the activity through the vehicle of a limited company, they must follow any advice published separately by the LA in setting up of companies.

The Governing Body may not do anything which they are unable to do by virtue of any prohibition, restriction or limitation on their powers which is contained in the school's instrument of government.

15.5 Supply of financial information

The governing body of a school exercising the community facilities power may be required, at the request of the Authority taking into account the risk and financial liabilities of the facility, to provide a statement of income and expenditure to the authority for the previous six months, and an estimate for the following six months. The format of the statement will vary depending upon the type of facility provided.

If the school believes that the income will be insufficient to meet expenditure without moving into deficit, the school must inform the LA of this in writing to the Director of Children's Services immediately.

If the LA believes that the financial management or general management of the facility is causing concern, it may give notice to the governing body whereupon financial statements may be required every three months. In such circumstances, a recovery plan will be required to be produced in consultation with the Authority.

If it is found that there has been mismanagement of the community facilities funds, the LA may suspend the right for the school to receive a delegated budget.

The governing body should note that schools (including companies set up by schools) may not borrow money without the written consent of the Secretary of State, (unless lent to the school by Dorset Council under the licensed deficit or loan scheme).

15.6 Audit

In managing a community facility, schools must abide by the Authority's requirements on financial controls and monitoring as set out in the scheme and in detailed publications referred to in the scheme but outside and compatible with it, including the Authority's Contract Procedure Rules and budget and expenditure reporting requirements.

Where a school has powers concerning payment it is required to comply with all relevant legislation (e.g. tax and national insurance).

All schools covered by this scheme, and exercising the community facilities power are subject to the Authority's audit regime, which covers both internal and external audit. The Authority will determine the audit regime on an annual basis and may require different arrangements for those having external bank accounts than those schools having bank accounts that are sub-accounts of the Local Authority.

Schools are required to:

i) provide access to records, documents and correspondence to both internal and external auditors;

ii) allow access for audit purposes at all reasonable times to any premises or land owned by the Council, or the governing body of an Aided or Foundation school maintained by the LA;

iii) allow the copying and/or removal of prime documents for audit purposes.

Paragraphs 4.1, 4.2, and 4.10 of this scheme also apply to community facilities accounts. School resource management principles should also be applied.

Virement may take place between the community facilities budget and the schools delegated budget or any other budgets specifically to be used for the purposes of the school where the approval of the Governing Body has been gained.

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

15.7 Treatment of Income or surpluses

Net income derived from the community facilities may be retained by the school, except where otherwise agreed with a funding provider (whether that be the LA or some other person).

Such retained net income may be carried over from one financial year to another as a separate community facilities surplus, or subject to the agreement of the Authority be transferred all or in part to the budget share balance of the school.

If the Authority ceases to maintain a community or community special school, any accumulated retained income obtained from the exercise of the community facilities power reverts to the Authority unless otherwise agreed with a funding provider or subject to the Academies Act 2010.

15.8 Health and safety

Section 13.5 of this scheme also applies to any community facility arrangements.

Governing Bodies must ensure that Disclosure Barring Service clearance has been obtained for all adults involved in community activities taking place during the school day. The costs of such clearance are the responsibility of the Governing body, unless passed on to a funding partner as part of an agreement with that partner.

15.9 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 as necessary. The arrangements must be agreed with the Authority before finalisation of the insurance arrangement for community facilities.

The LA may make an assessment of the insurance arrangements, and if it judges those arrangements to be inadequate, may make arrangements itself and charge the resultant cost to the school in order to protect itself against possible third party claims.

Instead of taking out insurance, a school may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA.

15.10 Taxation

Schools must seek the advice of the LA on any matters relating to VAT, taxation, income tax (PAYE) and National Insurance. Schools should be aware that they may need to register with HM Revenue & Customs as an employer and follow all regulations in force relating to the employment and payment of staff.

15.11 Banking

Schools may choose to operate their own bank or building society accounts for the purpose of the community facility subject to the conditions set out below. Alternatively, they may choose to operate separate accounts of the Local Authority's accounts. Any interest paid on the account will be retained by the school community facilities account.

Conditions relating to the operation of bank or building society accounts:

a) external accounts must always operate in surplus, unless a deficit has been authorised by the Chief Finance Officer, or unless borrowing is expressly authorised by the Secretary of State. The Authority must be formally consulted before any application to borrow is made to the Secretary of State;

b) subject to (c) below, schools must give the period of notice specified in paragraph 5.1 of an intention to operate an external bank or building society account;

c) the Authority must give written confirmation that it has assured itself of the financial standing of any bank or building society selected by a school before an account is opened by the school.

Funds paid to the school by Dorset LA and held in external accounts remain LA property until spent and are subject to the conditions of this scheme and the Authority's associated Scheme of Financial Management. If the school operates an external account for community facility purposes, the account mandate should not imply that the LA is the owner of the funds in the account except insofar as those funds have been provided by the LA itself. However, the mandate must make clear that if following proper process, the LA has suspended the school's right to a delegated budget, the LA make take control of the account.

15.12 Payments in respect of redundancy and dismissal

Section 37.7 of the Education Act 2002 states that:

"Where a local education authority incurs costs-

(a) in respect of any premature retirement of any member of staff of a maintained school who is employed for community purposes, or

(b) in respect of the dismissal, or for the purpose of securing the resignation of any member of the staff of a maintained school who is employed for those purposes,

they shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable."

And section 37.7(A) states that:

"Any amount payable by virtue of subsection (7) by the governing body of a maintained school in England to the local authority may be met by the governing body out of the school's budget share for any funding period if and to the extent that the condition in subsection (7B) is met.

Section 37.7(B) states that:

> “The condition is that the governing body are satisfied that meeting the amount out of the school's budget share will not to a significant extent interfere with the performance of any duty imposed on them by section 21(2) or by any other provision of the Education Acts.”

And section 37.9:

> “Where a person is employed partly for community purposes and partly for other purposes, any payment or costs in respect of that person is to be apportioned between two purposes; and the preceding provisions of this section shall apply separately to each part in the payment of costs.”

And Section 37.10:

> “Regulations may make provision with respect to the recovery from governing bodies of amounts payable by virtue of subsection (7).”

Annex A: List of schools to whom this scheme applies

Primary Phase

All Saints CE VC Primary School
Bincombe Valley Primary School and Community Nursery
Broadmayne First School
Broadwindsor CE VC Primary School
Cerne Abbas CE VC First School
Charmouth Primary School
Cheselbourne Village School
Conifers Primary School
Downlands Community Primary School
Greenford CE Primary School
Hampreston CE VA First School
Hazelbury Bryan Community Primary School
Holy Trinity CE VC Primary School and Nursery Unit
Lulworth & Winfrith CE Primary School
Milton-on-Stour CE VA Primary School
Parrett & Axe CE VA Primary School
Pimperne CE VC Primary School
Powerstock CE VA Primary School
Radipole Primary School
Rushcombe First School
Salway Ash CE VA Primary School
Sandford St Martin's CE VA Primary School
Southill Primary School
St George's CE Primary School, Langton Matravers
St George's Primary School, Portland
St Georges CE VA School, Bourton
St Gregory's CE Primary School, Marnhull
St Mary's CE First School, Charminster
St Michael's CE Primary School, Lyme Regis
St Nicholas CE VA Primary School, Child Okeford
Stalbridge CE Primary School
Sticklands CE Primary School
Stoborough CE Primary School
Stower Provost Community School
Sturminster Marshall First School
Swanage Primary School
Symondsbury CE Primary School
The Abbey CE VA Primary School
The Prince of Wales School
Thorner's C of E School, Litton Cheney
William Barnes Primary School
Winterbourne Valley CE (Aided) First School
Wyke Primary School, Gillingham
Wyke Regis CE Junior School
Wyke Regis Infant School and Nursery

Middle Schools
Cranborne Middle School
West Moors Middle School

Secondary Schools
Beaminster Technology College
Ferndown Upper School
Gillingham VC School
Lytchett Minster School
Sturminster Newton High School
The Blandford School
The Woodroffe School

Special Schools
Beaucroft Foundation School, Colehill
Mountjoy School, Beaminster
Westfield Technology College, Weymouth
Yewstock School, Sturminster Newton

Learning Centres
The Compass Centre
Dorchester Learning Centre
The Forum Centre

Annex B: Responsibility for redundancy and early retirement costs

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

Section 37 of the 2002 Education Act says:

> (4) costs incurred by the local education authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the authority agree with the governing body in writing (whether before or after the retirement occurs) that they shall not be so met.
>
> (5) costs incurred by the local education authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the authority have good reason for deducting those costs, or any part of those costs, from that share.
>
> (6) The fact that the authority have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).

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

Charge of dismissal/resignation costs to delegated school budget:

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

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

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

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

The local authority can retain a central budget within the schools budget to fund the costs of new early retirements or redundancies by a deduction from maintained school budgets (excluding nursery schools) only, where the relevant maintained school members of the schools forum agree.

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

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

For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, and can be funded from the school's delegated budget if the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. Section 37 now states:

> (7) Where a local education authority incur costs:
>
> (a) in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or
>
> (b) in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes, they shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.

(7A) Any amount payable by virtue of subsection (7) by the governing body of a maintained school in England to the local authority may be met by the governing body out of the school's budget share for any funding period if and to the extent that the condition in subsection 7(B) is met.

(7B) The condition is that the governing body are satisfied that meeting the amount out of the school's budget share will not to a significant extent interfere with the performance of any duty imposed on them by section 21(2) or by any other provision of the education Acts.

(8) Where a person is employed partly for community purposes and partly for other purposes, any payment or costs in respect of that person is to be apportioned between the two purposes; and the preceding provisions of this section shall apply separately to each part of the payment or costs.