



## ***SCHEME FOR FINANCING SCHOOLS***

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## Wandsworth Borough Council

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## WANDSWORTH BOROUGH COUNCIL

### SCHEME FOR FINANCING SCHOOLS

#### INTRODUCTION

##### Funding Framework

1. The funding framework which replaces Local Management of Schools is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998 (SSFA 1998).
2. Under this legislation, local authorities (LAs) determine for themselves the size of their Schools Budget and their non-schools Education Budget – although at a minimum a local authority must appropriate its entire Dedicated Schools Grant to their Schools Budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools. Local authorities may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under s.45A of the Act. The amounts to be retained centrally are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their School Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the Schools Budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the LA Education budget must be retained centrally (although earmarked allocations may be made to schools).
3. Local authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the Governing Body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in a scheme made by the Council in accordance with s.48 of the Act and regulations made under that section
4. Subject to provisions of the 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 State in regulations made under s.50.
5. The Council 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. A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSAF Act 1998).

6. The Council is obliged to publish each year a statement setting out details of its planned School Budget and other expenditure on Children's Services, showing the amounts to be centrally retained, and funding delegated to schools. After each financial year, the authority must publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.
7. The detailed publication requirement 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 out-turn statements so far as they relate to that school or central expenditure.
8. Regulations also require a local authority to publish their scheme and any amendments to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.

### **The Role of the Scheme**

9. This scheme sets out the financial relationship between the Council and the schools which it funds. The scheme sets out duties and responsibilities of both schools and the Council as well as the detailed requirement in meeting those responsibilities.

### **Application of the Scheme in Wandsworth Council**

10. The scheme applies to all the Community, Nursery, Voluntary Aided and Foundation schools and Pupil Referral Units (PRUs) listed in Appendix 1.

### **Publication of the Scheme and Revisions to the Scheme**

11. A copy of this scheme will be made available to the Headteacher and Governing Body of each school noted in Appendix 1 and placed on a publicly accessible website. Any revisions to the Scheme will be notified to every school following consultation with all maintained school Headteachers and Governing Bodies. All revisions to the scheme must also be approved by the maintained school members of the Schools Forum, though the LA may apply to the Secretary of State for approval in the event of the Forum rejecting a proposal or approving modifications that are not acceptable to the LA.

### **Duties and Responsibilities**

12. Governors are responsible for the overall management of the school and the financial records. As part of this responsibility, Governors must ensure that appropriate staff are made aware of and comply with any relevant standing orders, codes of practice, guidelines or practice notes of the Council, these regulations and any subsequent amendments. A list of relevant documents will be provided to the Chair of Governors and to the Head. Governors are responsible for complying with the requirements of the Data Protection Act and the registration of relevant computer-based systems.
13. Governors are responsible for ensuring that all payments made from school monies, or on behalf of the school, are duly authorised, and represent value for money in relation to that purpose. Under Section 59 (7) of SSFA 1998, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided that they act in good faith.
14. The Governing Body of the school must establish a register which lists for each member of the Governing Body (including the headteacher) 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. 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.
15. Although Governors may delegate certain powers to the Head and/or other employees, they still retain overall responsibility for any actions taken. Where the Governors decide to delegate duties to the Head, Governing Bodies are required to consider the extent to which they wish to delegate their financial powers to the head teacher, and to record their decision (and any revisions) in the minutes of the Governing Body.

The Local Authority can suggest a desirable level of delegation to schools but cannot impose this.

Duties which the Governing Body might want to delegate to head teachers might include:

- a. Authorisation of Payroll Documentation
- b. Authorisation of Orders and Payments within specified financial limits
- c. Cheque signatories
- d. Budget virements within specified limits.

### **Unofficial Funds**

16. Governors have overall responsibility for all unofficial funds of the



school. The Head is responsible for keeping the Governors informed of all unofficial funds.

17. The Head is responsible to the Governors for the maintenance of accurate financial records and banking arrangements of all unofficial funds.
18. The Head is responsible for presenting annually all accounts of unofficial funds, after an independent audit, to the Governors for their approval.
19. The Head must make available the records of unofficial funds for audit inspection.

### **Maintenance of Schools**

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

## **FINANCIAL REQUIREMENTS**

### **The Application of Financial Controls**

21. The Director of Resources is responsible for the proper administration of the financial affairs of the Council and consequently, accounting procedures, systems and records relating to the management of school money, must be maintained to a standard approved by the Director of Resources.
22. Schools must abide by any accounting instruction issued by the Director of Resources in his capacity as the officer responsible for the maintenance of the Council's accounts. Schools must also comply with any instructions issued by the Director of Children's Services on year-end procedures in order to comply with the Director of Resources' procedures for closing the Council's accounts.
23. Any breach of the requirement of the scheme or further guidance and instructions published may be reported to the Finance and Corporate Resources Overview and Scrutiny Committee of the Council and where appropriate, to the Children's Services Overview and Scrutiny Committee and the Council's Executive. Any persistent or serious breach of the scheme and associated publications by the school may result in the Council suspending delegation.
24. Schools must make available to the Council such documents which

relate to their accounting or other records as appear to the Council to be necessary.

### **Budget**

25. Governors are responsible for ensuring that accurate returns are made to the Director of Children's Services to enable the preparation of the school's annual delegated budget to be completed.
26. The Director of Children's Services will notify each school of its annual budget in accordance with the Council's published allocation formula prior to 1st April.
27. The Head will prepare an allocation of this budget for Governors, in accordance with the format specified by the Director of Children's Services. Budget plans will need to take account of any estimated carried forward balances in accordance with section 85 of this scheme.
28. This budget plan, as approved by Governors, will be notified to the Director of Children's Services by 1st May each year.
29. The Council may require schools to submit a financial forecast covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year.
  - i. All schools are required to provide the Local Authority with a 3-year budget plan and two current year forecast outturn reports. The first annual forecast outturn position is due to be provided to the Local Authority by the 31st October each year based on 30th September month end management accounting figures. The second forecast outturn position is due by the 31st January based on 31 December management accounting figures.
  - ii. The Schools Financial Value Standards (SFVS) now requires Governing Bodies to review finances six times a year. As part of these review meetings, schools should provide Governing Bodies with financial forecasts in a format that informs decision making.
30. Where overspending of the budget is forecast by Governors on information provided by the Head, the Director of Children's Services shall be informed immediately. A report to the Children's Services Overview and Scrutiny Committee and the Council's Executive will be made where necessary and any Council requirements notified to the Governors. Any overspending will be deducted from the following year's budget for the school.
31. It is the responsibility of the Governors to ensure that all their school budgets are not overspent. Schools can vire freely between budget

heads in the expenditure of their school budgets. Where additional funds have been 'earmarked' and allocated to the school by the Council for a specific purpose, those funds may only be used for that purpose.

### **Provision of Financial Information and Reports**

32. All schools will be required to provide the Council with details of both actual expenditure and income incurred in a format and at times that will be determined by the Director of Children's Services. These details will be required no more than once every three months except for those connected with tax or banking reconciliations, The Council can notify the school in writing that in its view the school's financial position requires more frequent submissions or when the school is in its first year of operation. The Director of Children's Services will supply schools with information on their own school's income and expenditure incurred centrally on behalf of schools in sufficient detail to enable Governors to fulfil their management role effectively. An annual timetable will be provided to all schools for the provision of this information.
33. The Director of Resources is responsible for the maintenance and production of the Council's statutory accounts which incorporates school income and expenditure transactions. The Accounts and Audit Regulations require that transactions should be entered into the statutory accounts as close to the date of the transaction as possible.

### **Fraud**

34. All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets.
35. The Governing Body and headteacher 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.

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

36. 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 Authorities purchasing, tendering and contracting requirements.
37. It is for heads 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.

### **Control of Assets**

38. Governors are responsible for ensuring that proper security is maintained for all buildings, furniture, equipment, cash, etc. under their control.
39. Governors are responsible for ensuring that there is adequate control of the access to the use of computer terminals.
40. Governors should follow the advice of the Director of Children's Services as necessary on all matters relating to security.
41. The Head is responsible to the Governors for ensuring that suitable arrangements are made for secure custody of keys to buildings, safes and any other place of security.
42. No school asset shall be used by an employee other than in the execution of duties and no school asset shall be removed from school premises, unless such use has been approved by the Head who will be responsible for ensuring the provision of necessary security and insurance cover.

### **Inventories**

43. Governors are responsible for ensuring that an up to date inventory of equipment is maintained at the school.
44. The Head is responsible to the Governors for keeping an up to date asset register of equipment, valued £1,000 and above and, belonging to the school in accordance with the instructions issued by the Director of Children's Services. Items valued between £300 and £999 should also be included in a up to date inventory list and it is suggested that the same instructions are followed for these items as the items valued above £1,000.
45. The Head shall be responsible for ensuring that a check of inventory items is performed at least once a year. The headteacher or his/her authorised delegated senior staff member shall certify the accuracy of the inventory at the time this check is performed.
46. Governors shall annually authorise the write-off and disposal of obsolete equipment. Any proceeds from the disposal of any equipment shall be credited to the delegated budget.

### **Payment of Salaries**

47. Schools are subject to the Council's procedures for the payment of salaries which will be published separately.

## Teachers Pension Scheme

48. 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 and come into effect on 1 November 2002:
- i. The conditions only apply to Governing Bodies of maintained schools who have not entered into an arrangement with the Authority to provide payroll services.
  - ii. 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.
  - iii. 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. The Governing Body shall also ensure that Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC scheme. The Governing Body shall meet any consequential costs from the school's budget share.

## Internal and External Audit

- iv. The Council has a statutory duty to maintain an adequate and effective internal audit of the accounts of the Council and has delegated this to the Director of Resources. As part of this duty, there is also a responsibility for auditing accounts relating to the delegated budget, appraising the adequacy of procedures employed by Governors to

secure economy, efficiency and effectiveness in the use of their resources, and to consider the system of internal financial controls and their operation.

- v. Schools are subject to the Council's external audit regime as determined by the Audit Commission.
- vi. The Director of Resources, or an authorised representative, shall have the right to:
  - a) access at all times to such records and documents, including computer data and correspondence relating to any financial and other transactions of the school, as appear to him/her to be necessary for the audit;
  - b) require and receive such explanations as are necessary, in his/her opinion, concerning any matter under examination;
  - c) require any employee at the school to produce cash or any other Council property under his/her control.
- vii. Cases of suspected fraud, misappropriation of money, materials or equipment, or any mismanagement of money or other assets, or any irregularities, either official or unofficial must be reported immediately to the Head of Audit who in consultation with the Director of Children's Services will decide if and when referral to the police is appropriate.
- 53. Where an irregularity is disclosed after investigation, a report will be submitted by the Head of Audit to the Director of Children's Services. The Director of Children's Services will advise the governors as appropriate.
- 54. The Director of Children's Services will issue instructions on internal financial control and on the maintenance of financial records in accordance with guidance from the Director of Resources.
- 55. All schools will also be subject to audit by the Council's external auditors. Schools, may if they wish, use their budget share to pay for their own independent external audit.
- 56. All schools are required to provide an annual audit certificate for all voluntary and private funds held by the school.
- 57. The Director of Resources has a right to attend Governors meetings where items are relevant to the exercise on his/her duties.

### **Purchasing, Tendering and Ordering**

- 58. All contracts shall be made in accordance with the Council's contracts code of practice except where compliance with the Council's Code

would require 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 Local Authority officer countersignature for any contracts for goods or services for a value above £60,000 in any one year;
- c) to select suppliers only from an approved list; and
- d) follow the following procurement thresholds:

<b>Type of procurement and total cost threshold</b>	<b>Minimum number of invitations to tender or quote</b>
Goods, Works and Services estimated to cost no more than <b>£3,000</b>	No requirement to seek any number of quotes
Goods, Works and Services estimated to cost between <b>£3,000</b> and <b>£50,000</b>	<b>3 written quotations</b> plus where appropriate the Direct Labour Organisation or Direct Services Organisation unless they specifically ask to be excluded.
Goods, Works and Services estimated to cost between <b>£60,000</b> and the EU Services limit (currently <b>£181.302</b> ). This limit is subject to change and schools must always adhere to the correct EU regulations.	<b>5 written quotations OR tenders</b> (plus where appropriate the DLO or DSO unless they specifically ask to be excluded) or the maximum number available from the market if the market is small or specialised and approval obtained from the Head of Procurement
Goods, Works and Services estimated to cost above the relevant EU tendering threshold.	<b>In accordance with the Public Contract Regulations 2015 as a minimum.</b> 6 in most cases but more may be invited if it is considered best value will be achieved from a wider pool of bidders.

<b>DSO / DLO</b>	A Direct Services / Labour Organisation which operates as an 'arms length' organisation. The DSO is still accountable to the Council for approval of its activities and the setting of its targets, fees and charges.
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59. When considering potential contractors, schools must take into account (where relevant) the Health and Safety competence of the contractors.
60. Governors and schools must comply with the Council's detailed purchasing, tendering and ordering instructions, which will be published separately.

61. Although Governing Bodies are empowered under paragraph 3 of schedule 10 to the School Standards and Framework Act 1998 to enter into contracts, in most cases they do so on behalf of the Council as maintainer of the school and the owner of the funds in the budget share. Other contracts may be made solely on behalf of the Governing Body, when the Governing Body has clear statutory obligations e.g. contracts made by aided or foundation schools for the employment of staff.
62. Where governors have decided that their school shall be included in the authority arranged contract for services provided under competitive tendering arrangements, governors shall comply with the terms and conditions of the authority's contracts in relation to these services.

### **Centrally arranged Contracts**

63. The Children's Services Department arranges a number of contracts on behalf of schools for the supply of services such as cleaning and ground maintenance. All schools have the option of joining these contracts and will be consulted about the specification and the tendered prices. No school is committed to being part of the contract until it accepts the tendered price. However, once the price has been accepted, a school is committed for the length of contract.
64. Any school who agrees to be included in the current central catering arrangements are committed to the present catering contractors until the end of the contract period, unless the Director of Children's Services gives written permission for a school to make other arrangements.
65. The Director of Resources has arranged a banking contract with the Royal Bank of Scotland which expires in **September 2022**. Schools included in the current contract arrangements during the 2019-20 financial year are committed to the present banking contract until September 2022. Currently there are no academies, 42 primary schools, 1 secondary school, 3 nursery schools and 5 specials schools in the contract. Schools who wish to change to a new bank or building society are required to give notice as specified in paragraph 83.

### **Specific Central Funding**

66. The Director of Children's Services will from time to time, notify schools of sums of money which are available to the school but do not form part of the schools budget share. Schools will be given sufficient time and information to make any necessary bids. The Director of Children's Services will publish details of any allocation methodology. These sums of money will normally be for specific purposes and will be subject to conditions setting out the purpose for which the funding may be used.
67. The sums of money must be separately accounted for in accordance



with instructions issued by the Director of Children's Services. They must not be used for any purpose other than the one stated in the allocation notification unless permission for virement has been given by the Director of Children's Services.

68. The Council will not charge schools for any interest costs incurred by the Council due to payments to schools of devolved specific or special grant.

### **Spending for Purposes of the School**

69. Budget share should only be used for the purposes of the school in accordance with Section 50(3) of the School Standards and Framework Act 1998. If a school has any doubts as to whether an item of expenditure is for school purposes, they must consult the Director of Children's Services. Amounts spent by Governing Bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school. Schools are also allowed to spend their budgets on pupils who are on the roll of other maintained schools.

### **Capital Spending**

70. Capital expenditure falls outside the scheme. However, all schools may spend part of their budget share on capital developments such as new building and equipment. In order to comply with current legislation on capital expenditure limits, any school undertaking such expenditure from their budget share must notify the Director of Children's Services. If the premises are owned by the Local Authority, or the school has voluntary controlled status the school must obtain permission from the Director of Children's Services before making any alterations to buildings since this could affect the Council's liabilities. However, permission can only be withheld on Health and Safety grounds.

### **Schools Financial Value Standard (SFVS)**

71. 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.
72. 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.

73. Maintained schools with a delegated budget must submit the form to the local authority annually before 31 March.

### **Notice of Concern**

74. The LA may issue a notice of concern to the Governing Body of any school it maintains where, in the opinion of the Chief Finance Officer and the Director of Children's Services, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the local authority or the school.
75. Such a notice will set out the reasons and evidence for it being made and may place on the Governing Body restrictions, limitations or prohibitions in relation to the management of funds delegated to it.

These may include:

- a) insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
  - b) insisting that an appropriately trained/qualified person chairs the finance committee of the Governing Body;
  - c) placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the local authority;
  - d) insisting on regular financial monitoring meetings at the school attended by local authority officers;
  - e) requiring a Governing Body to buy into a local authority's financial management systems; and
  - f) imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.
76. The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the authority may take where the Governing Body does not comply with the notice.
77. Where a notice of concern is issued, once the Governing Body complies with the requirements imposed, the notice will be withdrawn.

### **INSTALMENTS OF THE BUDGET SHARE AND BANKING**

## **ARRANGEMENTS**

### **Instalments of the Budget Share**

78. Payments of the school's budget share (including any place-led funding for special schools or pupil referral units and top up payments for pupils with high needs) will be made in 12 or 13 instalments, in accordance with the details set out in Appendix 3. Payment of instalments from 1st May onwards each year will be subject to the receipt of a satisfactory budget plan.
79. Payments of budget shares will be made by BACS direct to the school bank account.

### **Interest Clawback**

80. The Council does not at present, intend to clawback interest lost by the Council in making the budget share available in advance.

### **Interest on late budget share payments**

81. Budget share instalments paid to schools by the Council are profiled to ensure that there is no cash flow disadvantage to the Council or schools. In the event that budget share instalments are not paid in accordance with this profile the Council will add interest to late payments of budget share instalments, where such late payment is the result of a Council error. The interest rate used will be the current Bank of England base rate.
82. Budget share instalments paid to schools by the Council are profiled to ensure that there is no cash flow disadvantage to the Council or schools. In the event that budget share instalments are not paid in accordance with this profile the Council will add interest to late payments of budget share instalments, where such late payment is the result of a Council error. The interest rate used will be the current Bank of England base rate.

### **Bank and Building Society Accounts**

83. Schools using the Council's bank who wish to change to a new bank or building society must give 4 months notice of such a change.
84. Bank accounts may only be opened with the institutions listed in Appendix 3 to the scheme, subject to the current contractual arrangement with the Royal Bank of Scotland which expires in September 2022, or others which the Director of Resources may authorise in the future. Schools with external bank accounts can retain all interest payable on the account unless they have an account with a Local Authority contract.

85. Schools may have accounts in their own name, rather than that of the Council. If a school does have a bank account in its own name the bank account mandate should provide that the Council is the owner of the funds in the account. The Council is entitled to receive bank statements and can take control of the account if the school's right to a delegated budget is suspended by the Council.
86. If a school, currently in the Council's bank contract, opens an external bank account, the Council will, immediately transfer to the account an amount agreed by both school and Council as the estimated surplus balance.
87. All cheques should require and be signed by two authorised signatories. The authorised signatories must be employees of the Council or the School.
88. All disbursements from the bank account and petty cash shall be supported by adequate vouchers and records.
89. The Head is responsible for the operation of the school's bank accounts in accordance with any instructions of the Director of Children's Services.

### **Borrowing by Schools**

90. Schools may only borrow funds external to the Council with the written permission of the Secretary of State.
91. Schools may apply for interest free loans from the Council in accordance with the terms and conditions of the Council's loans scheme. Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income.

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

Loan conditions include the following:

#### ***Definition and amount of loan***

A "loan" is used here to describe a planned deficit in a school's budget in order to finance a major planned item of expenditure, which has

been agreed by the Authority as allowable in anticipation of the school's future budget share.

The minimum and maximum loan (s) to be granted to an individual school, would be:

- minimum: £2,000
- maximum:
  - Nursery Schools; £90,000
  - Primary Schools: £200,000
  - Secondary Schools: £300,000
  - Special Schools: £250,000

### ***Period of loan***

Principal and interest to be repaid over a minimum period of two years and a maximum of five years (with the expectation that loans not relating to repairs, maintenance or improvements to school properties should be repayable in three years). Schools will be invoiced at the beginning of the financial year. Thus, the first repayment will be made from the budget share in the year following the one in which the loan is granted. Loans are fully repayable when a school converts to academy status.

### ***Type of project to be funded***

The type of projects for which a loan would be considered are:

- a) repairs, maintenance or improvements to school properties;
- b) investment projects which produce a future revenue saving (for example, schemes to improve energy efficiency);
- c) projects to improve security in schools;
- d) purchases of major items of equipment, including computer equipment.

### ***Approval of loan***

Loans will be subject to joint approval by the Director of Children's Services and Director of Resources.

The granting of all loans will be at the discretion of the relevant chief officer and subject to the financial circumstances of the Council at the time.

## **THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES**

### **Surplus and Deficit Balances**

92. Any short fall or excess in expenditure relative to the school's budget share for the year (i.e. the balance) will be carried forward to the following financial year.
93. All balances of schools maintained by the Council at 31<sup>st</sup> March each year will be carried forward into the following financial year. Estimated carried forward balances from the previous financial year must be included in the schools approved budget plan for the year. School budget plans must be contained within the total of the school's budget share plus the estimated carried forward balance. Plans showing deficits at the year end will not be accepted unless, in exceptional circumstances, this has been approved by the Director of Children's Services. Approval will only be granted on the production of an agreed plan showing how the deficit will be eliminated within a specified timescale as agreed between the Director of Children's Services and the School, the maximum time scale being 5 years.

The maximum deficit that will be approved is 20% of the School Budget Share.

Deficits may be approved for the following purposes:

To enable the full curriculum to be delivered while expenditure is reduced in a planned manner over an agreed timescale.

To support a school(s) that is required to re-structure or reduce expenditure immediately, due to a significant in year reduction in funding. This would normally be related to a reduction in pupil numbers.

To support a school(s) who is required to carry out emergency building repairs and who do not have sufficient resources available within their overall funding.

Deficit balances cannot be written off by the Council.

94. The Chair of Governors of each school is required to critically examine any surplus balance held by their school, as permitted under this scheme, and sign off the carry forward annually.

### **Balances of Closing or Amalgamated (Replacement) Schools**

95. Any balance at the date of closure or amalgamation (replacement) of a school reverts to the Council, 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.

## **INCOME**

96. All income from lettings, fees and charges (unless they relate to a service provided from central Council funds) and other funding raising activities, will be retained by the school as an addition to the school budget share and paid into the official school bank account.
97. Schools may cross-subsidise lettings for voluntary and community use from income from other lettings, provided no charge is thus made on the budget share and that the Governing Body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement.
98. Income from the sale of assets (which were purchased with delegated funds) may be retained by the school as an addition to the school budget share. Income from the sale of land or buildings owned by the Council reverts to the Council.
99. The Governors' policy on charging for school activities shall be reviewed by them at least annually and any revisions formally approved. All charges shall conform to current legislation.
100. Charges made for the letting of school premises other than use for further education or other purposes sponsored by the Council are the responsibility of the governors. The scale of charges for such lettings should be reviewed annually by the governors, who should formally approve any revised scale of charges and agree the policy on the number and type of free lettings allowed. Any free lettings policy should ensure there should be no net cost to the school budget share from lettings.
101. Charges made for the Council sponsored lettings referred to above shall be at rates determined by the authority.
102. Governors are responsible for the security, collection and banking of school money and shall ensure compliance with the procedures defined by the Director of Resources.
103. The recommendation as to whether or not to take action to collect amounts of school money which are unpaid shall be made by schools, but any such amount shall be referred to the Director of Resources under the Accounts and Audit Regulations for approval to collect or to write off as considered appropriate.
104. Governors shall ensure that all income is supported by adequate

receipts and vouchers.

## **THE CHARGING OF SCHOOL BUDGET SHARES**

### **Direct Charges against School Budget Shares**

105. Charges by the Council against a school's budget share will require the agreement of the Governing Body (or if authority is delegated, the Head). The Council will consult schools as to the intention to charge and notify schools when it has been done.
106. Where the Council is operating a payroll for the school, the Council will charge salaries of school-based staff to school budget shares at actual cost.

### **Circumstances in which Charges may be made**

107. Where premature retirement costs have been incurred without the prior written agreement of the Council to bear such costs (the amount chargeable being only the excess over any amount agreed by the Council).
108. Other expenditure incurred to secure resignations where the school had not followed Council advice.
109. Amounts of Tax and National Insurance deductible on remuneration payments made direct to staff by schools in error.
110. Awards by courts and Employment tribunals against the Council, or out of court settlements arising from action or inaction by the Governing Body contrary to the Council's advice.
111. Expenditure by the Council in carrying out health and safety work or capital expenditure for which the Council is liable where funds have been delegated to the Governing Body for such work, but the Governing Body has failed to carry out work required following notice from the Director of Children's Services.
112. Expenditure by the Council incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Council or the school has voluntary controlled status, following notice from the Director of Children's Services.
113. Expenditure incurred by the Council 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 Council.
114. 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 Council.

115. Recovery of penalties imposed on the Council by the Board of Inland Revenue, the Contributions Agency or HM Revenue and Customs, Teachers' Pensions, the Environment Agency or other regulatory authorities as a result of school negligence or non compliance with the Carbon Reduction Commitment scheme.
116. Correction of Council errors in calculating charges to a budget share (e.g. pension deductions).
117. Additional transport costs incurred by the Council arising from decisions by the Governing Body on the length of the school day, and failure to notify the Council of non-pupil days resulting in unnecessary transport costs.
118. Legal costs which are incurred by the Council because the Governing Body did not accept the advice of the Council.
119. Cost of work done in respect of teacher pension remittance and records for schools using non-Local Authority payroll contractors, the charge to be the minimum needed to meet the cost of the Council's compliance with its statutory obligation.
120. Costs of necessary health and safety training for staff employed by the Council, where funding for training had been delegated but the necessary training not carried out, following notice from the Director of Children's Services.
121. 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.
122. Expenditure incurred by the Council in order to make the provision required in a pupil's statement of Special Educational Needs, if the Governing Body has failed to make the necessary provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with high needs.
123. Expenditure incurred by the Council in order to provide the required Education Welfare provision, if there is evidence that the school has not taken sufficient or appropriate steps to follow up and report irregular absence or periods of ten day absence or to meet their attendance targets.
124. Costs incurred by the Council due to submission by the school of incorrect data.
125. Recovery of amounts spent from specific grants on ineligible purposes.

126. Costs incurred by the Council as a result of the Governing Body being in breach of the terms of a contract.
127. Consequential costs incurred by the Council when schools do not supply financial information in the required format and at the required time.
128. Costs incurred by the Council or another school in a cluster or partnership as a result of a school prematurely withdrawing from a cluster or partnership arrangement, for example where this has funded staff providing services across the cluster.

### **TAXATION**

129. Schools will need to account for all VAT separately in accordance with instructions issued by the Director of Resources. The amounts paid for VAT will then be reimbursed to schools quarterly in accordance with the returns made by schools. Schools must abide by the procedures issued by the Director of Resources on Construction Industry Taxation Scheme (CIS).

### **PROVISION OF SERVICES AND FACILITIES BY THE COUNCIL**

130. The Council determines on what basis services from centrally retained funds will be provided to schools, including severance and early retirement payments.
131. The Council determines the basis for the provision of services it offers to schools on the basis of trading arrangements or otherwise. Each year the Director of Children's Services will notify all schools of the individual services which are being offered by the Council to schools. Schools will have at least a month to consider the terms of the trading account agreements but must sign up by the last Friday in May for the trading account to be effective for the current financial year. All schools will be entitled to buy into these services and no school will be discriminated against on the basis of its category. Any agreement to purchase a service will be for a minimum of 1 year and a maximum of 3 years from the inception of this scheme. For subsequent periods, the maximum length of any agreement will continue to be 3 years.
132. The Director of Children's Services has issued separate guidance on the circumstances in which the cost of premature retirement compensation (PRC) and redundancy payments may be charged to school budget shares.
133. Services will normally be provided on an individual basis and schools will be free to choose whichever service(s) they wish to buy into. Any packaging of services will ensure that it does not unreasonably restrict schools' freedom of choice amongst the services available.

134. When a service is provided for which expenditure is not retainable centrally by the Council under the Regulations made under section 46 of the Act; 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 differentially.

### **Property**

135. Governors of County/Community schools shall ensure that lessees and/or other prospective occupiers shall not be allowed to take possession or enter on to land in the ownership of the Council until a lease or agreement, in a form approved by the Borough Solicitor in consultation with the Director of Resources and the Director of Children's Services as appropriate, has been signed.

### **INSURANCE**

136. Where a school makes its own insurance arrangements, then it will need to demonstrate to the satisfaction of the Director of Resources that the insurance cover it has arranged, is at least as good as the cover arranged by the Council under its central insurance contracts. The Council shall have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools.
137. Governors and schools are subject to the Council's insurance procedures which are published separately.

### **MISCELLANEOUS**

#### **Governors Expenses**

138. Under schedule 11 of the School Standards and Framework (SSAF) Act 1998, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share. No payment of any other allowances should be made. Where a school is under special measures, the school may not pay expenses to those additional governors appointed and paid by the Secretary of State.

#### **Liability of Governors**

139. The Governing Body is a corporate body and under the terms of s.50(7) of the SSAF Act, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

### **Health & Safety Policy**

140. Both the Governing Body and the Council retain certain responsibilities in respect of Health and Safety.
141. In carrying out its responsibilities for managing the delegated budget, the Governing Body must have regard to the Council's published policy on Health & Safety.

### **Delegation to New Schools**

142. Where a new school has not yet been given delegation of its budget share, the Council may decide to delegate responsibility for managing part or all the budget to the Governing Body.

### **Legal Advice**

143. Where there is a conflict of interest between the Council and the Governing Body, the Governing Body should seek independent legal advice. The Borough Solicitor can provide a list of appropriate firms of solicitors.

### **Whistleblowing**

144. School staff are required to immediately report suspected fraud, corruption or financial irregularity directly to the Head of Audit Services rather than through line management, as in the case of other types of concerns. Internal Audit will be responsible for undertaking the investigations including liaison with senior management and other such officers as are necessary and for referral to and liaison with the police.

### **Child Protection**

146. Staff may need to be released to attend child protection case conferences and other related events. The schools have to meet the costs of staff attending meetings but any related staff suspensions will be funded centrally.

### **RESPONSIBILITY FOR REPAIRS AND MAINTENANCE**

147. All expenditure on the repair and maintenance of premises is the responsibility of the Governing Body and must be met from the school's budget share. In carrying out repair and maintenance work, Governors must comply with the Code of Practice and other guidance issued by the Directors of Children's Services and Finance.
148. The Council retains strategic responsibility for major capital expenditure to premises. Capital expenditure, as defined by S.40 of the Local Government and Housing Act 1989 is for the enhancement or provision of buildings and sites. Enhancement must lengthen

substantially the useful life of the asset or increase substantially the open market value of the asset; or increase substantially the extent to which the asset can be used for the functions of the local authority.

149. Relevant content and in particular guidance on Capital Funding for Voluntary Aided Schools in England (commonly referred to as the Blue Book) can be found on the Department for Education Website.
150. Schools should note that the Council operates a de minimis level for works of a capital nature, below which expenditure of a capital nature should be met from revenue budgets. It is currently £2,000 for schools.
151. Schools also have access to Devolved Formula Capital which is Grant for capital works in school buildings. Devolved formula capital can be spent directly by schools on works of a capital nature that are a priority in the School's Asset Management Plan. Devolved Formula Capital can be used for Condition or Suitability related work. All works must be undertaken in accordance with the Code of Practice and other guidance issued by the Directors of Children's Services and Resources. Community and Foundation Schools should seek approval to use Devolved Formula capital and for the release of resources into the school's budget from the Planning and Capital Development Service, using Form DevCap1. Voluntary aided schools should follow the published guidance, which is also available on the above website. Schools seeking specific advice can obtain this by email from [sdaniels@wandsworth.gov.uk](mailto:sdaniels@wandsworth.gov.uk) or [dwmain@wandsworth.gov.uk](mailto:dwmain@wandsworth.gov.uk).

## **COMMUNITY FACILITIES POWER**

### **Introduction**

152. Schools which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under s.28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult the Council and to have regard to advice from the Council. Thirdly, the Secretary of State issues guidance to Governing Bodies about a range of issues connected with exercise of the power, and a school must have regard to that.
153. However, under s.28(1), the main limitations and restrictions on the power will-be
- a) those contained in schools' own instruments of government, if any; and
  - b) in this scheme for financing schools.
154. Schools are therefore subject to prohibitions, restrictions and limitations

in the scheme for financing schools.

155. This section of the scheme does not extend to joint-use agreements; transfer of control agreements, or agreements between the Council and schools to secure the provision of adult and community learning.
156. Mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

### **Consultation with the Council – Financial Aspects**

157. Before exercising the community facilities power, Governing Bodies must consult the Council, and have regard to advice given to them by the Council.
158. Schools are required to provide written business plans for the proposed community facility. This information should be provided at least three months before the proposed starting date for the provision of any new facilities by the school. The business plan will include details of the purpose of the facility, financial projections for the next two years and how it will be operated by the school. The Council will provide advice within one month of receiving the information detailed in this paragraph.
159. Schools are required to inform the Council what action has been taken following the Council's advice.

### **Funding Agreements – the Council's Powers**

160. The provision of community facilities in many schools may be dependent on the conclusion of a funding agreement with a third party which will either be supplying funding or supplying funding and taking part on the provision. A very wide range of bodies and organisations are potentially involved.
161. Schools must submit any proposed funding agreement with a third party to the Council for its comments. Schools are required to submit these funding proposals at least three months before they intend to sign the agreement.
162. If an agreement has been or is to be concluded against the wishes of the Council, or has been concluded without informing the Council, which in the view of the Council is seriously prejudicial to the interests of the school or the Council, that may constitute grounds for suspension of the right to a delegated budget.

### **Other Prohibitions, Restrictions and Limitations**

163. If the Council believes that the proposed project carries significant financial risks, the Governing Body concerned shall make

arrangements to protect the financial interests of the Authority by obtaining indemnity insurance for risks associated with the project in question, as specified by the LA.

### **Supply of Financial Information**

164. Schools which exercise the community facilities power shall provide a summary financial statement every six months to the Council. The statement shall show 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.
165. If the Council believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, on giving notice to the school financial statements shall be supplied every three months and, if the Council sees fit, a recovery plan for the activity in question shall be submitted.

### **Audit**

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

### **Treatment of Income and Surpluses**

168. Schools shall retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Council or some other person.
169. Schools shall carry such retained net income over from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the Council at the end of each financial year, transfer all or part of it to the budget share balance.
170. If the school is a community or community special school, and the Council ceases to maintain the school, any accumulated retained income obtained from exercise of the community facilities power reverts to the Council unless otherwise agreed with a funding provider.

### **Health and Safety Matters**

171. The health and safety provisions of the scheme extend to the community facilities power.
172. The Governing Body is responsible for the costs of securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day. Governing Bodies are free to pass on such costs to a funding partner as part of an agreement with that partner.

### **Insurance**

173. The Governing Body is responsible for ensuring adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, and should, as an integral part of its plans, undertake an assessment of the insurance implications and costs, taking professional advice as necessary. Such insurance should not be funded from the school budget share. The school should seek the Council's advice before finalising any insurance arrangement for community facilities.
174. The Council, in order to protect itself against possible third party claims may undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. Such costs shall not be charged to the school's budget share.

### **Taxation**

175. Schools should seek the advice of the Council and the local VAT office on any issues relating to the possible imposition of VAT on expenditure in connection with community facilities; including the use of the Council's VAT reclaim facility.
176. If any member of staff employed by the school or Council in connection with community facilities at the school is paid from funds held in a school's community facilities bank account, the school is likely to be held liable for payment of income tax and National Insurance, in line with Her Majesty's Revenue and Customs rules.
177. Schools are required to follow local authority advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

### **Banking**

178. Schools shall maintain separate bank accounts for community facilities which are not part of school budget accounts. The requirements shown in paragraphs 82-89 of the scheme relating to banks and building societies also apply to community facilities.



179. In the case of a bank account which is used by the school in connection with community facilities the account mandate should not show the Council as the owner of the community facilities funds in the account except insofar as these funds have been provided by the Council itself.

### **Borrowing**

180. Schools are reminded that they may only borrow funds external to the Council with the written permission of the Secretary of State.

## SCHOOLS SUBJECT TO THE SCHEME

### Appendix 1

<b>Community Schools</b>	<b>Voluntary Aided Schools</b>
<b>Primary</b>	<b>Primary</b>
Alderbrook School	All Saints CE School
Allfarthing School	Christ Church CE School
Beatrix Potter School	Gatton School
Brandlehow School	Holy Ghost RC School
Broadwater School	Our Lady of Victories School
Falconbrook School	Our Lady Queen of Heaven School
Fircroft School	Roehampton CE School
Furzedown School	Sacred Heart (Battersea) School
Granard School	Sacred Heart (Roehampton) School
Heathmere School	St Anne's CE School
Hotham School	St Anselm's RC School
John Burns School	St Boniface RC School
Penwortham School	St Faith's CE School
Ravenstone School	St George's CE School
Riversdale School	St Joseph's RC School
Ronald Ross School	St Mary's CE School
Sellincourt School	St Mary's RC School
Shaftesbury Park School	St Michael's RC School
Smallwood School	Trinity St Mary's School
Southmead School	
Swaffield School	<b>Secondary</b>
West Hill School	Saint John Bosco College
Westbridge School	
	<b>Foundation Schools</b>
<b>Secondary</b>	<b>Primary</b>
Ernest Bevin College	Albemarle School
	Hillbrook School
<b>Special</b>	Honeywell Infants School
Bradstow School	Honeywell Junior School
Garratt Park School	
Greenmead School	<b>Nurseries</b>
Paddock School	Balham Nursery
	Eastwood Nursery
	Somerset Nursery
	<b>Pupil Referral Units (PRUs)</b>
	Francis Baber PRU
	Victoria Drive PRU
	Hospital and Home Tuition Service

## APPROVED BANKING INSTITUTIONS

***Bank Accounts can be opened with the following Institutions – subject to the notice period required under the current contractual arrangements with the Royal Bank of Scotland, which expires in September 2022.***

*(Institutions listed in alphabetical order)*

Barclays Bank plc  
Bank of Scotland plc  
HSBC Bank plc  
Lloyds TSB Bank plc  
Nationwide Building Society  
Santander UK plc  
The Royal Bank of Scotland plc

## Appendix 3

### Instalments of the Budget Share

#### Schools which operate their own payroll

Payments of the school's budget share will be made in 13 instalments.

½ monthly school budget share	1 <sup>st</sup> April
April – February: 1/12 of annual school budget share	3 days prior to schools' monthly pay date
March: ½ of the monthly school budget share	3 days prior to schools' monthly pay date

Schools may opt to receive the total budget share gross of pay costs. Those schools operating their own payroll will automatically receive their total budget share in instalments specified above.