



POLICY DOCUMENT

SCHEME FOR FINANCING SCHOOLS

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Knowsley Council

CHILDREN AND FAMILY SERVICES

SCHEME FOR FINANCING SCHOOLS



Achievement & Learning For All

SCHEME FOR FINANCING SCHOOLS

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SECTION 1: INTRODUCTION

The role of the Council is to set a clear vision, to develop strategic partnerships and to assure high quality in schools and support services. The Local Authority (LA): -

- sets a clear strategic direction for the service through the Education Improvement Strategy “Good and striving for excellence” 2013-2016
- monitors standards in schools, promoting school effectiveness and intervening where schools are not succeeding
- identifies strategic priorities and directs resources to those priorities
- keeps the supply of school places under review and responds to changes in parental preference

In line with the National Governors’ Association definition of the role of the Governing Body as set out in the 5th edition of their Welcome to Governance Publication, Governing Bodies have a strategic role and are responsible for the conduct of the school and must promote high standards of educational achievement. The Governing Body is the school’s accountable body and as such:-

- It establishes the vision and sets the purpose and aims of the school within an agreed policy framework.
- The appointment and performance appraisal of the headteacher is part of its role.
- It agrees the school improvement strategy. This includes setting targets with supporting staffing structures and budgets.
- The Governing Body monitors and evaluates the work of the school. This includes headteacher performance review, holding the headteacher to account for the performance of the school, the effectiveness of the policy framework, progress towards targets and the effectiveness of the school improvement strategy.
- It needs to ensure that parents are involved, consulted and informed as appropriate and that information is available to the community as required within all legislative constraints.
- It signs off the self evaluation process and responds to Ofsted reports as required.

The Scheme for Financing Schools framework will assist the LA and schools in meeting their respective roles.

1.1 The Funding Framework

The funding framework, which replaced Local Management of Schools, is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998.

Local Authorities must determine the size of the schools budget and the non-schools education budget. The Authority must, as a minimum, appropriate its entire Dedicated Schools Grant (DSG) to their schools budget. Categories of expenditure which fall into either the Schools Budget or non-schools education budget are prescribed under regulations made by the Secretary of State.

Authorities may utilise elements of the schools budget to fund centrally retained expenditure as specified in the regulations made by the Secretary of State. The amounts are subject to any limit or condition (including gaining the approval of Schools Forum or Secretary of State in some circumstances).

The balance of the school budget left after deducting the centrally retained expenditure is termed the Individual Schools Budget (ISB). LAs must distribute amounts from their 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 concerned¹.

The Act² requires the financial controls within which delegation works to be set out in a scheme made by the LA and approved by the Secretary of State. All revisions to the scheme must also be approved by the Secretary of State, who has power to modify schemes or impose one. This document forms the required scheme for Knowsley.

Subject to provisions of this scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State³.

An LA may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State⁴.

The LA is obliged to publish each year a statement setting out details of its planned Local Schools Budget, showing:

- the amounts to be centrally retained;
- the funding delegated to each school;
- the formula used to calculate those budget shares;
- the detailed calculation for each school.

After each financial year the authority must publish a statement showing outturn expenditure at central level. The Consistent Financial Report shows outturn expenditure for each school, and the balances held in respect of each school.

The detailed publication requirements for financial statements and for schemes are set out in Regulations, but each school must receive a copy of the scheme and any amendment, and each year's budget and outturn statements so far as they relate to that school or central expenditure.

1.2 The role of the scheme

The scheme sets out the financial relationship between Knowsley and the maintained schools, which it funds. The scheme contains requirements relating to financial management and associated issues, binding on both the Authority and on schools.

¹ Unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the School Standards and Framework Act 1998 Act.

² S.48 of the School Standards and Framework Act 1998.

³ In regulations made under s.49 of the School Standards and Framework Act 1998.

⁴ A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSFA Act 1998).

1.2.1 Application of the scheme to the Authority and maintained schools

The Scheme applies to all all community, nursery, special, voluntary, foundation (including trust), foundation special schools and pupil referral units (PRUs).

A list of schools is attached for information at Appendix 1.

The scheme applies to all community, nursery, special, voluntary, foundation (including trust), foundation special schools and PRUs maintained by the authority, whether they are situated in the area of the authority or situated elsewhere. It does not apply to schools situated in the authority's area which are maintained by another authority. Nor does it apply to academies.

1.3 Publication of the scheme

An electronic copy of the scheme will be supplied to the Headteacher and to the governing body of each school covered by the scheme. Any approved revisions will be notified to each school and be made available on the authority's website.

Publication will be in accordance with such regulations as made by the Secretary of State.

1.4 Revision of the scheme

Any proposed revisions to the scheme will be the subject of consultation with the governing body and the head teacher of every school maintained by the authority prior to submission to the Schools Forum.

All proposed revisions must be 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.

1.5 Allocation of Duties and Responsibilities

1.5.1 Executive Director (Resources)

The Executive Director (Resources) has a statutory responsibility to ensure the proper administration of the Council's financial affairs, including those of schools. To fulfil this responsibility governing bodies must provide the Executive Director (Resources) with all necessary access to information, documents and records. In addition, the Executive Director (Resources) or a representative has a right to attend governing body meetings to give advice or information on financial matters which may affect these statutory responsibilities.

1.5.2 Executive Director (Schools)

The Executive Director (Schools) is responsible for the management of the Knowsley Scheme; for monitoring the effectiveness of the Scheme; and, in conjunction with the Executive Director (Resources), for recommending to the Authority the withdrawal of delegation where appropriate.

1.5.3 Governing Bodies

Governing bodies have a statutory responsibility to ensure the proper administration of their schools financial affairs. To this end Governing Bodies should establish their own

procedures to determine their conduct of the school's financial affairs. A suggested format is available from the Authority. Such procedures must take into account the Authority's own requirements on financial controls and monitoring. This includes not only those requirements and controls in the Scheme but also those contained in more detailed publications referred to in the Scheme but outside and compatible with it, e.g. the Authority's Constitution, Financial and Contract Procedure rules. Where these are inconsistent with the provisions of this Scheme, then the provisions of this Scheme will prevail.

Governing Bodies are responsible for ensuring that this Scheme is observed in their school and that a system of internal controls is established, which ensures that all activities under their control are conducted in a proper, efficient, effective and well ordered manner.

Additional requirements for schools with their own bank accounts are contained within the "Local Cheque Book Account - Procedure Manual."

1.5.4 Headteacher

Each Governing body is asked to consider the extent to which it wishes to delegate its powers to the Headteacher. These powers (and any revisions) are to be stated in the schools financial procedures and are also to be recorded in the minutes of the governing body. An illustrative example is that the Governing body may request that all purchases in excess of £1,000 must be approved in advance by the Finance Committee.

1.6 Maintenance of the School

The LA is responsible for maintaining the schools covered by the Scheme. This includes the duty of paying all the expenses of maintaining them (except for Voluntary Aided schools where some of the expenses are payable by the governing body). Part of the way Knowsley maintains schools is through the delegated funding system.

1.7 Hospitality and gifts

Governors, the Headteacher or any member of staff should treat hospitality and gifts with extreme caution. The offer or receipt of all such items must be declared in a register maintained by the school.

SECTION 2: FINANCIAL CONTROLS

2.1.1 Application of financial controls to schools

In the management of their delegated budgets schools must comply with Knowsley's requirements on financial controls and monitoring. These requirements relate not only to those in the scheme but also those requirements in more detailed publications referred to in the scheme. Examples of these publications include the model financial procedures and local chequebook account procedure manual.

2.1.2 Provision of financial information and reports

Schools operating bank accounts in accordance with the local Scheme are required to provide Knowsley Local Authority (LA) with details of anticipated and actual expenditure and income, in a form and at times determined by the authority. These requirements are set out in the "Local Cheque Book Account - Procedure Manual". The LA will not require submission of financial information and reports more often than once every three months, except for those connected with tax or banking reconciliation, unless the LA has notified the school in writing that in view of the school's financial position it requires more frequent submission of financial information, the school is in its first year of operation, the school is under the closing schools protocol or other (DfE notice of concern). The restriction to a minimum three month interval does not apply to schools which are part of Knowsley's on-line accounting system, i.e. ORACLE.

2.1.3 Payment of salaries; payment of bills

The procedures for these will vary according to the choices schools make about the holding of bank accounts and the buying back of the authority's payroll services system.

Currently, for all maintained schools the payment of salaries is through the Authority's payroll system. For schools without a local cheque account the payment of invoices is through the Authority's creditor system or the schools imprest account. For schools with local cheque accounts the procedures are set out in the "Local Cheque Book Account - Procedure Manual".

2.1.4 Control of assets

Each school is required to maintain an inventory of all assets valued at more than £200 (including items donated to the school). The inventory must contain a record of the location, make, model and serial number of the item. A physical check of the inventory is required on an annual basis, this is to be signed by a responsible officer and dated. Any discrepancies are to be reported to the Headteacher who in turn will inform the governing body of the details.

No item which is recorded on an inventory shall be taken off site without a signature and date being received by the inventory holder in accordance with internal school procedures.

All sales to a third party and write-offs must be approved by the Governing body or a nominated sub-committee. VAT must be recovered where applicable. The Authority's write off procedures should be followed in such cases.

No leased item is to be disposed of in any way without the express permission of the leasing company (via the Executive Director (Resources)). This includes: sale, part exchange, scrapping, writing off, donating, re-leasing, sub-letting or any other form of "give away". Full details in respect of all aspects of leasing are contained in the Authority's "Leasing Guidance Notes".

2.1.5 Accounting Policies (including year-end procedures)

Schools must abide by procedures issued by the LA in relation to accounting policies and year-end procedures.

2.1.6 Writing off of debts

Governing bodies are only authorised to write off debts up to a cumulative level of £1,000 in any financial year. All debt write offs must be minuted by the Governing body, the minutes are to include the name of the debtor, the amount and the reason the debt is being written off.

In the case of larger debts the school must consult with the Executive Director (Resources).

2.2 Basis of accounting

Within the accounts of the Authority, income and expenditure is matched to services provided during the year; this is known as accruals accounting. The Authority does not enforce an accrual accounting system within schools but does recommend that this approach is adopted.

2.3 Submission of budget plans

Each school will receive notification of its budget for the following financial year by 31st March each year. The Governing body must prepare, formally approve and submit a budget plan to the Authority by 31 May.

The budget plan should facilitate the achievement of the school's educational objectives in line with the school development plan. The budget plan will show the school's intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. The budget plan should be in a format prescribed by the authority, copies of which will be provided to schools.

The authority may also request revised submissions from individual schools at any point in the course of the year. Where more than one request is made to the same school the intervals will not be less than three months.

The LA will supply schools with all income and expenditure data, which it holds which, is necessary for efficient planning by schools. The budget plan allows the school's to take into account estimated deficits/surpluses as at the previous year end (31st March).

As well as issuing its budget statement as required by Section 251 of the Apprenticeships, Skills, Children and Learning Act 2009, the authority will inform each maintained school of its estimate of the schools budget share for the next one or two financial years as appropriate.

The estimate will be in a format determined by the authority and this format may include provision of information within an electronic budget modelling system. The estimate will use information available to the authority at the date of preparation and will be of a provisional nature, implying no commitment on the part of the authority to fund the school at the level shown in the estimate. The authority may issue additional budget estimates from time to time.

2.3.1 Submission of financial forecasts

All schools are required to produce three-year financial plans in a format determined by the authority. The deadline for submission of financial plans is 31 May. These submitted financial forecasts will be used in conjunction with the authority's balance control mechanism (4.2), as well as early assistance to support schools who may be facing future financial difficulties.

2.4 Efficiency and value for money

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

It is for Headteachers and governors to determine at school level how to secure better value for money.

There are significant variations in efficiency between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements.

2.5 Virement (transfers between budget headings)

Schools may vire freely between budget headings to facilitate a more effective deployment of resources.

The Governing body must stipulate in the schools financial procedures the amount the Headteacher is authorised to vire between budget heads. It is suggested that up to a maximum of £5,000 [Primary Schools] £10,000 [Secondary Schools] on staffing accounts and £500 on non staffing accounts would be appropriate.

All virements must be reported to the Governing body or nominated sub-committee.

2.6 Audit: General

All schools are within an internal audit regime defined by the Executive Director (Resources). Currently this means that all primary schools will normally be subject to an internal audit at least once within a four year period and all secondary and special schools will normally be audited at least once in a three year period.

Officers from Finance, in conducting their internal audit duties, have the authority to:-

- Visit and enter school premises at all reasonable times
- Have access to all records and documents of the school
- Require explanation in relation to any financial matters
- Require cash, stores and property to be produced for verification
- Access data in computer systems (using interrogation packages where necessary)

Headteachers will have the opportunity to comment on matters of accuracy within the draft report before it is issued to the school in its final version. The results of internal audit reviews will be notified in writing to heads and must be reported to the governing body. A written response is required to any recommendations contained in audit reports. An auditor will normally be available to present the report to the Governing body if so requested.

Governing bodies must ensure that the Executive Director (Resources) is notified immediately when a matter arises which involves, or is thought to involve, any suspected financial irregularity. The Executive Director (Resources) will investigate all suspected irregularities in accordance with the Council's agreed procedures.

Schools are also subject to the external audit regime as determined by the Audit Commission.

There is a fundamental requirement for schools to co-operate openly with both internal and external auditors.

2.7 Separate external audits

In instances where a school wishes to seek an additional source of assurance at its own expense, a governing body is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any LA internal or external audit process. Where a school chooses to seek such an additional audit it does not remove the requirement that the school must also co-operate with the LA's internal and external auditors.

2.8 Audit of voluntary and private funds

This includes funding from, for example, donations and fund raising events.

Accounting records must be kept for these funds and monies kept separate from official school monies. Schools must be able to provide year end audit certificates in respect of voluntary and private funds held by schools and of the accounts of any trading organisations controlled by the school.

All voluntary and private funds must be independently audited on an annual basis by a person approved by the governing body. The governors must receive annually the audited statement of the school fund and any other voluntary funds held within the school and must formally minute the balances and any adverse comments.

Under Consistent Financial Reporting, voluntary and private funds under the control of the governing body are required to be reported under the heading "I13".

A termly statement of all non-public funds is to be presented to the governing body.

All invoices, bank statements, cheque stubs and paying-in books must be retained for six years.

2.9 Pecuniary interests (Register of business interests)

The governing body of each school must maintain a register which lists for each member of the governing body and the head teacher:

- Any business interests they or any member of their immediate family have;
- Details of any other educational establishments that they govern;
- Any relationships between school staff and members of the governing body; and
- To keep the register up to date with notification of changes and through annual review of entries, to make the register available for inspection by governors, staff and parents, and the authority and to publish the register, for example on a publicly accessible website.

2.10 Purchasing, tendering and contracting requirements

Schools must abide by the Authority's Constitution, Financial and Contract Procedure rules in purchasing, tendering and contracting matters. This should include a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the LA's policies and procedures.

However, any section of Constitution, Financial and Contract Procedure rules shall not apply if it requires schools:-

- (a) To do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU Procurement Directive;
- (b) To seek LA officer countersignature for any contracts for goods or services for a value below £60,000 in any one year;
- (c) To select suppliers only from an approved list;
- (d) To seek fewer than three tenders in respect of any contract with a value exceeding £10,000 in any one year.

2.11 Application of contracts to schools

Although governing bodies are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the authority as maintainer of the school and the owner of the funds in the budget share. Contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

In other instances schools have a right to opt out of LA-arranged contracts and advice should be sought from the Corporate Procurement Team.

2.12 Central funds and earmarking

The LA is authorised to make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget shares e.g. High Level Need top up funding. Such allocations shall be subject to conditions setting out the purpose or purposes for which the funds may be used. While these conditions need not preclude virement (except, of course, where the funding is supported by a specific grant which the LA itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school's budget share.

Such earmarked funding from centrally retained funds should be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not vired into the budget share. Earmarked funds will normally have to be returned to the LA if not spent in-year, or within the period over which the schools are allowed to use the funding if different.

Separate "Cost Centres" should be maintained by schools to be able to demonstrate that the above requirement has been complied with.

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

2.13 Spending for the purposes of the school

School budgets are to be spent in the best educational interests of the pupils. In defining the purposes of the school, Governors must have regard to the need to provide a broad and balanced education for pupils to the benefit both of individuals and the community. By virtue of section 50(3A) (which came into force on 1st April 2011), 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.

Under s.50(3)(b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. He has done so in the School Budget Shares (Prescribed Purposes)(England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes)(England)(Amendment) Regulations 2010 (SI 2010/190). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools or academies.

2.14 Capital spending from budget shares

Governing bodies may use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the governing body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the School Standards and Framework Act 1998.

If the expected capital expenditure from the budget share in any one year will exceed £15,000 the governing body must notify the LA and take into account any advice from the Executive Director (Schools) as to the merits of the proposed expenditure. The consent can only be withdrawn on Health & Safety grounds. If the premises are owned by the LA then the Governing body must seek the consent of the LA to the proposed works.

2.15 Notice of Concern

The authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Executive Director (Resources) and the Executive Director (Schools), 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 school.

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

These include:-

- Insisting that relevant staff undertake appropriate training to address any identified weakness in the financial management of the school
- Insisting that an appropriately trained / qualified person chairs the finance committee of the governing body;
- Placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the local authority;
- Insisting on regular financial monitoring meetings at the school attended by Local Authority officers;
- Requiring a governing body to buy into local authority's financial management systems; and

- Imposing restrictions or limitations on the manner in which a school manages extended schools activity funded from its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

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

If a dispute exists between the authority and the school that received the notice, the decision will be taken to Schools Forum for adjudication. Schools Forums decision will be final.

2.16 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 Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in the year they wish to complete the form.

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

All maintained schools with a delegated budget must submit the form to the local authority before 31 March each year.

2.17 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 these controls. This information must also be included in induction for new school staff and governors.

SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS

The council's treasury management activity is undertaken by the council's Financial Management Service (in conjunction with Arlingclose who are the council's treasury management advisors), and is operated in accordance with the best practice approach set out in the CIPFA Code of Practice on Treasury Management, and the council's 2013-14 Treasury Management and Annual Investment Strategy, approved by Council on 5 March 2014.

For the purposes of this section, Budget Share includes any place-led funding for special schools or pupil referral units

3.1 Frequency of Instalments

The budget share for schools with a local cheque book account will be made available to governing bodies in accordance with the details contained in the "Local Cheque Account - Procedure Manual". In summary, this will be termly for schools operating a non employee related account and monthly for schools with an employee related account. All local cheque account schools are entitled to opt for monthly payments. Top up payments for pupils with high needs should be made on a monthly basis unless alternative arrangements have been agreed with the provider. However, it has been agreed for top-up payments to Knowsley maintained special schools to be made on a half termly basis in arrears.

Schools must indicate their choice of banking scheme at least two months prior to the start of the relevant financial year. It will not be possible to change the frequency of advances during the financial year. The choices of banking schemes are;

(a) Non pay/non employee related local cheque account

This account is solely for the payment of supplies, goods, premises and services. It may not be used for the payment of wages or salaries.

(b) Pay/employee and non pay related cheque account

This account includes all the payments referred to above plus the payment of salaries and wages.

Schools that do not have a bank account can draw on their budget share at any time during the year.

3.2 Proportion of Budget Share Payable at Each Instalment

Schools with a termly non pay/non employee related local cheque account will receive their budget share in the following proportion:-

April	40% of the Non Staffing budget
September	30% of the Non Staffing budget
January	30% of the Non Staffing budget

The split between staffing and non staffing estimates will be calculated with reference to returns provided by the school.

Schools with a pay/employee and non pay related cheque account will receive their budget share in equal instalments by 19th of each month.

In the event that advances for termly or monthly instalments are over and above the amount due adjustments will be made to future instalments.

Further details are contained in the “Local Cheque Account - Procedure Manual”.

3.3 Interest clawback

The scheme may provide for the LA to deduct from budget share instalments an amount equal to the estimated interest lost by the LA in making available the budget share in advance. Any such provision is detailed in the “Local Cheque Book Account - Procedure Manual”.

Any methodology introduced for clawback calculations will be on a reasonable basis and will not go further than recovering lost interest. The LA will show the justification for the clawback and the calculation basis will be shown.

3.3.1 Interest on late budget share payments

The LA must add interest to late payments of budget share installations, where late payment is the result of LA error. The interest rate used would be at least the current Bank of England base rate.

3.4 Budget shares for closing schools

Budget shares of schools operating a bank account, for which approval for discontinuation has been secured, will be made available until closure on a monthly basis, net of estimated pay costs, even where some different basis was previously used.

3.5 Bank and building society accounts

All schools are entitled to have external bank accounts into which their budget share instalments are paid. Where schools have such accounts they shall be allowed to retain all interest payable on the account.

New bank account arrangements may only be made with effect from the beginning of each financial year. The exception to this is where proposals to establish a new school part way through the financial year are approved. In these circumstances consideration will be given to requests for the approval of banking arrangements from the date of the school's opening.

If a school opens an external bank account the LA must, if the school desires, transfer immediately to the account an amount agreed by both school and LA as the estimated surplus balance held by the LA in respect of the schools budget share, on the basis that there is then a subsequent correction when the accounts of the relevant year are closed.

Schools without bank accounts cannot have one until any deficit balance is cleared.

3.5.1 Restrictions on accounts

The Authority has negotiated an acceptable scheme with its own banker. However alternative banking arrangements may be made provided they fully meet the requirements of the LA scheme as set out in the “Local Cheque Book Account - Procedure Manual”.

The Executive Director (Resources) must approve the choice of banker and the account details before a school operates any local bank account; this also applies to any changes to existing accounts.

Budget Share Funds paid by the authority and held in school accounts which remains authority property until spent.

3.6 Borrowing by schools

Governing bodies may borrow money (which includes the use of finance leases) only with the written permission of the Secretary of State. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. The authority is not responsible for the repayment of any loan which the governing body may secure under any such agreement. From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. Schools may use any scheme that the Secretary of State has said is available to schools without specific approval, currently including the Salix scheme, which is designed to support energy saving.

Whilst schools are not permitted to use credit cards and overdrafts, procurement cards are not classed as borrowing, and therefore permitted in the scheme. This allows schools to facilitate electronic purchasing.

The restrictions do not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the delegated budget, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the authority when repaying loans.

3.7 Other provisions

Detailed rules and guidance in respect of other aspects of banking arrangements are contained in the "Local Cheque Book Account - Procedure Manual".

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

4.1 The right to carry forward surplus balances

Schools may carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year. Schools who have transferred to Local Cheque Book accounting may receive their previous years balance on a provisional basis, if they so require, no later than 30th April. If any adjustment is required based on the final outturn position, this will be done at the next available cash advance.

4.2 Controls on surplus balances

There is no longer a requirement for the scheme to operate a balance control mechanism. The new guidance indicates that the mechanism should be focused on only those schools which have built up significant excessive uncommitted balances where some level of redistribution would support improved provision across the local area.

The authority's current mechanism allows schools 12 months to manage the excess balance, and in this respect is in line with the new principles. Schools are still subject to the following restrictions:

- a. The authority shall calculate by 31 May 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. The authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance;
- c. The authority shall then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the authority, and which the authority is satisfied as properly assigned. A pro-forma will be made available to all schools and need to be completed by both the Headteacher and the Chair of Governors. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the authority. In considering whether any sums are properly assigned the authority may also take into account any previous declared assignment of such sums but may not take into account any change in planned assignments to be the sole reason for considering that a sum is not properly assigned;
- d. If the result of steps a-c is greater than 5% of the current year's budget share for secondary schools, 8% for primary and special schools, or £10,000 where that is greater than the percentage threshold, then the authority shall deduct from, the current year's budget share an amount equal to the excess.

Funds derived from other sources, for instance collaborative funds, will be taken into account when calculating excess balances. Funds held for community facilities powers will also be taken into account.

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

4.3 Interest on surplus balances

Balances held by the Authority on behalf of schools will attract interest.

4.4 Obligation to carry forward deficit balances

Deficit balances will be carried forward and will be deducted from the following year's budget share (see also 4.8).

4.5 Planning for deficit budgets

Schools are allowed to plan for deficits only in certain approved circumstances (see 4.9).

4.6 Charging of interest on deficit balances

The LA's current policy is not to charge interest to schools with deficit budgets.

4.7 Writing off deficits

If an authority wishes to give assistance towards elimination of a deficit balance this should be through the allocation of a cash sum, from the authority's 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 Schools Forum).

4.8 Balances of closing and replacement schools

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

4.9 Borrowing for agreed purposes

The general provision in paragraph 3.6 above forbidding Governing bodies to borrow money shall not apply to schemes run by the Authority as set out in the following sections:-

4.9.1 Licensed deficits

Knowsley operates a licensed deficit system.

The LA will permit schools to plan for a deficit budget in particular circumstances. The funding to allow such a deficit budget shall be provided from the collective surplus of school balances held by the authority on behalf of schools.

The detailed arrangements applying to this Scheme are as follows:-

- (a) the maximum length over which schools may repay the deficit (i.e. reach at least a zero balance) is three years. The LA will monitor the situation to ensure that the deficits are not simply extended indefinitely;
- (b) the purposes for which the deficit arrangement will be agreed with the Governing body and the LA;

- (c) the maximum size of the deficit which may be agreed is 10%, but greater in exceptional circumstances;
- (d) the maximum proportion of the collective balances held by the LA which will be used to back the arrangement is 40%;
- (e) the Executive Director (Schools) and Cabinet Member for Children and Family Services are to agree any arrangements for individual schools.
- (f) the minimum size of the deficit which may be agreed is £10,000.

4.9.2 Loan schemes

Knowsley LA does not have a form of loan arrangement for schools as it operates a licensed deficit scheme.

SECTION 5: INCOME

5.1 Income from lettings

Schools are entitled to retain income from lettings of the school premises which would otherwise accrue to the LA, subject to alternative provisions arising from any joint use or PFI agreements. Schools are allowed to cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share. However, schools are required to have regard to directions issued by the LA as to the use of school premises, as permitted under the Schools Standards Framework Act 1988 for various categories of schools.

It should be noted that income from letting school premises is not to be paid into voluntary or private funds held by the school.

5.2 Income from fees and charges

Schools may retain income from fees and charges except where a service is provided by the LA from centrally retained funds. However, schools are required to have regard to any policy statements on charging produced by the LA.

5.3 Income from fund-raising activities

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

5.4 Income from the sale of assets

Schools are entitled to retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds (in which case it will be for the LA to decide whether the school should retain the proceeds), or the asset concerned is land or buildings forming part of the school premises and is owned by the LA. Proceeds from the sale of leased assets cannot be retained by schools. Refer to Section 2.1.4.

5.5 Administrative procedures for the collection and banking of income

Because of the potential VAT implications of providing services which lead to fees and charges, fund raising activities and the sale of assets, the LA will establish administrative procedures for the collection of income which may vary from time to time in the light of advice from the VAT authorities.

All income must be banked intact by the school within a week of its receipt. The scheme may have a provision which applies separate rules on this to schools, but only for income which accrues to the authority (e.g. where a school has contracted with the council meals service).

5.6 Purposes for which income may be used

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

SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General provision

The budget share of a school may be charged by the LA without the consent of the governing body only in circumstances listed below. The LA will consult the school before making the charge, and will notify schools when it has been done.

For each of these circumstances (except 6.2.11) the LA would have to be able to demonstrate that the Authority had necessarily incurred the expenditure now charged to the budget share. This means that where the Authority cannot incur a liability because the statutory responsibility rests elsewhere, no charging is possible. Therefore the position on charging will vary between categories of school.

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

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

6.2 Circumstances in which charges may be made

- 6.2.1 Where premature retirement costs have been incurred without the prior written agreement of the LA to bear such costs (the amount chargeable being only the excess over any amount agreed by the LA);
 - 6.2.2 Other expenditure incurred to secure resignations where the school had not followed LA advice;
 - 6.2.3 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;
 - 6.2.4 Expenditure by the LA in carrying out health and safety work or capital expenditure for which the LA is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work;
 - 6.2.5 Expenditure by the LA incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the LA; or the school has voluntary controlled status;
 - 6.2.6 Expenditure incurred by the LA in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the LA;
- See also 10.1. Charging the budget share cannot take place where the LA has no relevant insurable interest, e.g. in the buildings of a foundation school.
- 6.2.7 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;

- 6.2.8 Recovery of penalties imposed on the LA by the Board of Inland Revenue, the Contributions Agency, HM Customs and Excise, Teachers Pensions, the Environment Agency or regulatory authorities as a result of school negligence;
- 6.2.9 Correction of LA errors in calculating charges to a budget share (e.g. pension deductions);
- 6.2.10 Additional transport costs incurred by the LA arising from decisions by the governing body on the length of the school day, and failure to notify the LA of non-pupil days resulting in unnecessary transport costs.
- 6.2.11 Legal costs which are incurred by the LA because the governing body did not accept the advice of the LA (see also section 11).
- 6.2.12 Costs of necessary health and safety training for staff employed by the LA, where funding for training had been delegated but the necessary training not carried out.
- 6.2.13 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 6.2.14 Cost of work done in respect of teacher pension remittance and records for schools using non-LA payroll contractors, the charge to be the minimum needed to meet the cost of the Authorities compliance with its statutory obligations;
- 6.2.15 Costs incurred by the Authority in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs;
- 6.2.16 Costs incurred by the LA due to submission by the school of incorrect data;
- 6.2.17 Recovery of amounts spent from specific grants on ineligible purposes;
- 6.2.18 Costs incurred by the LA as a result of the governing body being in breach of the terms of a contract.
- 6.2.19 Costs incurred by the LA in educating children who should be funded through the pupil referral unit, where those costs have been delegated, and the service not provided in accordance with the service level agreement.
- 6.2.20 Costs incurred by the authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.

6.3 Disputes procedure

In the event of any dispute the matter will be resolved by the Executive Director (Schools) in consultation with the Cabinet member for Children and Family Services.

SECTION 7: TAXATION

7.1 Value Added Tax

The procedure local cheque account schools should follow in order to be able to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity is detailed in the "Local Cheque Book Account - Procedure Manual". VAT amounts reclaimed will be passed back to the school.

For schools not operating a local cheque account VAT will continue to be accounted for by the Authority.

HM Customs & Excise have agreed that VAT incurred by schools, when spending any funding made available by the LA, is 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 DfE.

7.2 CITS (Construction Industry Taxation Scheme)

The Construction Industry Tax Deduction Scheme was devised to overcome the evasion of tax by Contractors in the Construction Industry. It relates to the labour element of any building work payments in respect of construction, installation, repair, alteration, fitting, decorating or dismantling work.

If the labour element does not exceed £1,000, a concession may be obtained from the Inland Revenue that schools can pay the contractor direct without deduction of tax. Schools must ensure that they obtain sight of and record details of a contractor's exemption certificate before making direct payments.

If the labour element of the work is more than £1,000, schools should certify the invoice as normal and draw a cheque on the school account payable to Knowsley Metropolitan Borough Council for the net amount payable by the school. The cheque will be banked to credit the schools KMBC account where a corresponding debit will appear.

The certified invoice and payment authorisation slip should be passed for payment to the Executive Director (Resources) and clearly marked "CONSTRUCTION INDUSTRY TAX". This system will avoid schools having the extra work of administering the scheme.

A copy of the invoice and payment authorisation slip should be kept by the school to support the cheque issue.

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

8.1 Provision of services from centrally retained budgets

The Authority will determine on what basis services (including existing PRC and redundancy payments) from centrally retained funds will be provided to schools.

The Authority will not discriminate in its provision of services on the basis of categories of schools except where (a) funding has been delegated to some schools only or (b) such discrimination is justified by differences in statutory duties.

8.2 Provision of services bought back from the LA using delegated budgets

Any arrangement with a school starting on or after 1 April 1999 to buy services or facilities from the LA is limited to a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the later. Subsequent agreements are limited to periods not exceeding five years. However contracts for supply of catering services may contain an extension to five and seven years respectively.

When a service is provided for which expenditure is not retainable centrally by the LA, it must be offered at prices which are intended to generate income which is no less than the cost of providing those services. The total cost of the service must be met by the total income, even if schools are charged differently. It is recognised that the absolute break-even point is not always achievable over fixed financial years and it is for the LA to show during audit tests that the charging policy can reasonably be expected to avoid central subsidy of services.

Centrally arranged premises and liability insurance are excluded from the requirements in 8.2 and 8.3

8.2.1 Packaging

The local authority may provide any services for which funding has been delegated and invite schools to buy back such services. Packaging will not unreasonably restrict schools' freedom of choice among the services available.

8.3 Service level agreements

A range of services are on offer to schools from the local authority through Service Level Agreements.

Please refer to the Traded Services brochure which is updated each year for further details.

8.4 Teachers Pensions

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

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 annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required. A governing body shall also ensure 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 annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required from each school. A governing body shall also ensure that 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.

SECTION 9: PRIVATE FINANCE INITIATIVE (PFI/PPP) CLAUSES

The LA shall have the power to issue regulations from time to time relating to Private Finance Initiatives (PFI/PPP) projects. Amongst other issues these may deal with the reaching of agreements with the governing bodies of schools as to the basis of charges relating to such schemes; and the treatment of monies withheld from contractors due to poor performance.

The LA has the power to charge to the school's budget share amounts agreed under a PFI/PPP agreement entered into by the Governing body of a school.

SECTION 10: INSURANCE

10.1 Insurance cover

Where funds for insurance are delegated to a school, the LA will require the school to demonstrate that cover relevant to an LA's insurable interests, under a policy arranged by the governing body, is at least as good as the relevant minimum cover arranged by the LA.

(see also 6.2.6)

SECTION 11: MISCELLANEOUS

11.1 Right of access to information

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

11.2 Liability of governors

Because the governing body is a corporate body, and because of the terms of s.50(7) of the Schools 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. An example of behaviour which is not in good faith is the carrying out of fraudulent acts.

11.3 Governors' expenses

The LA is permitted to delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses. Governing bodies would not normally have any discretion in the amounts of such allowances.

Under Section 19 of the Education Act 2002, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share. Payment of any other allowances is forbidden.

Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

11.4 Responsibility for legal costs

Legal costs incurred by the governing body, although the responsibility of the LA as part of the cost of maintaining the school (unless they relate to the statutory responsibility of aided school governors for buildings), may be charged to the school's budget share unless the governing body acts in accordance with the advice of the Authority.

On those occasions when there may be a conflict of interest between the Authority and the Governing Body of a school the school should obtain legal advice separate from that of the Authority.

See also section 6.

11.5 Health and Safety

Governing bodies are required to have due regard to duties placed on the LA in relation to health and safety, and the Authority's policy on health and safety matters in the management of the budget share.

11.6 Right of attendance for Chief Finance Officer

Governing bodies are required to permit the Executive Director (Resources) or his representative to attend meetings of the governing body at which any agenda items are relevant to the exercise of his responsibilities.

The Executive Director (Resources) attendance would normally be limited to items which relate to issues of probity or overall financial management; such attendance would not be regarded as routine. Notice would normally be given prior to the meeting.

11.7 Special Educational Needs

The school should endeavour to spend the budget share to secure the special educational needs of the pupils. Failure to do this could mean, if the situation was serious enough, to warrant the suspension of delegation.

11.8 Interest on Late Payments

Statutory requirements now allow businesses to charge interest on any payment made later than the credit terms.

11.9 'Whistle blowing'

Any persons working at a school or school governor who suspects, with good reason, that financial irregularity or any other wrong-doing has occurred should immediately inform the Chief Executive or the Executive Director (Resources) of his/her concerns. This course of action gives the employee / governor an early opportunity to express his/her views in full. To wait and report the matter at a committee meeting could cause delay which may be detrimental to any necessary enquiries.

All irregularities will be reported to the Investigation Panel.

In respect of council employees, the council encourages them to report their concerns about suspicious activities. The employee should immediately report his/her concerns to the relevant line manager. If necessary, alternative routes are available as follows: -

- ◆ To the Chief Executive or Executive Director (Resources) personally
- ◆ To the Internal Audit Manager
- ◆ To any senior manager who the employee believes will assist him/her in bringing the employee's concerns to the attention of one or more of the above managers.

If the employee believes the matter should be raised outside the normal management structure, he/she should contact the District Auditor.

Full details of the "Whistle blowing" procedure are contained within the Anti-fraud policy statement of the authority.

<http://www.knowsley.gov.uk/pdf/whistleblowing.pdf>

11.10 Child Protection

There is a need to release staff to attend child protection case conferences. The LA does not make any specific payments to meet the cost of these.

11.11 Computer Systems and Information Governance

The Governing body must identify individuals with responsibility for ensuring that any computer based system is registered in accordance with the Data Protection Act 1998. They must also ensure that there is adequate back up and security procedures in place and that only appropriate staff have access to the relevant computer records.

Full details on the security of information are contained within the Council's Information Governance arrangements.

http://bertha.knowsley.gov.uk/Corporate_Information/Information_Governance/Pages/default.aspx

11.12 Redundancy/early retirement costs

The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. The Schools Forum agreed on 21st October 2010 the following principles:-

- (i) A school will fund the cost of redundancy and/or pay protection where the school Governing Body is responsible for the decision and receives the eventual benefit;
- (ii) The Dedicated Schools Grant (DSG) will fund the cost of redundancy and/or pay protection (for up to three years) where the eventual benefits will accrue to the DSG; and
- (iii) The Local Authority will fund the cost of redundancy and/or pay protection where there are no eventual benefits to the DSG, the Local Authority has been party to the decision and all other funding opportunities have been explored.

SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

A statement showing the categories of work which governing bodies must expect to finance from their budget is shown at Appendix 4. Repairs and maintenance items to the value of £10,000 or less are to be funded from the school budget share.

Voluntary Aided governors will continue to be eligible for grant from the DfE in respect of their statutory responsibilities and in addition they will have responsibility for other repair and maintenance items on the same basis as Community and Foundation schools. Full details of VA governor responsibilities are set out in the DfE document “Voluntary Aided and Special Agreement Schools - Determination of Financial Liability.”

SECTION 13: POWER TO PROVIDE COMMUNITY SERVICES

13.1 Introduction

Under the power to provide community services, the governing body of a maintained school may provide any facilities or services whose provision furthers any charitable purpose for the benefit of pupils at the school or their families, or people who live or work in the locality in which the school is situated.

In exercising this power, the Governing Body may incur expenditure, enter into arrangements or agreements with any person, co-operate with (or facilitate or co-ordinate the activities of) any person, and provide staff, goods, services and accommodation to any person.

The Governing Body must ensure that the exercise of this power does not significantly interfere with its duty to promote high standards of educational achievement at the school. Nor should the Governing Body undertake any scheme that in the opinion of the Authority would prejudice the financial position of the school or Authority. Therefore, before exercising this power, the Governing Body must consult the Authority, and in exercising this power the Governing Body must have regard to guidance from the Secretary of State and advice from the Authority.

The authority has the power to suspend the right to a delegated budget (Section 1.1 The Funding Framework) if there is mismanagement of community facilities funds.

13.2 Consultation with the LA – Financial Aspects

Section 28(4) of the Education Act 2002 requires that before exercising its community facilities power, the Governing Body must consult the LA and have regard to any advice given. The Governing Body must also inform the Authority of what action has been taken following receipt of any advice.

The statutory consultation with the Authority requires the Governing Body to submit information to the LA **at least** 8 weeks prior to the exercise of the community facilities power. This allows the LA to respond to the submission before the planned date of exercise. The information required to be submitted is:

- a) The aims, objectives and targets of the proposed provision, set in the context of any “Local” or “Countrywide” strategic plan relating to the activity concerned and following consultation with local stakeholders
- b) A simple business plan, including income and expenditure relating to both start up and running costs. The business plan should include:-
 - ◆ Evidence of Market Research
 - ◆ Charges to be levied
 - ◆ Hours when the activity will be available
 - ◆ Location issues, including any proposed arrangements of leasing
 - ◆ Staffing implications
 - ◆ Proposed Management arrangements
 - ◆ Proposed financial arrangements, including accounting arrangements and any arrangements for cross-subsidy
 - ◆ Termination arrangements / Exit strategies

c) Other issues including :

- ◆ Health & Safety
- ◆ Security, Insurance's
- ◆ CRB searches
- ◆ Disability Discrimination Act
- ◆ Monitoring arrangements including any registration requirements and inspection regimes applicable to services/facilities proposed, etc.

d) Where the proposed community provision involves a formal partnership between the school governing body and a party other than the LA, details of the draft partnership agreement must be forwarded to the LA for approval.

13.3 Funding agreements – LA powers

In some instances, the provision of community facilities in schools may be dependent on the conclusion of a funding agreement between the Governing Body and a third party (other than the LA). As stated in 13.2(d) the Governing Body is required to submit detailed proposals for consideration by the Authority at least eight weeks prior to signing any agreement. The Authority has no right of veto in such agreements, but again under Section 1.1 “The Funding Framework”, the authority has the power to suspend the right to a delegated budget if the Governing Body enter into the agreement, without consulting with the Authority, or against their wishes, and in the view of the Authority are acting in a manner seriously prejudicial to the interests of the school or Authority.

Details of areas that are to be covered in such agreements should include:

- legal responsibilities, health and safety, indemnity and insurance arrangements by the third party;
- any services provided by the School (cleaning, security, utilities, administrative support);
- level of funding provided by the school and what/how the funds will be used, accounting arrangement for the use of funds – regular reports and at least an annual statement, independent annual audit – access to the accounts.

13.4 Other Prohibitions, Restrictions and Limitations

On receipt of the Business plan and ancillary information (see 13.2), the Authority can, if they believe the proposed project carries significant financial risks, protect their financial position by ensuring the Governing Body carries out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project.

13.5 Supply of Financial Information

A Governing Body is required to maintain separate accounts for activities undertaken as community facilities. In addition, every six months the Governing Body is required to provide the Authority with a financial summary of the community facilities activity in a form determined by the Authority. This summary statement will request information relating to the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next six months.

Where the authority has concern as to the schools' management of the financial consequences of the exercise of the community facilities power, on giving notice to the school the authority may request financial statements to be supplied every three months or as frequent as required.

In circumstance where financial statements received from a Governing Body suggests that the provision of a community facility is moving towards a deficit situation, the Authority may request the Governing Body to submit a viable recovery plan, for agreement. In the event of a recovery plan not being agreed, indemnification of the authority may be required of the Governing Body in order for the provision to continue. Governing Bodies are reminded that mismanagement of the funds for community facilities forms a basis for the suspension of delegated powers.

13.6 Audit

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

Governing Bodies, in concluding funding agreements with third parties to the exercise of community power, are required to ensure that such agreements contain adequate provision for access by the Authority to the records and other property of those persons held on the schools premises. This will enable the Authority to satisfy itself as to the propriety of expenditure on the facilities in question.

13.7 Treatment of income and surpluses

A Governing Body is allowed to retain all income derived from community facilities except where otherwise agreed with the funding provider, whether that be the LA or some other person. A Governing Body may carry such retained income over from one financial year to the next, and hold it as a separate community facilities surplus.

Where a school is a community or community special school, and the Authority ceases to maintain the school, any accumulated retained income obtained from the exercise of the community facilities power reverts to the Authority unless otherwise agreed in any formal partnership arrangement.

If there is a deficit on community facilities and the LA needs to recover funds to meet third party liabilities it may only do so from any accumulated community facilities surplus.

13.8 Health & Safety matters

In the management of community facilities and services, the Governing Body is to have due regard to duties placed on the Authority in relation to Health and Safety and to the Authority's policy on health and safety.

The Governing Body is responsible for securing Criminal Records Bureau clearance in respect of all staff involved in any community activities taking place. Governing Bodies can pass on such costs to a funding partner as part of an agreement with that partner.

13.9 Insurance

It is the responsibility of the Governing Body to make adequate arrangements for insurance against risks arising from the exercise of the community facilities power.

When proposing to provide community facilities, as an integral part of its business plan, a Governing Body should undertake an assessment of the insurance implications and costs, seeking professional advice as necessary. In considering any arrangements for insurance, the Governing Body is required to consult with the Authority, to ensure that its insurance

arrangements meet the Authorities minimum requirements regarding possible third party claims e.g. public liability, employer liability, etc.

The Authority may, at any time, undertake its own assessment of the insurance arrangements made by a school in respect of community facilities. In the event of these arrangements proving inadequate, the authority may make arrangements itself and recover the resultant costs from the community facilities scheme.

13.10 Taxation

The facility for schools to reclaim VAT via the Authority is indicated in 7.1. This is only when expenditure is incurred from funds made available from the LA. As many of these schemes will be outside of this remit the Governing Body should consult with the Authority and/or the local VAT office on this issue.

Where any member of staff employed by the school or Authority in connection with community facilities at the school is paid from funds held in the school's own bank account, (whether a separate bank account or not – See 13.11 Banking), the school is likely to be held liable for payment of income tax and National insurance, in line with Inland Revenue rules.

The Governing Body should also follow advice in relation to the Construction Industry Scheme (See 7.2).

13.11 Banking

The school can use the Authorities banking arrangements or operate its own external local bank account. The Governing Body is required to make adequate arrangements for accounting/ banking arrangements for funds to ensure that the school budget and other LA funds are accounted for separately from community facilities funds. If the Governing Body decides to use its own banking arrangements the principles in sections 3.5 and 3.5.1 must be adhered to.

Governing Bodies are reminded that they may not borrow money without the written consent of the Secretary of State. (This requirement does not extend to monies loaned by the school's LA).

SCHEME FOR FINANCING SCHOOLS**1 January 2016****Secondary Schools**

<u>No.</u>	<u>School</u>
170	Knowsley Park CfL
173	All Saints Catholic High School
175	St Edmund Arrowsmith CfL

Primary Schools

1	Halewood CE	31	Blacklow Brow
4	Plantation	32	St Mary and St Paul
6	St Andrews	33	Prescot County
7	Yew Tree	34	Prescot Evelyn
8	St Mark's RC	35	Our Lady's RC
9	Halewood Holy Family	36	St Luke's RC
10	Cronton CE	38	Stockbridge Village Primary
11	Cronton Holy Family RC	39	Hope Primary School
12	Halsnead	42	St Albert's RC
13	St Leo's RC	43	St Brigid's RC
14	Whiston Willis	45	St John Fisher RC
16	Huyton with Roby	46	Knowsley Village
17	Malvern	49	Park Brow
18	Roby Park	51	Westvale
19	St Columba's RC	52	Millbrook
21	St Aloysius RC Primary	56	Kirkby CE
23	The Sylvester	57	St Laurence's RC
24I	St Margaret Mary's Infant	58	St Joseph's RC The Worker
24J	St Margaret Mary's Junior	59	St. Michael & All Angels RC
25	St Gabriel's	62	St Marie's
27	St Aidan's RC	65	Ravenscroft
28	Huyton St Joseph's RC	66	St Peter & Paul RC
29	Mosscroft	67	Eastcroft Park
30	St Anne's RC	68	Northwood Primary School

Special Schools

<u>No.</u>	<u>School</u>	<u>Type</u>
202	Meadow Park	PRU
208	Bluebell Park	
214	Knowsley Central School	
216	Alt Bridge Secondary Centre	

THE PRINCIPLES OF BEST VALUE

1. The duty of best value is one that Local Authorities owe to local people, both as taxpayers and the customers of local authority services. Performance plans should support the process of local accountability to the electorate.
2. Achieving best value is not just about economy and efficiency, but also about effectiveness and the quality of local services - the setting of targets and performance against these should therefore underpin the new regime.
3. The duty applies to a wider range of services than those services previously covered by Compulsory Competitive Tendering (CCT).
4. There is no presumption that services must be privatised. There is no general requirement for councils to put their services out to tender, but there is no reason why services should be delivered directly if other more efficient means are available. What matters is what works.
5. Competition will continue to be an important management tool, a test of the best value and an important feature in performance plans. But it will not be the only management tool and is not in itself enough to demonstrate that best value is being achieved.
6. Central Government will continue to set the basic framework for service provision, which will in some areas as now include national standards.
7. Detailed local targets should have regard to any national targets, and to performance indicators.
8. Both national and local targets should be built on the performance information that is in any case needed by good managers.
9. Auditors should confirm the integrity and comparability of performance information.
10. Auditors will report publicly on whether best value has been achieved, and should contribute constructively to plans for remedial action. This will include agreeing measurable targets for improvement and reporting on progress against an agreed plan.

EFFICIENCY AND VALUE FOR MONEY

1. This statement is intended to assist schools in considering the relevance of efficiency and value for money principles to the expenditure of funds from their delegated budget share.
2. Efficiency and Value for Money is a requirement to optimise resources and invest on teaching and learning; taking into account purchasing, tendering and contracting requirements. There is a duty on local authorities to secure best value in respect of the way in which they exercise their functions. The duty is not intended to apply to those functions which are exercised by the governing bodies of LA maintained schools. However, schools will be encouraged to adopt an efficiency and value for money performance management framework.
3. In relation to schools and expenditure from delegated budgets, the main features of efficiency and value for money can be summarised as a need for the governing body of a school to ensure:
 - (a) the existence of a programme of performance review which will aim for continual improvement. Existing mechanisms such as school development plans, post-OFSTED inspection plans and the Traded Schools SharePoint site for monitoring Service Level Agreements can be developed to satisfy the requirements for review. The reviews should include:

Challenging how and why a service is provided (including consideration of alternative providers);

Comparison of performance against other schools taking into account the views of parents and pupils;

Mechanisms to consult stakeholders, especially parents and pupils;

Embracing competition as a means of securing efficient and effective services;

The Traded Schools SharePoint site with the approved monitoring returns can be accessed through the following link: - [Traded Services Brochure](#)
 - (b) the development of a framework of performance indicators and targets which will provide a clear practical expression of a school's performance, taking national requirements into account;
 - (c) that the following are included in school development plans -

a summary of objectives and strategy for the future;

forward targets on an annual and longer term basis;

description of the means by which performance targets will be achieved;

a report on current performance

- (d) that internal and external audit takes place ensuring that performance information is scrutinised. LA oversight of school finances provides external review.

RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

CAPITAL / REVENUE SPLIT AND ITEMS WHICH ARE THE SEPARATE RESPONSIBILITY OF GOVERNORS IN VOLUNTARY AIDED (VA) SCHOOLS

Illustrative examples in line with CIPFA code of practice.

ELEMENT	CAPITAL : AS CIPFA CODE OF PRACTICE	REVENUE :REPAIRS & MAINTENANCE	VA SCHOOL GOVERNORS RESPONSIBILITIES
Roofs			
<u>Flat</u>	Structure. New (not replacement) structure	Repair/replacement of small parts of an existing structure	New structure and repair replacement of structure
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	Replace small areas of rotten or defective timber, make good minor areas of spalling concrete where reinforcing bars exposed	Replacement of structure
	Screed / insulation in a new building/extension	Repair/replacement of screed/ insulation where defective	New screed/insulation and repairs
	Screed / insulation. Replacement/repair of substantially all. Improve effectiveness of insulation	Work to improve insulation standards, during work to repair/ replace small areas of roof	Replacement/repair of screed/insulation
	Finish on new build. Replacement of all/substantially all on existing roof	Replacement of roof finish on existing building. Re-coating chippings to improve life expectancy	Finish on new build. Replacement of roof finish on existing building. Re-coating
	Edge Trim/ Fascia on new build	Repairs/ replacement. (uPVC) Repainting	Edge Trim/fascia on new build and repairs/replacement/ repainting
	Edge Trim/ Fascia, Replacement of all/substantially all on existing roof	Repairs/ replacement. (uPVC) Repainting.	Replacement of edge Trim/Fascia on existing building
	Drainage on new build	Clearing out gutters and downpipes. Replacement/repair/ repainting of/ individual	Drainage on new building and repairs/replacement/ repainting

<u>Pitched</u>		gutters/pipes	(<u>Not</u> cleaning gutters/downpipes)
	Other e.g. Flashings, Rooflights on new build Replacement of all/substantially all on existing roof	Repair/ Replacement/ cleaning of individual items	Flashings/rooflights on new building and repair/replacement (<u>Not</u> cleaning)
	Structure. New (not replacement) structure	Repair/replacement of small parts of an existing structure	Structure of new roof and all repairs <u>Except</u> trusses (i.e. internal repairs)
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	Replace/ repair small areas of rotten/ defective joists, rafters, purlins etc. Not complete trusses	Replacement of internal structure <u>Except</u> trusses (i.e. internal repairs)
	Insulation in a new building/extension	Repair/replacement/ increasing thickness of insulation in an existing roof	Insulation in new building and repair/replacement
	Insulation. Replacement /repair of substantially all. Improve insulation to current standards		Repair/replacement or improve insulation
	Roof finish in a new building/extension, replacement of all/substantially all on existing roof	Replace missing/ damaged	Finish in new building/extension and repair/replacement in existing building
	Bargeboards/ Fascias in a new building/extension, replacement of all/substantially all on existing roof	Repairs/ replacement/ repainting	Bargeboards/fascias in new building/extension and repairs/replacement/ repainting in existing building
	Drainage in a new building/extension	Clearing out gutters and downpipes. Replacement/repairs of individual pipes/gutters	Drainage in new building/extension and repair/replacement. (<u>Not</u> cleaning guttering or downpipes)
	Drainage. Replacement of all/substantially all on existing roof		Drainage replacement in existing roof

<u>Other</u>	Other e.g. Flashings, Roof windows in a new building/extension, replacement of all/substantially all on existing roof	Repair/ Replacement /cleaning	Flashings, roof windows in new building/ extension and repair replacement (<u>Not</u> cleaning) in existing roof
	Provide new covered link etc. between existing buildings	Minor repairs, maintenance to existing covered link	Provide new covered link and repairs to existing. (<u>Not</u> cleaning)
	Rebuild or substantially repair structure of existing covered link Add porch etc. to existing building		Rebuild or repair structure of existing covered link Add new porch and minor repairs to existing
	Rebuild or substantially repair structure of existing porch	Minor repairs, maintenance to existing	Re-build or repair existing porch
Floors			
<u>Ground Floor</u>	Structure and damp proof course (dpc) in new building	Repair/replacement of small parts of an existing structure	Structure and dpc of new building and replacement of existing structure
	Structure and dpc - Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure		
	Screed and finish in new build	Replacement and repair of screed and finishes. Replacement of mats, matwells carpets and tiles in existing buildings. Maintenance e.g. revarnishing wooden floors	Provide screed and finish in new buildings (<u>Not</u> repairs to finishes, matwells etc.)
<u>Upper Floor</u>	Structure - as ground floor	As ground floor	Structure of new buildings and replacement of existing structure
	Screed and Finish - as ground floor	Repairs of finishes/ Replacement - as	As ground floor

		ground floor	
Ceilings			
<u>Top/ only storey</u>	Suspension	Repair/ replacement incl. from water damage, & necessary decoration	Provision, (<u>Not</u> repair or replacement)
	Membrane		Provision, (<u>Not</u> repair or replacement)
	Fixed	Repair/ replacement incl. from water damage	Provision, (<u>Not</u> repair or replacement)
	Access panels	Repair/ replacement	Provision, (<u>Not</u> repair or replacement)
<u>Lower storeys</u>	Suspension	Repair/ replacement	Provision, (<u>Not</u> repair or replacement)
	Membrane		Provision, (<u>Not</u> repair or replacement)
	Fixed	Repair/ replacement	Provision, (<u>Not</u> repair or replacement)
<u>All</u>	Specialist removal/ replacement of damaged/ disturbed Asbestos based materials, planned or emergency	Inspection/ air testing Applying sealant coats to asbestos surfaces for protection	Removal/replacement of damaged/disturbed asbestos <u>Except</u> where part of repair project
External walls			
<u>Masonry/ cladding</u>	Structure Underpinning/ propping for new build	Repairs Preventive measures e.g. tree removal	Structure, underpinning/ propping of new building and repairs, (<u>Not</u> tree removal unless part of clearing new site)
	External Finish on new build	Repair/replacement of small parts of an existing structure. e.g. repointing/ recladding a proportion of a wall where failure has occurred	External finish on new building and repairs/replacement of existing structure including re-pointing/re-cladding
	External Finish on existing build where needed to prevent imminent or correct actual major failure of		External finish on existing building including correcting of structure

	the structure. e.g. repointing/recladding work affecting most of a building /replacement build		
<u>Windows and Doors</u>	Framing - new build	Repair/ replacement of individual frames. Repainting frames	New window frames and doors in new building and repairs/replacement (<u>Not</u> replacement/ repair/ re-painting of internal doors or windows)
	Framing - structural replacement programme	Repair/ replacement of individual windows. Repainting frames	New windows in replacement programme
	Glazing - new build	Replacing broken glass	Glazing new building and replace broken glass
	Glazing - upgrading existing glazing		Upgrading existing glazing
	Ironmongery in new build.	Repair/ replacement, upgrading locks etc.	Ironmongery to improve security and repair/replacement
	Jointing including mastic joints		Jointing
	Internal and external decorations to new build	Internal and external decoration to include cleaning down and preparation	Internal and external decoration of new provision, external re-decoration (<u>Not</u> internal re-decoration)
<u>Masonry chimneys</u>	Structure		Structure of chimneys
	Jointing including expansion and mortar joints/ pointing/ dpc	Repair/ re-pointing	Jointing/Pointing and dpc of chimneys and repair/re-pointing
Internal walls			
<u>Solid</u>	Complete including various internal finishes, linings and decorations in new build.	Repairs and redecoration to internal plaster/ linings tiles, pin boards etc.	New walls & finishes, (<u>Not</u> repair/ replacement)
	Major planned refurbishment and	Minor alterations	

	alterations		
<u>Partitions</u>	Complete structure including linings, framing, glazing, decoration etc.	Repairs and redecoration	New partitions, (<u>Not</u> repair/ replacement)
	Planned schemes of refurbishment and alterations	Minor alterations	
<u>Doors & Screens</u>	Framing/ Screens/ Doors to new buildings including glazing, ironmongery, jointing and internal decorations	Internal maintenance and redecoration. Repair/ replacement of defective doors and screens	Provision of new, (<u>Not</u> repair/ replacement)
<u>All</u>		Replacement of broken glass and replacement in order to comply with Health & Safety requirements	New glazing and replacement of broken glass, (<u>Not</u> internal window repairs)
Sanitary Services			
<u>Lavatories</u>	In new buildings provision of all toilet fittings, waste plumbing and internal drainage	Repair/ replacement of damaged sanitary ware, fittings, waste plumbing etc.	Provision. (<u>Not</u> repair/ replacement of damaged sanitary ware)
	Large scale toilet refurbishment (above £10,000)	Small areas of refurbishment to the value of £10,000 or less	Provision / refurbishment (Not replacement of damaged sanitary ware)
	Provision of disabled facilities, and specialist facilities related to pupils with statements	Repair/ replacement of damaged fittings, waste plumbing etc.	Provision, (<u>Not</u> repair/ replacement of damaged fittings etc.)
<u>Kitchens</u>			
	Kitchens in new buildings, complete with fittings, equipment, waste plumbing and internal drainage. Internal finishes and decorations	Maintain kitchen to requirements of LA. Cleaning out drainage systems. Redecoration	
	General refurbishment	Repairs	
	Items of equipment	Repairs/ replacement	

	valued at £10,000 or more	parts to the value of £10,000 or less	
Mechanical services			
<u>Heating/hot water</u>	<p>Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues etc.</p> <p>Safe removal of old/damaged asbestos boiler and pipework insulation, where risk to Health & Safety</p> <p>Planned replacement of old boiler/ controls systems past the end of their useful life</p> <p>Emergency replacement of boiler plant/ systems</p>	<p>General maintenance of all boiler house plant including replacement of defective parts. Regular cleaning. Energy saving projects</p> <p>Monitoring systems. Health & safety issues e.g. application of sealant coats to encapsulate asbestos etc. Replacement of defective parts</p>	Provision of complete system, (<u>Not</u> repair/ replacement or maintenance)
<u>Cold water</u>	Provision of cold water services, storage tanks, distribution, boosters, hose reels etc. in major projects	Mtce, repair & replace defective parts such as servicing pipes. Annual servicing and cleaning cold water tanks	Provision of complete system, (<u>Not</u> repair/ replacement or maintenance)
<u>Gas</u>	Distribution on new and major refurbishments, terminal units	Repairs, maintenance and gas safety. All servicing	
<u>Ventilation</u>	Mechanical ventilation/ air conditioning to major projects	Provision of local ventilation. Repair/ replacement of defective systems and units	Provision, (<u>Not</u> repair/ replacement)
<u>Other</u>	Swimming pool plant and its complete installation, including heat recovery systems	Repair/ replacement of parts to plant, pumps and controls. Water treatment equipment and all distribution pipework. Simple heat recovery systems. Solar heating plant and equipment	If governors provided

Electrical services			
<u>General</u>	Main switchgear and distribution in major projects	Testing/ replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings	Provision, (<u>Not</u> repair/ replacement or maintenance)
	Replacement of obsolete and dangerous wiring systems, including distribution boards	All testing, earthing and bonding to meet Health & Safety. All servicing	
	<u>Power</u>	Control gear, distribution, fixed equipment, protection etc.	Provision, (<u>Not</u> repair/ replacement)
	<u>Lighting</u>	Provision of luminaires and emergency on new build	Provision, (<u>Not</u> repair/ replacement)
<u>Other</u>	Lightning protection in new build	Repair/ replacement	Provision and repair
	Whole school replacement of alarm systems, CCTV, lifts/ hoists etc.	Repair and maintenance and additional protection to new areas	Provision, (<u>Not</u> repair or maintenance)
	New installation of communication systems, radio/ TV, call, telephone, data transmission, IT etc. and provision in new build	Repair/ replacement/ maintenance, including all door access systems	
External Works			
<u>Pavings</u>	Provision of new roads, car parks, paths, court, terraces, play pitches, steps and handrails, as part of major project, including disabled access	Maintenance and repair Car park and playground markings	Provision if part of statutory proposal project. <u>Not</u> repair or maintenance Provision and repair of

<u>Miscellaneous</u>	Provision of walls, fencing, gates and ancillary buildings as part of major project	Maintenance and repair of all perimeter/ boundary/ retaining walls, fencing and gates	ramps and steps.
<u>Drainage</u>	Drains, soakaways, inspection chambers and sewage plant as part of new projects	Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. Cleaning of the above and unblocking as necessary	Foul drainage plus external gutters and drainpipes. Not maintenance
<u>Services distribution</u>	Heating mains gas mains water mains electricity mains, renewal of any above	Annual servicing	Provision grant aided but <u>not</u> for repair