

WEST NORTHAMPTONSHIRE COUNCIL'S SCHEME FOR FINANCING SCHOOLS

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Version: July 2021
Author: Beth Baines
Author Contact: Beth.Baines@westnorthants.gov.uk

SECTION 1: INTRODUCTION

1.1 The Funding Framework

The funding framework which replaces Local Management of Schools is set out in the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998. Under this legislation, local authorities determine for themselves the size of their schools budget and their non-schools education budget – although at a minimum an authority must appropriate its entire Dedicated Schools Grant to their schools budget.

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

Authorities may deduct funds from their schools budget for purposes specified in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure).

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

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

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

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

The financial controls within which delegation works are set out in a scheme made by the authority in accordance with s.48 of the Act and regulations made under that section.

All proposals to revise the scheme must be approved by the Schools Forum, though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.

Subject to any provision made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their

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school and for any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act.

Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act.)

West Northamptonshire Council (WNC) may suspend a school's right to a delegated budget if the provisions of the authority's financial 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 (schedule 17 to the Act).

WNC is obliged to publish each year a statement setting out details of its planned schools budget and other expenditure on children's services, showing the amounts to be centrally retained and funding delegated to schools; after each financial year the authority must publish a statement showing outturn expenditure.

The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State.

A copy of each year's budget and outturn statement should be made easily accessible to all schools.

Regulations also require that WNC publish their scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.

1.2 The role of the scheme

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

1.3 Application of the Scheme to the LA and maintained schools

This scheme applies to all community, nursery, voluntary, foundation, special schools and Pupil Referral Units (PRUs) maintained by the WNC. This scheme does not apply to schools maintained by another authority nor academies.

1.4 Publication of the scheme

WNC will publish the local Scheme and any revision on the WNC website by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.

1.4 Revision of the scheme

Any proposed revisions to the scheme will be the subject of consultation with the governing bodies and Head teachers of all WNC maintained schools before they are submitted to the West Northamptonshire Schools Forum for approval.

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.

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

1.5 Delegation of powers to the head teacher

The governing body of a school is required to consider the extent to which it wishes to delegate its financial powers to the head teacher, and to record its decision (and any revisions) in the minutes of the governing body.

The first formal budget plan of each financial year must be approved by the governing body, or by a committee of the governing body.

1.7 Maintenance of schools

WNC 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). Part of the way WNC maintains schools is through the funding system put in place under sections 45 to 53 of the SSAF Act 1998.

SECTION 2: FINANCIAL CONTROLS

2.1 Application of financial controls to schools

The Chief Finance Officer (Section 151 Officer) has responsibility for administering the financial arrangements of the West Northamptonshire Council, including the financial affairs of schools. In the management of their delegated budgets schools must therefore abide by the Chief Finance Officer's requirements on financial control and monitoring as detailed in this Scheme for Financing Schools.

2.2 Provision of financial information and reports

Schools are required to provide WNC with details of anticipated expenditure and income through the completion of a budget proposal form at the start of each

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financial year. Details of actual expenditure and income should be provided through the submission of a quarterly return. However, while WNC cannot require schools to submit a monthly return, except those connected with tax or banking reconciliations, we encourage them to do so.

These returns should be reconciled to the school's local financial system by the school concerned and will be input to the central accounting system by WNC staff to form part of the statutory accounts.

The form for submission of information takes account of the consistent financial reporting framework and the desirability of compatibility with that framework.

This is different from a requirement for annual budget plans.

2.3 Payment of salaries; payment of bills

Section 3 of the Schools Financial Management Handbook gives details of employee pay scales and on costs etc. The requirements of those schools that opt to do their own payroll are also set out.

2.4 Control of assets

Each school is required to maintain an inventory of its moveable non-capital assets with a value of £1,000 or more.

Schools are free to determine their own arrangements for keeping a register of individual assets worth less than £1,000. WNC encourages schools to register anything that is portable and attractive such as a camera. Schools should keep a register in some form.

2.5 Accounting Policies (including year-end procedures)

Schools are required to abide by the procedures issued by WNC as detailed below. Year-end procedures are separately issued by the end of February each year.

2.6 Writing off of debts

Governors are authorised to write off bad debts to the stipulated level of £10,000, and such decisions must be recorded in the minutes of the governing body.

2.7 Disputes regarding WNC invoices above £10,000

If agreement cannot be reached between the school and WNC within 90 days of the charge being raised, the matter will be referred to the WNC Chief Finance Officer for resolution through the Chair and Deputy Chair of West Northamptonshire Schools Forum.

2.8 Basis of Accounting

Although schools' internal systems may operate on a cash basis, WNC's requires report and accounts furnished to WNC be on an accruals basis, with income and expenditure accounted for in the year in which it arises, by the creation of debtors and creditors.

WNC will not dictate to schools how they organise their accounts. This means in particular that schools should be able to use what financial software they wish, provided they meet any costs of modification to provide output required by WNC.

2.9 Submission of budget plans

Each maintained school is required to submit a budget plan every year, which takes account of the major categories of expenditure and income, on the WNC Budget Proposal Form. Schools should, when constructing their annual budget plan take into account their estimated carry forward deficit/surplus balance as at the previous 31st March.

WNC will supply schools with all school income and expenditure data which it holds which is necessary for efficient planning by schools, and supply schools with an annual statement showing when this information will be available at times through the year. This is currently on the forms webpage in the "forms and notifications guide".

Schools are allowed to take full account of estimated deficits and surpluses at the previous 31 March in their budget plan.

The budget proposal form for submission of budget plans should take account of the consistent financial reporting framework and the desirability of compatibility with that.

The school's formal annual budget plan must be approved by the Governing Body or a committee of the governing body. Any changes to this i.e. virements of budget during the year should also be approved by the Governing Body or committee.

The date for the initial submission of the budget proposal plan is the 1 May.

2.10 Submission of Financial Forecasts

Schools are required to submit a 3-year budget forecast each year along with the budget proposal using that submission date as a guideline.

WNC will use the 3 year plan to confirm schools are undertaking effective financial planning and may be used in WNCs assessment of schools financial value standards or used in support of WNCs balance control mechanism.

2.11 School resource management

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

It is for heads and governors to determine at school level how to optimise the use of resources and maximise value for money.

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

2.12 Virements

Schools may vire freely between budgets heads (codes) in the expenditure of their budget shares. In order to reflect this on the central accounting system, schools will need to complete a standard WNC virement template which is to be submitted to WNC Schools Finance.

Schools should ensure that virements are carried out in a timely manner to avoid budget headings becoming overspent.

2.13 Audit: General

All schools are within the remit of WNC Internal Audit who will periodically review the frequency of audit visits in the light of risk assessment. Currently all maintained primary, nursery and special schools form part of a thematic audit process.

There is a requirement to provide access to the school premises and records, and to provide such explanations as are deemed necessary. The resulting report will be issued to the Chair of Governors, the Head teacher and WNC.

Where matters of concern are identified, the WNC Chief Finance Officer may initiate a follow-up audit to report on progress in addressing these concerns.

A persistent or deliberate refusal, or inability, to satisfactorily address points raised in this way may lead to withdrawal of delegation.

Schools also fall within the West Northamptonshire Council external audit regime determined by the Government, and are required to co-operate with it and provide access to school records as required.

2.14 Separate external audits

Governing bodies may if they wish spend funds from their budget share to obtain external audit certification of their official accounts, separate from any West Northamptonshire Council internal or external audit process. However, any external audit commissioned by the school would have to take into account the status of the school as a spender of WNC funds and the fact that it must follow West Northamptonshire Council procedures.

2.15 Audit of voluntary and private funds

Voluntary and private funds, and trading organisations controlled by the school are to be audited on an annual basis. Audit Certificates should be retained in the school and be made available during school audits or upon request.

The purpose of such a provision is to allow WNC to satisfy itself that the public funds are not being misused. A school refusing to provide audit certificates to WNC when required is in breach of the scheme and WNC can take action on that basis.

2.16 Register of business interests

The governing body of each school must hold 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 may have.
- details of any other educational establishments that they govern
- any relationships between school staff any members of the governing body

This register must be kept up to date through notification of changes and through annual review of entries. The register must be available for inspection by governors, staff, parents and WNC.

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 relating 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 the induction of new school staff and governors.

2.18 Schools Financial Value Standard (SFVS)

All local authority maintained schools (including nursery schools and special schools 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 but must submit the form to the local authority as per the Government guidance (normally 31st March).

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, where relevant, with a clear timetable to ensure 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.

2.19 Purchasing, tendering and contracting arrangements

Schools are required to abide by WNC financial regulations and standing orders in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of WNC policies and procedures.

WNC policies and procedures cannot, however, require schools to:

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

For the purposes of the procurement directives schools are viewed as discrete contracting local authorities.

Schools may seek advice on a range of compliantly procured deals via [Buying for schools](#).

2.20 Application of contracts to schools

Schools have the right to opt out of WNC arranged contracts.

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 (this is the main reason for allowing authorities to require authority counter-signature of contracts exceeding a certain value).

Other 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.

2.21 Central funds and earmarking

WNC is authorised to make sums available to schools from central funds. In certain instances, (e.g. Pupil Growth Fund) these allocations become part of the sum delegated to the school. In other instances, the allocation may be considered to be earmarked funding and may only be spent on prescribed budget heads - in this event virement into a non-earmarked area of the budget is not permissible.

Schools are able to demonstrate that this requirement has been complied with through the use of specific expenditure codes. In certain instances, earmarked funds

must be returned to WNC if not spent in-year or within the period over which schools are allowed to use the funding.

2.22 Spending for the purposes of the school

Under s50 (3) of the SSAF Act governing bodies are allowed to spend budget shares for the purposes of the school. There are no WNC restrictions on this provision.

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 section 50(3)(b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. They have 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.

2.23 Capital spending from budget shares

Governing bodies may use their budget shares to meet the cost of capital expenditure on 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 SSAF Act 1998. WNC requires any capital spending from budget shares to be recorded on specific expenditure codes.

Where capital expenditure from the budget share exceeds £15,000 the governing body will be required to take into account any advice from the LA as to the merits of the proposed expenditure. If the premises are owned by WNC, or the school has voluntary controlled status, then the governing body should seek the consent of WNC to any proposed works, but such consent can be withheld only on health and safety grounds.

The reason for these provisions is to help meet responsibilities with the School Premises (England) Regulations 2012, the Workplace (Health, Safety and Welfare) Regulations 1992, the Regulatory Reform (Fire Safety) Order 2005, the Equality Act 2010, and the Building Regulations 2010.

These provisions would not affect expenditure from any capital allocation made available by the local authority outside the delegated budget share.

2.24 Notice of Concern

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

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

These may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;
- placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the local authority;
- insisting on regular financial monitoring meetings at the school attended by **local** authority officers;
- requiring a governing body to buy into a local authority's financial management systems; and
- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

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

SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS

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 will be divided into 12 Monthly payments:

April 12% of the Budget share will be paid

May-March 8% of the budget share will be paid

All LGSS Payroll schools will have their salary cost deducted a month in arrears.

All monthly top up payments for indicative budget will be made on a monthly basis unless alternative arrangements have been agreed with the provider.

3.2 Own Payroll Schools

Own payroll schools monthly advances will be paid in accordance with their confirmed pay dates sent annually to WNC School Finance.

3.3 Interest Clawback

Schools that have their pay budgets advanced to their local bank account will be charged interest on the amount of NI, and tax between the West Northamptonshire Council payroll date and the date that payments would have been made by the West Northamptonshire Council to the respective bodies.

Interest will be calculated on a daily basis using the average short term investment rate i.e.

$$(a) \times (b) / 365 \times (c)$$

where

(a) = the Bank of England base rate, (e.g. 0.1% for 2021)

(b) = number of days between West Northamptonshire Council pay date and the date on which the West Northamptonshire Council would have paid contributions for tax and NI to the Inland Revenue and DSS

(c) = the school's contributions for tax and NI.

Interest will be calculated and charged once per annum based on the figures for September x twelve months. Schools will be invoiced in November and charged seven months in arrears, five months in advance.

Also, if schools request to have their advance to their local bank account prior to the date on which their staff would have paid as part of the West Northamptonshire Council's payroll for school-based staff then interest will be charged on the pay budget part of the advance.

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Interest will be calculated on a daily basis using the average short term investment rate, i.e.

$$(a) \times (b) / 365 \times (c) + (a) \times (d) / 365 \times (e) + (a) \times (f) / 365 \times (g)$$

where

(a) = the Bank of England base rate, (e.g. 0.1% for 2020)

(b) = number of days between the advance and West Northamptonshire Council pay date.

(c) = total amount of budget advanced for salaries and travel that month i.e. 1/13th of the annual pay and travel budget.

Interest will be calculated and charged once per annum based on the figures for September x twelve months. Schools will be invoiced in November and charged seven months in arrears, five months in advance.

3.4 Interest on late budget share payments

If the payments to the bank accounts are delayed due to a fault in the administrative systems for processing the advances to the school's bank account the school will receive interest as follows:

Interest will be calculated on a daily basis using the average short term investment rate, i.e.

$$(a) \times (b) / 365 \times (c)$$

where

(a) = the Bank of England base rate, (e.g. 0.1% for 2021)

(b) = number of days between the date the advance was made and the date it should have been made by the West Northamptonshire Council

(c) = the amount of the advance

3.5 Bank and building society accounts

All schools should operate a local bank account into which their budget share instalments are paid. It will also be possible to have a linked deposit account, with all transfers to and from the linked deposit account being made via the local bank account. Interest earned on these accounts is retained by the school.

The financial regulations pertaining to the local bank account scheme, and guidance notes on the administration of local bank accounts, are contained within the Section 2 of the Financial Management Handbook.

3.6 Restrictions on accounts

WNC operates a pooling arrangement through its own bankers. Schools who do not wish to take advantage of this may choose to hold an account for the purpose of receiving budget share payments with any UK bank or building society approved by WNC.

All school accounts (excluding the school fund) must have “Northamptonshire West Northamptonshire Council ” or ‘WNC’ in their title in addition to the school name. This provision allows bankers and auditors to distinguish between public and private funds, and will ensure that there is no inadvertent disclosure of information if the external auditors legitimately approach a school’s bank for details of the public funds bank account.

A minimum of two cheque signatories are required for the local bank account; however, these do not have to be WNC employees.

Schools are permitted to use direct debits, standing orders and BACs payment facilities where required provided the rules contained in financial regulations are adhered to.

Schools are encouraged to make use of credit cards as these provide a useful means of facilitating electronic purchases.

3.7 Borrowing by schools

School governing bodies may only borrow money with the written permission of the WNC Chief Finance Officer and the Secretary of State. This requirement does not extend to monies lent to schools by WNC i.e. under the Asset Loan Scheme.

This restriction does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. However, these debts may not be serviced directly from the delegated budget.

3.8 Use of School Balances

The Asset Loan Scheme utilises the combined bank balances of schools.

In addition, WNC may borrow from these balances to support projects which benefit children and young people in the County – detailed criteria will be agreed in advance with the West Northamptonshire Schools Forum.

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 shortfall in expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year.

4.2 Controls on surplus balances

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

- (1) 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;
- (2) 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;
- (3) 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 (see Annex C for a list of these exceptions), and which the authority is satisfied are properly assigned. 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 previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned.
- (4) if the result of steps (1) – (3) is a sum greater than 10% of the current year's budget share for primary, nursery and special schools, then the Authority shall deduct from the current year's budget share an amount equal to the excess.

Funds deriving from sources other than the Authority will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise.

Funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the Authority.

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

Schools will be required to split these balances for the DfE Section 251 return and for Consistent Financial Reporting both of which are statutory returns.

4.3 Interest on surplus balances

Schools will not be paid interest on any unspent centrally-held year-end balances. However, in so far as schools hold their unspent balances within a local school bank account, they may receive interest on the balance held within that account.

4.4 Obligation to carry forward deficit balances

Schools must carry forward from one financial year to the next any shortfall in school budget share relative to their expenditure for the year plus/minus any balance brought forward from the previous year. This will be affected through a deduction from the following year's budget share.

4.5 Planning for deficit budgets

It is not permissible for schools to budget for a deficit, except in those circumstances set out below. School budget plans must be prepared with a view to breaking even or creating a surplus at the end of the financial year.

Where schools have reason to anticipate a deficit the WNC Chief Finance Officer must be informed immediately.

4.6 Charging of interest on deficit balances

Schools will not be charged interest on any unplanned year end deficits as a matter of course. However, where an unplanned overdraft occurs on a school's local bank account, although WNC will underwrite such an overdraft, the school's budget will be charged any interest or other costs that arise.

4.7 Writing off deficits

WNC cannot write off the deficit balance of any school.

4.8 Balances of closing and replacement schools

When a school closes, any balances (whether surplus or deficit) reverts to the LA; 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 the school converts to academy status under section 4(1) (a) of the Academies Act 2010.

4.9 Licensed deficits

Schools must submit a recovery plan to WNC when their revenue deficit rises above 1% at 31 March of any year. A school may be allowed to plan for a deficit budget in exceptional circumstances with the agreement of the WNC Chief Finance Officer and subject to the following restrictions:

- (1) The maximum length over which a school may repay the deficit is normally three years from the beginning of the next financial year in which the deficit arises, and the financial position will be subject to ongoing monitoring and annual review.
- (2) A deficit arrangement will only be allowed where the continuing existence of a school is deemed viable.
- (3) The minimum size of an agreed deficit is 1% of the budget share, and the maximum level is 15% of the budget share.
- (4) The maximum proportion of the collective school balances held by WNC which will be used to back the total of deficit arrangements is 10%.
- (5) Arrangements for individual schools will be determined by the WNC Chief Finance Officer or their nominated officers, in agreement with the school Governing Body. The Governing Body must formally agree to abide by any requirements laid down as a pre-condition to accepting the deficit arrangement.

4.10 Asset Purchase (Loan) Scheme

WNC operates an Asset Purchase (Loan) Scheme details of which are attached at Annex D.

SECTION 5: INCOME

5.1 Income from lettings

Schools may retain income from lettings of the school premises subject to alternative provisions arising from any joint use or PFI agreements. Schools are permitted to cross-subsidize lettings for community and voluntary use with income from other lettings, provided the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement.

Schools must, however, have regard to the directions issued by WNC as to the use of school premises, as permitted under the School Standards and Framework Act 1998 for various categories of schools.

Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school.

5.2 Income from fees and charges

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

5.3 Income from fund-raising activities

Schools may retain income from fund-raising activities.

5.4 Income from the sale of assets

Schools may retain the proceeds from the sale of assets, except in cases where the asset was purchased with non-delegated funds, or the asset concerned is land or buildings forming part of the school premises and is owned by WNC.

5.5 Administrative procedures for the collection of income

The collection of income, and relevant VAT guidance, are detailed in Sections 8 and 5 of the Financial Management Handbook.

5.6 Purposes for which income may be used

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

SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General provision

With the exception of school-based staff salary, apprentice levy and travel costs, the budget share of a school may only be charged by WNC without the consent of the Governing Body in those circumstances set out in 6.3 below. Even then WNC is required to consult with the school as to the intention to so charge, and must notify the school when the charge has been made.

6.2 Basis of charges

Salaries (including Apprentice levy) and travel costs of school-based staff will be charged to schools at actual cost. Where schools opt to be part of the LGSS Payroll scheme for administering and charging the costs of supply teachers, these charges will be made at actual cost.

6.3 De-Delegation

WNC 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.

6.4 Circumstances in which charges may be made:

- (1) Where premature retirement costs have been incurred without the prior written agreement of WNC to bear such costs, (the amount chargeable being only the excess over any amount agreed by WNC).
- (2) Other expenditure incurred to secure resignations where the school has not followed WNC advice.
- (3) Awards by courts and industrial tribunals against WNC, or out of court settlements arising from action or inaction by the governing body contrary to WNC advice.
- (4) Expenditure by WNC in carrying out health and safety work, or capital expenditure for which WNC 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.
- (5) Expenditure by WNC incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by WNC or the school has voluntary controlled status.
- (6) Expenditure incurred by WNC 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 WNC.
- (7) Recovery of monies due from a school for unpaid invoices which have been referred to the disputes procedure set out in Section 2.1.7 of this Scheme.
- (8) Recovery of penalties imposed on WNC by the Board of Inland Revenue, the Contributions Agency, HM Customs and Excise, Teachers Pensions, the Environmental Agency or other regulatory authorities as a result of school negligence.
- (9) Correction of WNC errors in calculating charges to a budget share (e.g. pensions deductions).
- (10) Additional transport costs incurred by WNC arising from decisions by the governing body on the length of the school day, and failure to notify WNC of non-pupil days resulting in unnecessary transport costs.

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- (11) Legal costs which are incurred by WNC because the governing body did not accept the advice of WNC.
- (12) Costs of necessary health and safety training for staff employed by WNC, where funding for training has been delegated but the necessary training not carried out.
- (13) Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- (14) Cost of work done in respect of teacher pension remittance and records for schools using non-LGSS Payroll contractors, the charge to be the minimum needed to meet the cost of WNC compliance with its statutory obligations.
- (15) Costs incurred by WNC 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.
- (16) Costs incurred by WNC due to submission by the school of incorrect data.
- (17) Recovery of amounts spent by the school from specific grants on ineligible purposes.
- (18) Costs incurred by WNC as a result of the Governing Body being in breach of the terms of a contract.
- (19) Costs incurred by WNC 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.
- (20) Recovery of monies due for unpaid invoices from a school which is due to convert to academy status.

SECTION 7: TAXATION

7.1 Value Added Tax

WNC is able to reclaim VAT on schools expenditure relating to non-business activity, and to pass amounts so reclaimed back to the school. 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.

Detailed guidance on VAT, and procedures for reclaiming it, are set out in Sections 5 and 8 of the Schools Financial Management Handbook.

7.2 Construction Industry Scheme (CIS)

Schools are required to abide by WNC procedures in connection with CIS. These are set out in the Section 4 of the Schools Financial Management Handbook.

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

8.1 Provision of services from centrally retained budgets

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

WNC will not be able to discriminate in its provision of services on the basis of categories of schools except where discrimination is justified by differences in statutory duties.

8.2 Provision of services bought back from WNC using delegated budgets

The term of any arrangement with a school to buy services or facilities from WNC is limited to a maximum of three years from the date of the agreement and periods not exceeding five years for any subsequent agreement for the same services.

8.3 Packaging

Where funding has been delegated, and WNC is offering a service on a buyback basis, it must provide that service in a way which does not unreasonably restrict schools' freedom of choice among the services available. Where practical, services will be provided on a service-by-service basis as well as in packages.

This provision would not prevent WNC offering packages of services which offer a discount to schools taking up a wider range of services but WNC is encouraged to offer services singly as well as in combination.

8.4 Charging

Where WNC provides services on an 'ad hoc' basis, they may be charged for at a different rate than if provided on the basis of an extended agreement. This excludes centrally arranged premise and liability insurance.

8.5 Service level agreements

Information on the services which will be offered for schools to purchase will aim to be provided by 28th February each year, and schools will have at least a month to consider the terms of agreements.

If services or facilities are provided under a service level agreement - whether centrally funded or on a buyback basis - the terms of any such agreement will be reviewed at least every three years if the agreement lasts longer than that.

All services offered by WNC will also be made available on a basis which is not related to an extended agreement, although where services are provided on an ad hoc basis they may be charged for at a different rate than if provided on the basis of an extended agreement.

Where services are provided on an ad hoc basis they may be charged for at a different rate than if provided on the basis of an extended agreement.

8.6 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 WNC 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 WNC 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 WNC 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 WNC which WNC requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. WNC 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 WNC 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)

9.1 Charges will be made in accordance with the agreement with each school.

SECTION 10: INSURANCE

10.1 Insurance cover

As funds for insurance are delegated to schools, WNC requires that schools demonstrate that cover relevant to WNC insurable interests, under a policy arranged by the governing body, is at least as good as the relevant minimum cover required to be arranged by the school by the WNC Chief Finance Officer.

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

The scheme allows schools to join the RPA after 1 April 2020. Schools may do this individually when any insurance contract of which they are part of expires. All primary and secondary schools are eligible to join the RPA collectively by agreeing through the schools forum to de-delegate funding.

Further details are contained in Section 9 of the Financial Management Handbook.

SECTION 11: MISCELLANEOUS

11.1 Right of access to information

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

11.2 Liability of governors

As the governing body is a corporate body, and because of the terms of s50(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.

11.3 Governor's expenses

Under schedule 11 of the SSAF Act 1998, 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 not permissible. In addition, schools should not pay expenses which duplicate those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

The LA will also delegate funds to meet governor expenses to the governing body of a school yet to receive a delegated budget if necessary.

11.4 Responsibility for legal costs

Legal costs incurred by the governing body, although the responsibility of the WNC as part of the cost of maintaining the school, unless they relate to the statutory responsibility of voluntary 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 WNC (see section 6.3.12).

Where there is a conflict of interest between WNC and the Governing Body, LGSS law will decline to act for the school, and the school must therefore purchase advice from a third party.

11.5 Health and Safety

In the management of the budget share, the governing body should have due regard to duties placed on WNC in relation to health and safety, and the WNC policy on health and safety matters.

11.6 Right of attendance for WNC Chief Finance Officer

Governing bodies are required to permit the WNC Chief Finance Officer or any officer of the authority nominated by the WNC Chief Finance Officer to attend meetings of the governing body at which any agenda items are relevant to the exercise of his or her responsibilities.

11.7 SEN

In spending their budget shares, schools should use their best endeavours to secure the appropriate level of SEN provision. Where, in general terms, this is not being achieved, delegation may be suspended.

11.8 'Whistle blowing'

Details of the procedures to be followed by persons working at a school or school governors who wish to complain about financial management or financial propriety at the school can also be found on the WNC website (Human Resources for Schools Handbook).

11.9 Child Protection

Child Protection is the responsibility of all Area Child Protection Committee (ACPC) member agencies and schools and Education Professionals have a significant role to play. All schools should follow agreed ACPC procedures and there is an expectation by WNC that they should be involved in any child protection case conferences or subsequent core groups if children are placed on the child protection register.

WNC does not provide any funding for this but does offer Designated Teacher Child Protection training and the ACPC provides a range of training on related issues for schools.

11.10 Redundancy/Early Retirement Costs

Charges of dismissal/resignation costs will be made to the delegated school budget where the school decided to offer more generous terms than the authority's redundancy policy in which case the excess will be charged to the school;

- when the school otherwise acted outside the WNC's redundancy policy and/or policy on fixed term contracts;
- when the school chooses to restructure and intends to make staffing reductions which WNC does not believe are necessary to either set a balanced budget or to meet the conditions of a licensed deficit;
- when the school is in a situation where staffing reductions arise from a deficit caused by factors within the school's control; and
in a situation where the school has excess surplus balances and no agreed plan to use these.

Costs incurred by WNC in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as WNC has good reason for deducting those costs, or any part of those costs, from that share.

For staff employed under the community facilities power, the costs of any early retirements or redundancies must be met by the governing body and can be funded from the school's delegated budget if the governing body is satisfied that this will not interfere to a significant event with the performance of any duties imposed on them by the Education Acts.

SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

12.1 School Responsibilities

Schools will continue to be responsible for non-strategic repairs and maintenance, and will additionally be expected to finance from their budget:

1. All day-to-day and planned maintenance such as repairing or re-covering roofs, replacing failed boilers, rewiring, renewing damaged or dilapidated fences, rebuilding unsafe or collapsed boundary or retaining walls, resurfacing playgrounds, etc.
2. Ensuring that the building complies with various statutory regulations with regard to fire, environmental issues, safety glazing, asbestos regulations, etc.
3. Arranging, monitoring and logging the results of regular inspection and servicing contracts in respect of, for example:

boilers, pumps and ancillary equipment

gas installations
fixed electrical wiring, including emergency lighting and fire alarms
security installations water tanks

Many of the above items, when carried out, must comply with legislation and statutory regulations such as:

the Environmental Protection Act 1990
the IEE Wiring Regulations 1991 the Workplace (Health Safety and Welfare) Regulations 1994 Construction (Design and Management) Regulations 1994 the Gas Safety (Installation and Use) Regulations 1994
DfE Constructional Standards 1997 local
water byelaws

- 12.2** WNC has delegated responsibility for both revenue and capital expenditure. WNC adheres to the definition of capital set out in the CIPFA Code of Practice on Local Authority Accounting, and, for information, Annexe F provides illustrative examples of the capital/revenue split.
- 12.3** The WNC de minimis for expenditure from the school's capital budget allocation is £2,000 – any expenditure below this level must be treated as revenue spend.
- 12.4** For voluntary aided schools, the liability of the Authority for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools, and no separate list of responsibilities is necessary for such schools. However, eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de minimis limit applied by DfE to categorise such work, not the de minimis limit used by the Authority.

SECTION 13: COMMUNITY FACILITIES

13.1 Community Facilities

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 WNC and have regard to advice from the authority. 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.

However, under s.28(1), the main limitations and restrictions on the power will be those contained in the maintaining authority's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998 as amended by paragraph 2 of Schedule 3 to the Education Act 2002. This amendment extended the

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coverage of schemes to include the exercise of the powers of governing bodies to provide community facilities.

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

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

13.2 Requirement to seek LA advice

Schools are required to seek WNC advice, so that schools and the WNC are aware of any potential financial or other operational liabilities. WNC has adopted a formal procedure for considering schools' proposals. Schools will be required to submit a fully costed business case to WNC for consideration. This will include:

- (1) Details of the facilities to be provided, in terms of its purpose, staffing and impact upon general school activities.
- (2) A risk assessment of the proposals.
- (3) A two year business plan detailing all income and expenditure.
- (4) What plans the governing body have to deal with any surpluses/deficits arising from undertaking the community facilities power.
- (5) Confirmation of the status of the provider (e.g. business, charitable organisation)

This will ensure that both parties are aware of any issues that may arise prior to entering into any commitment of resources.

This procedure seeks to include reasonable requirements as to timeliness and the amount of information which schools must supply in seeking WNC advice. This procedure will be published to all schools and schools will be advised of any revisions which may from time to time, be necessary.

13.3 Requirements relating to the provision of advice

WNC is required to provide schools with advice within 6 weeks of being consulted, although WNC will seek to offer advice earlier, if at all possible. Schools are required to inform WNC of any action taken following receipt of and consideration of WNC advice, within 4 weeks of receiving such advice.

13.4 Funding agreements – authority powers

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 in the provision. A very wide range of bodies and organisations are potentially involved.

13.5 The Authority's requirements in relation to funding agreements with third parties

WNC requirements in relation to funding agreements with third parties (as opposed to funding agreements with the Authority itself) are that any such proposed agreement should be submitted to WNC for its comments; giving WNC at least 4 weeks to allow adequate time to consider and respond.

The scheme may not impose a right of veto for WNC on such agreements, either directly or through requiring a right to countersign the agreement. If the third party requires WNC consent to the agreement for it to proceed, such a requirement and the method by which WNC consent is to be signified is a matter for that third party, not for the scheme.

13.6 Agreements seriously prejudicial to the interests of the school or the Authority

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

13.7 Constraints on the exercise of the community facilities power

Section 28 (of the Act) provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the Scheme for Financing Schools.

13.8 Property considerations

In considering any proposals for the provision of community facilities, WNC will need to be satisfied regarding the use or change of use of buildings, access, fire and other safety aspects, restrictions on use (where covenants on use bar certain activities or limit the use of the building to educational use), provision of additional accommodation by third parties and the maintenance responsibilities and liabilities. WNC would seek, in consultation with the school, so far as is practicable, to work out a basis on which the proposed activity could go ahead.

13.9 Projects with significant financial risk

The scheme does not give a right of veto either to funding agreements with third parties, or for other proposed uses of the community facilities power. However WNC may require that in a specific instance of use of the community facilities power

by a governing body, the governing body concerned shall make arrangements to protect the financial interests of WNC. This could be achieved either by carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by WNC.

13.10 Supply of financial information

Schools which exercise the community facilities power will be required to provide WNC every six months at the end of March and September, with a summary statement, in a form determined by WNC. This must 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.

13.11 Provision of additional information – where there is cause for concern

WNC may give notice to the school if it believes there to be cause for concern, as to the school's management of the financial consequences of the exercise of the community facilities power, and may require such financial statements to be supplied every three months, at the end of June, September, December and March. If WNC sees fit, it may require the submission of a recovery plan for the activity in question.

WNC requires such supplementary information in order to ensure that schools are not at financial risk. Schedule 3 of the Education Act 2002, Schedule 15, makes a provision that mismanagement of funds received for community facilities is a basis for suspension of the right to delegation of the budget share. WNC will suspend the right to delegation, if necessary.

13.12 Audit

The school is 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.

In concluding funding agreements with other persons pursuant to the exercise of the community facilities power, schools are required to ensure that such agreements contain adequate provision for access by WNC 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. This will enable WNC to satisfy itself as to the propriety of expenditure on the facilities in question.

13.13 Retention of income

Schools are permitted to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be WNC or some other person.

13.14 Community Facilities Balances

Schools are also permitted to carry such retained income over from one financial year to the next as a separate community facilities surplus.

Schools budget share balances will be split between several categories under the Consistent Financial Reporting Framework. Where the community facilities are administered through the school's budget these balances may include community facilities balances and schools will be asked to identify these.

Where the school is not permitted to administer the community facility as part of the school budget share accounts, subject to the agreement of WNC at the end of each financial year, the school may transfer all or part of the community facilities balance to the budget share balance.

13.15 Extension of Health and Safety provisions

The health and safety provisions of the main scheme are extended to the community facilities power exercised by schools.

13.16 Criminal Records Clearance

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 would be free to pass on such costs to a funding partner as part of an agreement with that partner.

13.17 School's responsibility for insurance arrangements

It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Schools are required to seek WNC advice before finalising any insurance arrangement for community facilities.

13.18 LA's insurance responsibility

WNC 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. This is to protect WNC against possible third-party claims.

Instead of taking out insurance, a school may join the RPA for risks that are covered by the RPA.

13.19 VAT

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Schools may only make use of WNC VAT reclaim facility for expenditure on community facilities when this is from WNC funds and not expenditure from other funds.

Where schools donate any surpluses arising from community facilities activities to the budget share and this is then used for educational purposes WNC VAT reclaim facility may be used. The procedures to be followed are those set out within the VAT guidance issued to schools.

13.20 School/LA employees – income tax and national insurance

Any member of staff employed by the school or WNC in connection with community facilities at the school is paid from funds held in a school's own bank account; the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules.

13.21 Construction Industry scheme Tax advice

Schools must follow WNC advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

13.22 Banking Arrangements

Under the Scheme for Financing Schools, schools are only permitted to have one current account and a linked deposit account. Schools must therefore ensure that adequate internal accounting controls are maintained and there is a clear separation of funds if the community facilities are administered through the budget share accounts.

The WNC Scheme for Financing Schools continues to apply in respect of banking arrangements for schools e.g. signing of cheques, the titles of bank accounts, the contents of bank account mandates, and similar matters.