Salford City Council

Scheme for Financing Schools



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Table of Contents

1 Introduction 7

1.1 The Funding Framework: Main features 7

1.2 The Role of the scheme 8

1.2.1 Application of the scheme 9

1.3 Publication of the scheme 9

1.4 Revisions to the scheme 9

1.5 Delegation of powers to Head Teachers 9

1.6 Maintenance of schools 9

2 Financial Controls 10

2.1 Application of financial controls to schools 10

2.1.1 Provision of financial Information and reports 10

2.1.2 Payment of salaries; Payment of bills 10

2.1.3 Control of assets 10

2.1.4 Accounting policies 11

2.1.5 Writing off debt 11

2.2 Basis of accounting 11

2.3 Submission of budget plans 12

2.3.1 Submission of financial forecasts 12

2.4 School resource management 12

2.5 Virement 13

2.6 Audit: General 13

2.7 Separate external audits 13

2.8 Audit of voluntary and private funds 13

2.9 Register of business interests 14

2.10 Purchasing, Tendering and Contracting requirements 14

2.11 Application of contracts to schools 15

2.12 Central funds and earmarking 15

2.13 Spending for the purposes of the school 16

2.14 Capital spending from budget share 16

2.15 Notice of concern 16

2.16 Schools Financial Value Standard (SFVS) 17

3 Instalments of the Budget Share; Banking Arrangements 18

3.1 Frequency of instalment 18

3.2 Proportion of budget share payable at each instalment 18

3.3 Interest claw back 18
3.4 Interest of late budget share payments 19
3.5 Budget shares for closing schools 19
3.6 Bank account and Building Society accounts 19
3.6.1 Restriction of accounts 19
3.7 Borrowing by schools 19
4 The Treatment of Surplus and Deficit Balances in Relation to Budget Shares 20
4.1 The Right to carry forward balances 20
4.2 Reporting on and control of the use of surplus balances 20
4.3 Amounts assigned for specific purposes 21
4.4 Interest on surplus balances 23
4.5 Obligation to carry forward deficit balances 23
4.6 Planning for deficit budgets 23
4.7 Charging interest on deficit balances 23
4.8 Writing off deficits 23
4.9 Balances of closing and replacement schools 23
4.10 Licensed deficits 23
4.11 Loan scheme 24
5 Income 25
5.1 Income from lettings 25
5.2 Income from fees and charges 25
5.3 Income from fundraising 26
5.4 Income from the sale of assets 26
5.5 Administrative procedures for the collection of income 26
5.6 Purposes for which income may be used 26
6 Charging of School Budget Shares 26
6.1 General provision 26
6.2 Circumstances in which charges may be made 27
7 Taxation 28
7.1 Value Added Tax 28
8 Provision of Services and Facilities by the Authority 28
8.1 Provision of services from centrally retained budgets 28
8.2 Timescales for the Provision of Services bought back from the LA using delegated budget 28
8.3 Packaging 29

8.4 Service Level Agreements 29
8.5 Teachers' Pensions 29
9 PFI/PPP 30
10 Insurance Cover 30
11 Miscellaneous 31
11.1 Right of Access to information 31
11.2 Liability of Governors 31
11.2.1 Governors expenses 31
11.3 Responsibility for legal costs 31
11.4 Health and Safety 32
11.5 Right of attendance for the Chief Finance Officer 32
11.6 Special Education Needs 32
11.7 'Whistle blowing' 32
11.8 Child protection 32
11.9 Redundancy/early retirement costs 33
12 Responsibilities for Repairs and Maintenance 33
13 Community Facilities 33
13.1 Introduction 33
13.2 Consultation with the Local Authority 34
13.3 Funding agreements 34
13.4 Other prohibitions, restrictions and limitations 34
13.5 Supply of financial information 34
13.6 Audit 35
13.7 Treatment of income and surpluses 35
13.8 Health and Safety 35
13.9 Insurance 36
13.10 Taxation 36
13.10.1 VAT 36
13.11 Banking 36
ANNEX B: Responsibility for redundancy and early retirement costs 38
ANNEX D: Earlier directed versions 41
APPENDIX 1: Schools in Salford 44
APPENDIX 2: Schools in financial difficulty 45

APPENDIX 3: Licensed deficit application and plan 46

APPENDIX 4: Licensed deficit approval 49

APPENDIX 5: Flowchart – Current year management plan 51

APPENDIX 6: Flowchart – Three year budget projections 52

Salford scheme of delegation to schools

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 a local authority must appropriate its entire Dedicated Schools Grant to its schools budget.

The categories of expenditure which fall within the 2 budgets are prescribed under regulations made by the Secretary of State, but included within the 2, taken together, is all expenditure, direct and indirect, on a local authority's maintained schools except for capital and certain miscellaneous items.

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

The amounts to be deducted for these purposes are decided by the local 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 Board of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with Section 51 of the Act.

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

All proposals to revise the scheme must be approved by the Schools Forum, though the local authority may apply to the Secretary of State for approval in the event of the

Forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.

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

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

A local authority 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, under schedule 17 to the act.

Each local authority is obliged to publish each year a statement setting out details of its planned schools budget and other expenditure on children's services, showing the amounts to be centrally retained and funding delegated to schools; 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 a local authority to publish their scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.

1.2 The role of the scheme

The scheme sets out the financial and administrative arrangements between the Authority and the schools that are maintained by it. The changing roles of Governing Bodies, head teachers and Officers of the Authority are recognised within the scheme. The scheme includes the financial procedures to be followed by both the individual schools and the Authority in the management of the schools. It also clarifies the roles of both parties. Once the scheme has been approved by the School's Forum, it will be binding on both the Authority and the schools until such time as revisions are approved.

1.2.1 Application of the scheme to the local authority and maintained schools

The scheme applies to all community, nursery, voluntary, foundation, and foundation special schools, as well as pupil referral units (PRUs) that are maintained by Salford City Council—regardless of whether they are located within the Authority's area or elsewhere (as listed in Appendix 1).

It does not apply to schools located within the Authority's area that are maintained by another local authority, nor does it apply to academies.

1.3 Publication of the scheme

A copy of the scheme will be supplied to the Governing Board and the head teacher of each school covered by the scheme and a copy will also be published on the Local Authority website, any approved revisions will be notified to each school.

1.4 Revisions to the scheme

All proposed revisions to the scheme will be the subject of consultation with the Governing Board and the head teacher of every school maintained by the Authority before they are submitted to Schools Forum for their approval.

The proposed revisions must then 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 the scheme after consultation. Such revisions become part of the scheme from the date of the direction.

1.5 Delegation of powers to Head Teachers

The Governing Board is required to consider the extent to which it wishes to delegate its financial powers to the finance committee, head teacher and other staff, and to record its decision (and any revisions) in the minutes of the Governing Board.

The Governing Board, or a committee of the Governing Board must retain responsibility for approving the first formal budget plan of each financial year and should ratify all in-year revisions to the budget plan and formally recorded in the Governing Board's minutes, including any revisions.

The school will provide, on request, details of these delegations to the Authority and the Authority will provide on request guidance on the level of financial delegation.

1.6 Maintenance of schools

The Local Authority is responsible for maintaining the schools covered by the scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary aided school where some of the expenses are, by statute, payable by the Governing Board). Part of the way an Authority maintains

schools is through the funding system put in place under Section 45 to 53 of the School Standards and Framework Act 1998.

2 Financial controls

2.1 Application of financial controls to schools

Schools are required to manage their delegated budgets in accordance with the Authority's financial regulations. In the event of any conflict between the scheme and the financial regulations, the provisions of the scheme shall take precedence.

2.1.1 Provision of financial information and reports

The Authority has a duty to ensure that public funds are properly accounted for and for this purpose has adopted a system of regular budget monitoring reports which enable the Authority to monitor the performance of budget holders.
Schools must also meet the requirements of the Department for Education (DfE) Consistent Financial Reporting Framework (CFR).

Schools are required to submit the budget and actual expenditure to date for each subjective head within the expenditure budget including a full breakdown of all payroll costs – unless the Authority has notified the school in writing that in its view, the school's financial position requires more frequent submission or the school is in its first year of operation.

The requirements are as follows:

- Projected income and expenditure reports and bank reconciliations
- Quarterly budget monitoring reports
- Monthly bank reconciliation statement with supporting documentation, by the 10th of the month.
- Monthly VAT returns from the school's financial accounting system, by the 10th of the month.

2.1.2 Payment of salaries; payment of bills

All schools within the scheme must have bank accounts into which proportions of their delegated budgets will be paid at regular instalments. Schools will therefore be responsible for authorising invoices for payment and making payments from their bank accounts.

Where a school elects to have its full budget (including staffing) paid into its bank account, salaries and wages shall be paid in accordance with the various agreements and regulations covering this. Details of payments to staff should be submitted to the Authority as part of the return in Section 2.1.1.

2.1.3 Control of assets

Schools are required to maintain an inventory for moveable non-capital assets over £1,000. Electronic inventory record templates with guidelines for completion are available from the Finance Team on request. Inventory records must be updated on

an annual basis, submitted to Governors for their approval/information and made available for inspection by the Authority or its auditors on request.

Schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000, however the Authority encourages schools to register anything that is portable and attractive e.g. digital cameras, laptops, and tablet computers.

Where an asset has been purchased with grant funding, the school must obtain permission from the Authority prior to disposal. The Authority shall identify any claw back of grant that will be made following the disposal of the asset.

2.1.4 Accounting policies

The Authority has a duty to account for the public money that it is spending.

Schools, as part of the Authority, are not exempt from this requirement.

The Secretary of State expects that the financial arrangements of the scheme will give schools freedom over their individual budgets whilst maintaining proper accounting for public funds.

The Authority shall issue guidance on accounting policies and procedures which schools shall be required to follow. This guidance is partially available via the Authority's financial regulations but will be further supplemented by financial information to be issued as necessary.

2.1.5 Writing off debt

Where a Governing Board wishes to write off debts, which will be charged to the school's individual budget, it may do so, provided the decision is recorded at a meeting of the Governing Board.

Where the debt exceeds £5,000 the Governing Board must notify and obtain the prior approval of the Director of Children's Services before writing off the debt. Several invoices due from the same debtor adding in total to this amount should be treated in the same manner. All requests for approval should be forwarded through the Schools Finance Team.

Where a Governing Board wishes to write off debts, which do not relate to its individual budget, it must obtain the prior permission from the Authority.

2.2 Basis of accounting

The Authority currently maintains its accounts on an accruals basis and expects schools to submit financial returns using the same method. While schools may choose to operate either an accruals or cash-based system for their internal financial management, the Authority recommends adopting the accruals system to help streamline reporting and reduce administrative workload.

2.3 **Submission of budget plans**

Each school is required to submit a three-year budget plan to the Authority, signed by the head teacher and the chair of governors, after approval by the Governing Board, or a committee of the Governing Board.

The format of the budget plan will be consistent with the Consistent Financial Reporting (CFR) framework.

The budget plan must show the school's intentions for expenditure for the current financial year and the following two financial years, with assumptions underpinning the budget plan.

The budget plan must take full account of estimated deficits and surpluses from previous years.

The first annual plan shall be submitted by **31st May** each year; the second plan shall be submitted by **31st October.** Schools can submit additional revised plans, as they require at other intervals during the year.
There is no maximum to the number of additional voluntary plans a school may wish to submit. Where a school does not submit its plan by the required date, the Authority will make its own assumptions in calculating the subsequent instalments into the school bank account.

The Authority will supply schools with all income and expenditure data that it holds and which is necessary to efficient planning by schools.

The Authority will provide at least on a quarterly basis, a report of income and expenditure data it holds for each individual school.

2.3.1 **Submission of financial forecasts**

Each school must submit a 3-year budget forecast each year including underlying assumptions on which the financial plans submitted are based on. The forecasts must be submitted no later than the 30th June of the current year. The forecasts can be used as evidence to support the Authority's balance control mechanism. The school's formal annual budget plan must be approved by the Governing Board or a committee of the Governing Board.

2.4 **School resource management**

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

It is for head teachers and governors to determine at a school level, how to achieve efficiencies and value for money.

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

2.5 **Virement**

Schools have the autonomy to vire funds between budget headings within their individual budget share. It is the responsibility of each Governing Board to determine the level of virement Authority delegated to the Finance Sub-Committee and/or the head teacher.

The Authority may ask schools to review any proposed virements from staffing budgets where there is a risk that such transfers could result in insufficient funds to meet staffing commitments.
All virements must be recorded in the minutes of the Governing Board or nominated committee.

2.6 **Audit: General**

Schools are responsible for managing public funds and are therefore subject to the same audit standards as the wider Authority.

The Chief Finance Officer has a statutory duty to maintain an effective internal audit.

The Authority is also subject to a range of external audits, which may include reviews by regulatory bodies, tax authorities, and auditors appointed as a condition of specific grant funding.

Schools must fully cooperate with both internal and external auditors, providing access to all requested records and documentation. Failure to comply with audit requirements may result in the withdrawal of delegated financial powers.

2.7 **Separate external audits**

Schools may choose to commission independent external audits of their accounts in addition to the internal and external audits conducted by the Authority. Where a school opts to do so, the cost of the audit must be met from its own budget. While the Authority does not expect schools to routinely engage external auditors, such expenditure is considered a legitimate and allowable charge to the school's delegated budget

2.8 **Audit of voluntary and private funds**

Schools must obtain annual audit certificates for voluntary and private funds held by the school and for the accounts of any trading organisations controlled by the school *(under the Consistent Financial Reporting framework this includes all funds under the control of the Governing Board)*.

These audit certificates must be retained by the school and made available to the Authority upon request. Schools are responsible for arranging these audits independently, and they must be conducted by individuals who are not involved in the school's financial management. The Authority does not seek to impose a specific audit regime for these funds, but encourages schools to ensure they are audited within three-months of the end of the period i.e. by 30th June for accounts that run April to March (financial year), and by 30th November for accounts that run September to August (academic year).

2.9 **Register of business interests**

The Governing Board of each school must have in place, a register that lists for each member of the Governing Board and the head teacher.

- any business interests that 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 Board.

A related party transaction is a contract or other agreement between a school and a person or entity that has close links with the persons awarding the contract. It is a concept that largely applies to companies, but the same principles apply to maintained schools. The principle is not that related party transactions should never happen, but that effective procedures should be in place to ensure that open and transparent procedures are followed, and any potential conflicts of interest are declared and then adequately and appropriately managed. It is recommended that schools maintain records of any related party transactions that have been determined in readiness to append the details to their SFVS return. The school will find it easier to maintain this record on an ongoing basis than relay on an annual exercise.

The register should be kept up to date with notification of changes and through annual review of entries, and should be made available for inspection by governors, staff, parents, and the Authority. The register should also be published, for example on a publicly accessible website.

Governors and head teachers have a duty to keep the register up to date with notification of changes and through annual review of entries.

The register must be made available for inspection during normal school hours by Governors, staff, parents, Internal Audit and the Authority.

2.10 **Purchasing, Tendering and Contracting requirements**

Schools must abide by the local Authority's financial rules and standing orders in purchasing, tendering and contracting matters. This includes a requirement to assess in advance the professional competence of any contractors in areas such as compliance with health and safety regulations, safeguarding practices and so on, taking account of the local Authority's policies and procedures.

The scheme also allows for a provision that exempts schools from any local authority rules or procedures that would conflict with their financial autonomy or the requirements of the scheme:

a) Schools are not required to seek Local Authority officer countersignatures for any contracts of goods below £60,000 in any one year.
Unless the Authority has notified the school to the contrary in writing.
Importantly, even if the local authority has a contract in place, schools are not automatically bound to it. Both the school and the Authority are expected to apply countersignature rules sensibly, avoiding manipulation of contract values to bypass requirements.

b) For contracts in excess of £10,000, the school should invite a minimum of 3 written quotations in accordance with the Authority's guidance.

c) The Authority will make available to schools, details of the suppliers on its

approved lists for various goods and services. Schools have the freedom to use the approved suppliers or select their own. They should however remember that as custodians of public monies they should ensure value for money with their purchasing decisions.

d) The school will take account of the Authority's policies and procedures in assessing the health and safety competence of contractors as part of the tendering process i.e. in advance of the award of a contract.

Schools may seek advice on a range of compliant deals via Buying for Schools (https://www.gov.uk/guidance/buying-for-schools).

2.11 **Application of contracts to schools**

Schools can elect to be part of a contract negotiated by the Authority for which the school makes payment from its delegated budget. Once a school has agreed to the contract price and conditions, it may only opt out under the terms of the contract.

Although Governing Bodies are empowered under paragraph 3 of the schedule 1 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the Local 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 Board, when the Governing Board has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

2.12 **Central funds and earmarking**

The Authority has the power to make additional funds available to schools on an earmarked basis. Such allocations might, for example, be sums for pupils with special educational needs or other initiatives funded from the central expenditure of the Schools Budget or other Authority budget.

These funds will be paid into the school bank account at dates agreed for the devolution of these funds.

These funds will only be used by the school in accordance with the purpose for which the funds were allocated and as part of this process, the school must retain sufficient records to be able to account for the funds and demonstrate that they have been spent for the purposes so allocated.

Schools have the ability to view earmarked funds within the specific area for which the funds were allocated, except where the funding is supported by a specific grant that prohibits virement. In such cases, these funds cannot be transferred into the main school budget share.

The terms under which earmarked funds are allocated may include a requirement for schools to repay any unspent balances at year-end or within a specified timeframe. This condition is not applied universally and will vary depending on the type of funding. Schools will be informed at the point of allocation whether unspent balances can be carried forward.

The Authority will not make any deductions from school budgets in respect of interest costs related to the payment of devolved or specific grants.

2.13 **Spending for the purposes of the school**

Although Section 50 (3) of the Schools Standard and Framework Act allows governing bodies to spend their budget shares for the purposes of the school, this is subject to regulations made by the Secretary of State and any provisions of the scheme.

By virtue of Section 50(3A) amounts spent by Governing Bodies on community facilities or services under Section 27 of the Education Act 2002, will be treated as if spent for any purposes of the school.

Under Section 50 (3) (b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. He has done so in the School Budget Shares (Prescribed Purposes) (England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes) (England) (Amendment) Regulations 2010 (SI 2010/190).

These allow schools to spend their budgets on pupils who are on the roll of other maintained schools.

2.14 **Capital spending from budget share**

Governing bodies may use their budget share to meet the costs of capital expenditure on school premises. This includes expenditure by the Governing Board of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998.

However, if the proposed capital expenditure exceeds £15,000, (inclusive of any irrecoverable VAT) the school must notify the Authority of the proposals (to enable the Authority to account properly for capital within its published accounts); and that it must take into account any advice from the Director of Children's Services as to the merits of the proposed expenditure.

If the premises are owned by the Authority, or the school has voluntary controlled status, then the Governing Board should seek the consent of the Authority to the 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 requirements do not affect expenditure from any capital allocation made available by the Local Authority outside the delegated budget share.

2.15 **Notice of concern**

The local Authority may issue a notice of concern to the Governing Board 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 Authority or the school.

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

These may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school
- insisting that an appropriately trained or qualified person chairs the finance committee of the Governing Board
- 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 Board to buy into a local authority's financial management systems
- 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, financial monitoring reports on such activities, or both

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

Schools that wish to dispute a notice that has been issued, may present their case to the Executive Lead Member for Children Services, who will arbitrate on the issue.

Where a local authority issues a notice of concern the scheme should provide for the notice to be withdrawn once the Governing Board has complied with the requirements it imposes.

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

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

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

All schools must submit the form to the Local Authority's Internal Audit's Team before 31 March each year.

3 Instalments of the budget Share; Banking arrangements

Salford City Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in Local Authorities. All schools must comply with the rules and conditions in this scheme.

3.1 Frequency of instalments

Schools using the Authority's payroll receive instalments of the budget share for non-staffing expenditure on a quarterly basis on 5th April, 1st July, 1st October and 1st January each financial year.

Where a school has elected to take responsibility for the payroll function and wishes to have its full budget paid in instalments, then the school can elect to receive a monthly instalment on 14th of each month.
Schools can request budget share instalments on a monthly basis, but the request should be made prior to the start of the relevant financial year.
Schools which are receiving their instalment on a quarterly basis and are experiencing cash flow problems can request an interim instalment of up to 50% of their next instalment.

Top-up payments for pupils with high needs should be paid monthly unless alternative arrangements have been agreed with the provider.

3.2 Proportion of budget share payable at each instalment

All schools will receive their instalments paid direct into their bank accounts. For example, schools that have elected for the Authority to administer their payroll, the instalments shall be paid net of budgeted salary costs. The proportion of each instalment is calculated as follows:

- 5th April – *25% of the previous year's non-staffing budget for the school.*
- 1st July – *Approved non-staffing budget for the year less amount paid to date divided by 3.*
- 1st October – *Approved non-staffing budget, less amount paid to date divided by 2.*
- 1st January – *Non-staffing budget for the year less instalments to date.*

Schools that have elected to administer their own payroll will receive monthly instalments equal to one twelfth of their budget share.

3.3 Interest clawback

The Authority may seek to recover any loss of interest/interest charges it incurs on its general fund by the payment of instalments to schools.

The Authority will determine each year during its budget cycle whether to charge interest or not, and will notify schools prior to the start of the financial year if an interest charge is to be made.
If an interest charge is to be made, it will be in accordance with the following calculation:

An annual charge based on the average overdraft rate, levied by the Authority's Bankers, for the previous calendar year x 6.5 weeks / 52 weeks x the non-salary budget.

3.4 Interest of late budget share payments

If, due to a local Authority error, interest will be added to late payments of the budget share instalments. The interest rate used will be as above (3.3).

For example
Where the average rate equals 12% and school delegated non-staff budget is £145,200. (12% x 6.5 weeks) / 52 weeks = 1.5%
Annual charge will be 1.5% x £145,200 = £2,178

3.5 Budget shares for closing schools

Where a school is approved for closure but retains its delegated financial powers, provision can be made by the Authority to issue funding in monthly instalments.

3.6 Bank account and building society accounts

All schools within the Salford scheme must have a bank or building society account in the name of the school into which instalments of budget share will be made.

Schools are allowed to retain all interest payable on the account unless they choose to have an account with a Local Authority contract that makes other provisions

3.6.1 Restriction of accounts

Schools must have their accounts with one of the banks/building societies approved by the Chief Finance Officer.

If a school intends to open a new account, it must first obtain confirmation from the Corporate Finance Team. Budget share funds paid by the Authority and held in school accounts remains local Authority property until spent (Section 46(5) Schools Standards and Framework Act 1998).

3.7 Borrowing by schools

Governing bodies may borrow money (which includes the use of finance leases) only with the written permission of the Secretary of State. This does not apply to Trustees and Foundations whose borrowing, as private bodies, makes no impact on Government accounts. Such debts may not be serviced directly from the delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their borrowing. Governing bodies do not act as agents of the Local Authority when repaying loans.

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

The Secretary of State has, however, agreed to provide blanket consent to a range of the most common leasing activities, as set out in the:
Leasing for maintained schools - GOV.UK

Leases not included in this Order will still require the written consent of the Secretary of State, and it remains the general position that schools will only be granted permission for other types of borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes to meet broader policy objectives.

Schools are not permitted to use interest bearing credit cards and overdrafts, which are regarded as borrowing per Section 14, 2025-26 Treasury Management Strategy, however schools may achieve procurement efficiencies by using a purchasing card which can be made available to them by the Authority. Further details can be obtained from the Schools Finance Team.

4 The treatment of surplus and deficit balances in relation to budget shares

4.1 The right to carry forward balances

Schools may carry forward from one year to the next, any accumulated balances arising from the budget share. Thus, the accumulated balance as at 31st March will become the school's brought forward balance at 1st April. This process will continue for each successive year, except for any balances held by the Authority in its capacity as payroll administrator, all other balances will fall within the school bank account. Any staffing balances will be paid to schools in the 1st July payment instalment.

4.2 Reporting on and control of the use of surplus balances

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

The Authority is entitled to request information on the proposed use of surplus balances from any school where surplus balances exceed 8% of the current year's budget share for primary and special schools, and by 5% for secondary schools for two consecutive years, or in other circumstances where, in the view of the Authority, the level of surplus balances may be cause for concern.

In certain circumstances, the Authority may consider the maintenance of a high level of uncommitted surplus balances, unsupported by specific proposals for their use, as evidence of weak management, justifying further action (e.g. a requirement to submit multiyear financial forecasts or to provide more frequent financial monitoring returns).

The Authority reserves the right to recover excessive surplus balances from individual schools that are unsupported by specific proposals for their use. Any such amounts will be redistributed across the appropriate local area. Such decisions on invoking clawback where appropriate will be made by Schools Forum.

Every head teacher should submit a written report during the Summer Term to his/her Governing Board, or delegated committee of the Governing Board, setting out the school's intended balance (surplus or deficit) at the previous 31st March. This information should be taken from the school's financial management system and be presented in accordance with balances shown in the school's Consistent Financial Reporting submission.

The Section 251 (of the Apprenticeships, Skills, Children and Learning Act 2009) Outturn Statement provided to schools in the Autumn Term, should be received by the

Governing Board and documented accordingly, noting the school's budget position at the end of the previous financial year.

4.3 **Amounts assigned for specific purposes**

The following notes have been produced to assist schools in deciding whether balances are committed or uncommitted, and provides examples of the type of evidence schools will be required to retain and produce as necessary.

1. Monies should only be classed as committed if:
    - The school can provide evidence to show that they:-
        - are for a specific purpose
        - will be spent within a defined timescale as detailed in this Scheme for Financing Schools
        - are included in the School Development Plan and/or have been properly approved by Governors
        -
2. Examples of specific purposes include:
    - Capital
        - Schools are not expected to use revenue balances for capital projects but are able to do so. Revenue funding should not however be used for capital projects until all capital resources have been exhausted.
    - Planning for uncertainty over future rolls, staffing or funding
        - Where forward planning on the school's part suggests there are uncertainties around pupil numbers and funding etc. The school could identify resources to support it through the transitions that would need to be made. This would again need supporting calculations around assumptions of pupil numbers funding the costs being supported in order for them to be classed as committed.
        - When schools send in their budget plan for the new financial year, they may plan to use some of their forecast yearend balance in supporting the following year's budget. This could be regarded as a committed use of balances provided that there is supporting calculations/evidence identifying one or a range of discreet projects or areas of work.
        - Even if the balances are being used for one-off purposes, these should still be included in the school's budget plan.

Note: Balances should not be used to defer difficult decisions, but it is legitimate for them to cushion a temporary dip in pupil numbers or fund part year costs of not implementing staffing reductions until the autumn term.

- Contingencies
    - It is prudent to keep some money aside for contingencies but this amount should be reasonable as it may be scrutinised by the Authority.
- Prior year payments, accruals and committed orders (yearend procedures)
    - Where schools are awaiting charges (invoices etc.) for goods and services received, they must comply with Financial Procedure Rules for Maintained Schools with Delegated Budgets and the Authority's annual instructions on the closure of accounts.

3. Specific purposes do not include:
    - Monies held for other schools
        - Funding held on behalf of other schools should be accounted for separately within the host school accounts and be excluded from the calculation of the school's balance. There needs to be clear lines of accountability to ensure these funds are monitored.

    - Private school funds
        - Privately raised funds should not be included in the calculation of a school's revenue balance as these are separate from public funds. If private school funds are used to fund items through the school's main budget, the funds should only be paid to the level of the expenditure which is to be incurred.

    - Budget 'Cushioning'
        - Retaining significant funding to cushion the budget against future falls in pupil numbers, where balances would remain above the threshold at the end of the following financial year.

    - Unclearly defined capital projects
        - Capital projects which have not been clearly defined and/or do not comply with asset management priorities.

    - Unplanned additions to revenue budgets
        - Unplanned additions to revenue budgets where these arise from a higher than expected carry forward and do not comply with any of the categories detailed above.

4. Examples of evidence to be retained at school level:
    - School's Asset Management Plan
    - School Development Plan
    - Minutes of Governors' meetings
    - Calculations, plans or projections to show expected changes in pupil numbers or staffing requirements
    - Invoices, orders, delivery notes, quotations, contracts and contract registers
    - Reported accruals or commitments
    - Calculations to support balances being held for uncertainties or contingencies

CFR

Balances that are to be classified as committed are to be recorded as BO1 and uncommitted revenue balances are to be considered as BO2. Any revenue balances a school is holding at the yearend for community focused schools' activities should be recorded under BO6.

Where a CFR return is not analysed appropriately, all balances will be treated as uncommitted on the school's return to the DfE.

- Schools with an excess surplus balance must be able to justify their plans for the whole balance and not just the amount they are over the threshold.

Funds deriving from sources other than the Authority will be taken into account in this calculation if paid into the school account, 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 will be added to the schools budget of the Authority.

4.4 **Interest on surplus balances**

The Authority will not pay interest on any surplus balances that it holds on behalf of schools.

4.5 **Obligation to carry forward deficit balances**

Deficit balances will be carried forward from one year to the next. The deficit balance is at 31st March and will be brought forward as the opening balance at 1st April. Schools with an authorised deficit prior to 31st March shall continue to reduce the deficit in accordance with their agreement.

4.6 **Planning for deficit budgets**

Schools may only plan for a deficit budget in accordance with paragraph 4.10 Licensed Deficits. Schools should however not operate in a deficit prior to obtaining the approval of the Authority.

4.7 **Charging of interest on deficit balances**

The Authority does not charge schools interest on deficit balances it holds on their behalf. However, the Authority reserves the right to charge interest on school deficit balances. If the Authority decides to do so, the Authority will give schools a minimum of 6 months' notice. Any such interest shall be based on the Authority's current consolidated rate of interest.

4.8 **Writing off deficits**

The Local Authority has no power to write off the deficit balance of any school.

4.9 **Balances of closing and replacement schools**

When a school closes, any remaining balance, whether a surplus or deficit, reverts to the local authority. This balance cannot be transferred to another school, even if that school is considered a successor to the closing institution. An exception applies in cases where a school converts to academy status under Section 4(1)(a) of the Academies Act 2010.

4.10 **Licensed deficits**

Due to unforeseen expenditure or pupil volatility, schools may find themselves in a deficit budget position from which it would be extremely difficult to bring the budget back in balance the following year. In these circumstances schools may apply under the scheme for a licensed deficit. The licensed deficit shall operate within the following parameters:

a) Deficit budgets will be approved in exceptional circumstances where a school has been subject to a temporary reduction in pupil numbers (e.g. as a result of a housing redeployment) or has had to meet a significant unforeseen revenue expenditure (e.g. repairs and maintenance or match funding for a capital resource bid). Where this happens and a school cannot bring the budget back out of deficit within the following year without staffing reductions that will damage its ability to deliver the national curriculum, then a deficit budget may be granted. Deficit budgets will not be approved except as a mechanism for managing staff reductions for schools that are suffering a long-term reduction in pupil numbers.

b) The written agreement will detail the anticipated pay-back timetable which can be no greater than three years and this will be adhered to unless a further agreement, not simply an extension, has been authorised by the Executive Director of Children's Services and Lead Member for Children's Services in writing. (Appendix 3)

At the end of the agreed deficit period the school's accumulated balances shall be zero or greater. An approved deficit budget shall be accompanied by a projection of budget and expenditure, which details the net deficit at the end of each year; this shall be approved by the head teacher and the Chair of Governors. It is a requirement of having a licensed deficit that the Governing Board of the school shall review their progress each term against the projection and report therefore to the Authority. The standard monitoring pack will be provided by the School's Finance Team.

Where the monitoring indicates that the school will not be out of deficit by the end of the agreed period, the Governors shall agree with the Authority an action plan to place the budget back on target.

c) The maximum size of any deficit shall be 25% of the school's annual budget share. There is no minimum level of deficit.

d) As schools in the scheme will be operating their own bank accounts, it is proposed that the collective gross balance held by schools, whether in their own accounts or held by the Authority in its role as Payroll Administrator, shall be utilised in calculating the upper level of deficit budgets that may be approved. The total of all licensed deficits shall not exceed more than 55% of the gross surpluses held by schools. The gross surpluses shall be calculated by reference to the latest available Section 251.

e) The Executive Director of Children's Services and the Chief Finance Officer are required to approve the deficit budget and the financial projection. They shall instruct the Governing Board of an applicant school to make changes to the projection that they consider are necessary to ensure its realism. The Executive Director of Children's Services shall be responsible for monitoring the school's progress against the projection. Where significant variations from the projection arise and corrective action cannot be agreed with the school, the Authority shall have the power to withdraw delegation from the school until the budget is in balance.

Details of the scheme and the relevant application forms can be found in Appendix 2, 3, 4, 5 and 6.

4.11 **Loan scheme**

The Authority will operate a loan scheme which will be available to schools who wish to invest in the physical structure of the buildings, IT equipment or other curriculum equipment. The loan scheme shall operate within the following parameters.

a) Applications for loans shall be for a minimum of 2 years and a maximum of 5 years. Schools that take out a loan shall repay the principal and interest from their school budget shares. The interest charge shall be fixed for the duration of the loan and shall be calculated by the Chief Finance Officer. Interest rates will change annually in April and equal the Public Works Loan Board rate.

b) The school will need to satisfy the Loans Panel that the loan is needed either for essential health and safety works or it will have a beneficial effect on its ability to meet the national curriculum/raise standards for the loan to be approved. It is not intended to restrict the loan schemes to particular categories of work in order to allow maximum flexibility to schools.

c) The minimum size of loan shall normally be £5,000 and the maximum size of loan will be 25% of the school budget share. In exceptional circumstances the Loans Panel will consider applications for loans below the minimum figure.

d) Schools shall retain balances in their own bank account and the Authority therefore will make loans from within its own general fund balances. The maximum value of the total loans shall not exceed 60% of the gross surplus balances as recorded when the loan was approved.

e) Loans may be granted in accordance with the criteria, which will be issued by the Loans Panel from time to time. The Loans Panel shall comprise of the Executive Director of Children's Services, the Chief Finance Officer and Executive Lead Member for Children's Services.

5. Income

Schools shall be able to retain income except in certain specified circumstances.

5.1 Income from lettings

All income from lettings shall accrue to the school except where it is separately agreed between the school and the Authority that there will be some income sharing activity or where PFI or joint use agreements provide otherwise.
Schools have the freedom to determine the charges for income from lettings and to cross subsidise various groups within the restriction that lettings should not result in a net cost to the school budget.
This income should be accounted for in the schools' main bank accounts. Schools are required to have regard to any directions issued by the Authority as to the use of school premises, as permitted under the School Standards and Framework Act 1998 for various categories of school.

Income from lettings of the 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 income from fees and charges except where these relate to services that the Authority has provided from centrally retained funds. Schools should take account of guidance that the Authority may issue from time to time on charging policies when determining their own charging policy. Schools should review their charging policy on an annual basis to ensure that the full costs are recovered.

5.3 **Income from fundraising**

Schools may retain income from fund-raising activities.

5.4 **Income from the sale of assets**

Schools have the right to dispose of assets and retain the income from the sale except where: -

a) The asset was not purchased from the schools' delegated budget e.g. assets acquired through grants. In these circumstances the Authority shall have the power to determine whether the school will retain the proceeds or not.

b) The asset concerned forms part of the land/buildings of the school and is owned by the Authority, in which case the Authority shall determine who receives the proceeds.

Schools are reminded that when they are disposing of assets they should take recognition of the guidance in the Authority's financial regulations.

5.5 **Administrative procedures for the collection of income**

Schools are required where possible, to process income in accordance with the Authority's financial regulations and will follow the advice on accounting for VAT, which will be issued by the Authority from time to time.

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 which includes pupils at other maintained schools, and community facilities.

6. **Charging of school budget shares**

6.1 **General provision**

The Authority has the right to charge the school share of one or more schools without their consent where any circumstances under Section 6.2 prevail.
The Authority will only charge the school budget after consultation with the school (NB this consultation does not have to result in the school agreeing to the charge). Once the Authority has levied a charge on the school budget, the school will be notified in writing within 7 days of this event. Schools that wish to dispute the charge may present their case to the Executive Lead Member for Children's Services who will arbitrate on the issue.

Local authorities may de-delegate funding for permitted services without the express permission of the Governing Board, provided this has been approved by the appropriate phase representatives of the Schools Forum.

Schools are reminded that the Local Authority cannot act unreasonably in the exercise of any power given by this scheme, or it may be the subject of a direction under s.496 of the Education Act 1996.

Salary costs

Where the Authority is charging the school with salaries of school based staff, it will only charge to the school budget share the actual cost of the staff.

6.2 **Circumstances in which charges may be made**

- Where premature retirement costs have been incurred without the prior written agreement of the Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Authority).
- Other expenditure incurred to secure resignations where there is good reason to charge this to the schools (see Annex B)
- Awards by courts and industrial tribunals against the Authority, or out of court settlements, arising from action or inaction by the Governing Board contrary to the Authority's advice.
- Expenditure by the Authority in carrying out health and safety work or capital expenditure for which the Authority is liable where funds have been delegated to the Governing Board for such work, but the Governing Board has failed to carry out the required work.
- Expenditure by the Authority incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Authority or the school has voluntary controlled status.
- Expenditure incurred by the Authority 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 Authority.
- Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has referred to a dispute procedure set out in a service level agreement and the result is that monies are owned by the school to the Authority.
- Recovery of penalties imposed on the local Authority by His Majesty's Revenue and Customs (HMRC), Teachers' Pensions, the Environment Agency or other regulatory authorities as a result of school negligence.
- Correction of the Authority errors in calculating charges to a budget share.
- Additional transport costs incurred by the Authority arising from decisions by the Governing Board on the length of the school day, and failure to notify the LA of non-pupil days resulting in unnecessary transport costs.
- Legal costs which are incurred by the Authority because the Governing Board did not accept the advice of the Authority.
- Costs of necessary health and safety training for staff employed by the Local Authority, where funding for training has been delegated but the necessary training not carried out.
- 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
- Cost of work done in respect of teacher remittance and records for schools using non-LA payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.
- Costs incurred by the Authority in securing provision specified in a statement of SEN where the Governing Board 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.
- Costs incurred by the Authority due to submission by the school of incorrect data.
- Recovery of amount spent from specific grants on ineligible purposes.

- Costs incurred by the Authority as a result of the Governing Board being in breach of the terms of a contract.
- Costs incurred by the Authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.
- Costs incurred by the local Authority in administering admissions appeals, where the local Authority is the admissions Authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.
- The cost of an undisputed invoice for energy where a school has entered into an agreement with the Secretary of State for the supply of energy and failed to pay such an invoice (Regulation 23 of the regulations)

7. Taxation

7.1 Value Added Tax

Schools with bank accounts are be able to reclaim VAT through the Authority. The Authority's bank account scheme details the procedures to be followed by schools in the submission of VAT returns. The Authority will notify schools in writing of any changes to these procedures. All VAT reclaimed by the Authority on behalf of schools will be reimbursed to schools.

This provision excludes expenditure by Governors of voluntary aided schools when incurring capital expenditure as part of their statutory duties.

8. The provision of services and facilities by the Authority

8.1 Provision of services from centrally retained budgets

The Authority will continue to provide some services to schools that have been centrally retained. The Authority has the freedom to determine the basis of the allocation of services to schools but will do so in a manner, which is transparent and does not differentiate between categories of schools.
The Authority may also differentiate between categories of school where there are differences in statutory duties. This provision encompasses existing commitments for premature retirement costs and redundancy payments that are made by the Authority.
In the event of there being insufficient take up for a particular service on offer, the Authority reserves the right to discontinue the provision of the service.

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

Services that a school has agreed to purchase from its delegated budget will be subject to time limitations on the agreement. Agreements between schools and the Authority for the purchase of such services may be for a maximum of three years and periods not exceeding five years for any subsequent agreement relating to the same services. The exception to this rule relates to the extension to five and seven years respectively for contracts for supply of catering services.

This is to enable the Authority to plan a realistic delivery of services requested by schools.

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

The Authority must show during audit tests that the charging policy can reasonably be expected to avoid central subsidy of services.

8.3 **Packaging**

The Authority does not offer services to schools in such a way as to unreasonably restrict their freedom of choice.

8.4 **Service Level Agreements (SLA's)**

Service Level Agreements must be in place by 28th February to be effective for the following financial year, and schools must have at least a month to consider the terms of agreements.

Service Level Agreements between schools and the Authority for the provision of services will be for one or more years depending on the nature of the service on offer. All SLAs shall be subject to a regular review and where an SLA is for more than three years, they shall be reviewed in the third year. Where a Service Level Agreement (SLA) spans more than one year, the terms must include the basis for conducting an annual price review.

SLAs normally come into effect on 1st April. The Authority may permit a school to enter at a later date (where this happens there will be no extension to the original close date). Some services, such as insurance, offered by the Authority will be available on an extended agreement.

8.5 **Teachers' pensions**

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

The conditions only apply to Governing Bodies of maintained schools that have not entered into an arrangement with the Authority to provide payroll services.

Accordingly a Governing Board of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement requires 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 Board 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 Board shall meet any consequential costs from the school's budget share.

A Governing Board of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required from each school. A Governing Board shall also ensure that Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC scheme. The Governing Board shall meet any consequential costs from the school's budget share.

9. Private Finance Initiative (PFI) and Public Private Partnership (PPP)

The Governing Board of schools that are part of a PFI scheme are required to sign an agreement at the time the contract is finalised.

This Governing Board agreement stipulates the level of the school's contribution towards the unitary charge from their delegated budget. It also defines the share to be credited to the schools of any deductions in the unitary charge for performance and availability failures.

The Governing Board agreement also sets out any potential liabilities of the school / Governing Board resulting from their actions over the life of the contract.

10. Insurance cover

Funds for insurance are delegated to schools within the Individual Schools Budget share. Schools are required to ensure that cover under a policy arranged by the Governing Board, is at least as good as the relevant minimum cover which would otherwise be arranged by the Local Authority

The appropriate level of insurance can be obtained from the Authority's Insurance Team, via the Schools Finance Team.

Instead of taking out insurance, a school may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA. Schools may do this individually when any insurance contract of which they are part expires.

11. Miscellaneous

11.1 Right of access to information

Schools are required to provide the Authority with all financial and other relevant information necessary to demonstrate effective management of their delegated budgets, as well as any information the Authority may need to fulfil its functions and responsibilities efficiently.

If a school wishes to appeal a request for information made by the Authority, any resulting dispute will be resolved in consultation with the Schools Forum.

Where earmarked funding has been devolved to a school, the school must comply with any requests for information from the Authority as part of the devolution arrangements

11.2 Liability of Governors

The Governing Board of a maintained school is a corporate body and therefore because of this and Section 50(7) of the Standards and Framework Act 1998, Governors will not incur any personal or individual liability in the exercise of their power to spend the school budget share provided that they have acted in good faith.

11.2.1 Governors' expenses

The Authority may delegate to the Governing Board of a school yet to receive a delegated budget, funds to meet Governors' expenses.

Schools may elect to pay from their delegated budgets expenses for Governors, which are considered reasonable. Under Section 50(5) of the Act, only allowances in respect of purposes specified in regulations made under Section 19 of the Education Act 2002 may be paid to Governors from a school's delegated budget share.

The schools are not allowed to pay any Governors expenses that are not provided for above and the Authority may regard Governing Bodies that breach this provision as not operating in good faith.

Where a school is placed in special measures and the Secretary of State has exercised his power to appoint additional Governors, the Governing Board is not permitted to pay expenses to such Governors, which duplicate any expenses being met by the Secretary of State.

11.3 Responsibility for legal costs

Where a school takes legal action against the Authority, the costs of this action (unless awarded against the Authority by the courts) will be charged to the school budget. In addition, in the event of the school ignoring the advice of the Authority resulting in legal costs falling on the Authority, these will be recharged to the school under Section 6 of this scheme.

Where a school feels that there is a conflict of interest between itself and the Authority, the school must provide a written explanation to the Executive Director for Children's Services. If this conflict cannot be resolved by the Authority's legal representatives to the satisfaction of the school, it shall notify the Executive Director for Children's Services in writing of its intention to obtain independent advice.

11.4 **Health and safety**

Governors of schools must have regard to the Authority's Health and Safety Policy. Governing Bodies are required to act in accordance with the policy and operate within the requirements placed upon authorities in the matter of health and safety.

11.5 **Right of attendance for the Chief Finance Officer**

The Chief Finance Officer, or any officer nominated by him / her, has the right to attend any meeting of a Governing Board (or its committees) at which any agenda are relevant to the exercise of the Chief Finance Officer duties.

In exercising this right, the Chief Finance Officer will notify the school in writing and will provide the school with as much notice as is practical in the circumstances. It is not intended that the Chief Finance Officer will attend Governing Board meetings routinely/ Attendance will only be in exceptional circumstances where matters affect the school budget.

11.6 **Special Educational Needs**

Schools are required to use their best endeavours in spending their budget share, to secure the special educational needs of their pupils.

This is a statutory requirement and may lead to suspension of delegation where a situation is serious enough to warrant it. This would not normally relate to an individual pupil.

Any school that disputed the removal of its delegated budget would have the right of appeal to the Executive Lead Member for Children's Services.

11.7 **'Whistle blowing'**

Schools must establish a basis on which staff can properly raise concerns without prejudice to their personal position. An effective system for raising of concerns will include respect for staff confidentiality, an opportunity to raise concerns outside the line management structure, and an indication of the proper way in which concerns may be raised outside the organisation if necessary.

Raising complaints about financial management or financial propriety at the schools and how these need to be dealt can be found:

http://intranet.salford.gov.uk/ethics/honestyaction

11.8 **Child protection**

Schools are required to make provision, where applicable, for staff to attend child protection case conferences and other related events. The costs of this activity will be met from the school's individual budget.

11.9 Redundancy and early retirement costs

The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. Further guidance is provided in Annex B.

12 Responsibilities for repairs and maintenance

Governors in maintained schools will be responsible for all repair and maintenance costs from their delegated budgets; only capital expenditure is to be retained by authorities.

For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the local Authority for financial accounting purposes in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on local Authority accounting.

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 depends on the de minimis limit applied by the DfE to categorise such work, not the de minimis limit used by the Authority.

13 Community facilities

13.1 Introduction

Schools that choose to exercise the power conferred by Section 27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls:

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

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

Under Section 28(1), the main limitations and restrictions on the power will be those contained in the maintaining local 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 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 local authority and schools to secure the provision of adult and community learning.

13.2 **Consultation with the Local Authority**

Under the Children and Families Act 2014, schools have been granted greater autonomy in establishing community facilities. Specifically, the Act removes the requirement for schools to consult with their local Authority when setting up such facilities under Section 27 of the Education Act 2002. Additionally, schools are no longer obliged to have regard to advice provided by the local Authority in this context

However, as public bodies, they are expected to act reasonably, and this includes consulting those affected by decisions that they make.

13.3 **Funding agreements**

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.

The Authority requires that schools give adequate notice of any proposed agreement involving third party funding and that the full details be submitted to the Authority for its comments. The Authority will advise the school but will not then have the right of veto if the school chooses to act contrary to this advice.

However, if an agreement has been or is to be concluded against the wishes of the Local Authority, or has been concluded without informing the Local Authority, and which in the view of the Authority is seriously prejudicial to the interests of the school or the Authority, then that may constitute grounds for suspension of the right to a delegated budget. Schools are required to inform the Local Authority what action has been taken following Local Authority advice.

Schools that wish to dispute any such action may present their case to the Executive Lead Member for Children's Services who will arbitrate on the issue.

13.4 **Other prohibitions, restrictions and limitations**

The Governing Board should endeavour to protect the financial interests of the Authority. The Authority may require that in a specific instance of use of the community facilities power, the Governing Board concerned shall make arrangements to protect the financial interests of the Authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the Authority.

Section 28 provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the scheme for financing schools.

13.5 **Supply of financial information**

The Authority requires that schools, which exercise the community facilities power, provide the Authority every six months with a summary statement, in a form

determined by the Authority consistent with the CFR framework. This will 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.

If the Authority has concerns about how a school is managing the financial implications of exercising its community facilities power, it may issue a notice requiring the school to submit financial statements every three months. Where deemed necessary, the Authority may also request a recovery plan for the specific activity in question.

13.6 **Audit**

The Authority requires that schools grant access to the school's records connected with exercise of the community facilities power to appropriate representatives of the Chief Finance Officer in order to facilitate internal and external audit of relevant income and expenditure.

This provision applies equally to the records and other property of third parties, as detailed above, held on the school premises, or held elsewhere insofar as they relate to the activity in question, in order for the Authority to satisfy itself as to the propriety of expenditure on the facilities in question.

13.7 **Treatment of income and surpluses**

Schools are allowed to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that is the Authority or some other person.

Schools will be able to 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 Authority, at the end of each financial year, transfer all or part of it to the budget share balance.

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

13.8 **Health and safety**

The Authority requires the same level of regard to be paid to health and safety in relation to community facilities as detailed in Section 11.5.

Governing Bodies are required to act in accordance with the policy and operate within the requirements placed upon Authorities in the matter of health and safety

13.9 **Insurance**

It is the responsibility of the Governing Board to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary.

The school should seek the Authority's advice before finalising any insurance arrangement for community facilities.

In principle, the insurance issues arising from use of the community facilities power are the same as those which already arise from non-school use of school premises. However, a school proposing to provide community facilities should, as an integral part of its plans, undertake an assessment of the insurance implications and costs, seeking professional advice if necessary.

The Authority retains the right to 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, to make arrangements itself and charge the resultant cost to the school. Such costs could not be charged to the school's budget share.

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

13.10 **Taxation**

13.10.1 **VAT**

Schools should seek the advice of the Authority and the local HM Revenue & Customs office on any issues relating to the possible imposition of Value Added Tax (VAT) on expenditure in connection with community facilities, including the use of the Local Authority VAT reclaim facility.

If any member of staff employed by the school or Authority in connection with community facilities at the school is paid from funds held in a school's own bank account (whether a separate account is used for community facilities or not), the school is likely to be held liable for payment of Income Tax and National Insurance, in line with HMRC rules.

13.11 **Banking**

The Authority requires that the school can either maintain separate bank accounts for budget share and community facilities or include the expenditure within their budget share but account for the income and expenditure on an identifiable basis to enable regular reporting on community facilities.

Any new accounts that a school may set up for community facilities must be with one of the banks/building society approved by the Chief Finance Officer, per Section 14 2025/26 Treasury Management Strategy. Details can be obtained from the Schools Finance Team.

Schools are not permitted to borrow money for community facilities without the written permission of the Secretary of State. This requirement does not extend to monies lent to schools by the Authority.

All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets. The Governing Board and head teacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them, and the consequences of breaching these controls. This information must also be included in induction for new school staff and Governors.

ANNEX B Responsibility for redundancy and early retirement costs

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

Section 37 of the 2002 Education Act says:

(4) costs incurred by the local authority in respect of any early retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the authority agree with the Governing Board in writing (whether before or after the retirement occurs) that they shall not be so met.

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

(6) The fact that the local authority has a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with Section 139 of the Employment Rights Act 1996 (c. 18).

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

Charge of dismissal/resignation costs to delegated school budget

- If a school has decided to offer more generous terms than the authority's policy, then it would be reasonable to charge the excess to the school
- If a school is otherwise acting outside the local authority's policy
- Where the school is making staffing reductions which the local authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit
- Where staffing reductions arise from a deficit caused by factors within the school's control e.g., additional teachers that have been unaffordable for a number of years and no action has been taken to reduce
- Where the school has excess surplus balances and no agreed plan to use these
- Where a school has refused to engage with the local authority's redeployment policy

Charge of premature retirement costs to local authority non-school's budget

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

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

In exceptional circumstances, a de-delegated contingency amount could be provided, if Schools Forum agree, to support individual schools where a Governing Board has incurred expenditure which it would be unreasonable to expect them to meet from the school's budget share.

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

(7) Where a local education authority incurs costs:

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

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

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

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

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

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

Annex D: Earlier directed versions

Following consultation that closed on 19 March 2012, the Secretary of State directs that from 1 April 2012 the text below should be incorporated into the schemes of all local authorities in England. The revised text was included in the 26 March 2013 version of the guidance.

Efficiency and value for money

The scheme must include the following provision, which imposes a requirement on schools to achieve efficiencies and value for money, to optimise their resources and invest in teaching and learning, taking into account the purchasing, tendering and contracting requirements.

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

It is for 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

Schools financial value standard (SFVS)

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

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

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

Following consultation, the Secretary of State directs that from 19 August 2015 the text below shall be incorporated into the schemes of all local authorities in England.

Register of business interests

The scheme must contain a provision which requires the Governing Board of each maintained school to have a register which lists for each member of the Governing Board and the head teacher:

any business interests that 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 Board.

And to keep the register up to date with notification of changes and through annual review of entries, to make the register available for inspection by governors, staff and parents, and the local authority, and to publish the register, for example on a publicly accessible website.

Borrowing by schools

The scheme should contain a provision reminding schools that governing bodies may borrow money (which includes the use of leases) only with the written permission of the Secretary of State. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances.

From time to time, however, the Secretary of State may introduce limited schemes to meet broader policy objectives. The scheme must contain a provision that allows schools to use any scheme that the Secretary of State has said is available to schools without specific approval.

Following consultation, the Secretary of State directs that from 22 March 2018 the text below shall be incorporated into the schemes of all local authorities in England.

Loan schemes

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.

Submission of financial forecasts

Following consultation that closed on 30 September 2019, from the 2021 to 2022 funding year each school must submit a 3-year budget forecast each year, at a date determined by the local authority between 1 May and 30 June.

Following consultation that closed on 30 September 2019, the Secretary of State directs that the text below shall be incorporated into the schemes of all local authorities in England,

however due to coronavirus (COVID-19) the directed revision to follow will only be expected to be enforced from the 2021 to 2022 funding year.

Planning for deficit budgets

Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year. Local authorities may set a lower threshold than 5% for the submission of a recovery plan if they wish. The 5% deficit threshold will apply when deficits are measured as at 31 March 2025.

Appendix 1

Schools in Salford as at 1 October 2025

Community Primary Schools

Beech Street
Bridgewater
Clarendon Road
Clifton
Ellenbrook
Friars, The
Hilton Lane
Lark Hill
Lewis Street
Light Oaks Infant
Light Oaks Junior
Lower Kersal
Monton Green
Moorside
Mossfield
North Walkden
Peel Hall
Primrose Hill
River View
Summerville
Westwood Park
Willow Tree

Voluntary aided primary schools

Cathedral school of St Peter & St John
Christ Church
Christ The King
Godfrey Ermen Memorial
Holy Cross/All Saints R.C.
Holy Family
St Boniface R.C.
St Charles R.C.
St Edmunds R.C.
St Gilberts R.C.
St Josephs R.C. (Irlam)
St Josephs R.C. (Ordsall)
St Lukes R.C.
St Marks C.E. (Worsley)
St Marks R.C. (Clifton)
St Marys R.C. (Eccles)
St Marys R.C. (Swinton)
St Pauls C.E. (Crompton St)
St Peters C.E.
St Philips C.E.
St Philips R.C.
St Sebastians R.C.
St Thomas R.C.

Voluntary Controlled Primary Schools

Boothstown Methodist
Irlam Endowed
St Andrews Boothstown
St Andrews C.E. Eccles
St Andrews Methodist
St Georges C.E.
St Marys C.E. (Cadishead)
St Pauls C.E. (Heathside)
St Pauls C.E. Peel
St Pauls C.E. (Neville Rd, Salford)
Wardley C.E.

Voluntary Aided High Schools

All Hallows R.C.
St Ambrose Barlow R.C.
St Patricks R.C.

Pupil Referral Units

The New Broadwalk
The Clifton Centre

Appendix 2

SALFORD SCHOOLS IN FINANCIAL DIFFICULTIES

1. Governing Bodies are responsible for managing their delegated budget in line with correct financial procedures to ensure the best possible education provision for their pupils.

2. In the exceptional circumstance that a Governing Board becomes aware that they will be unable to set a balanced budget for the next financial year, the Chair of Governors/Headteacher must contact the Director Education, Inclusion and Education & Helping Families normally no later than October 31st**.** This date will change if the budget issues prevail later in the year.

3. A meeting will be arranged with the Headteacher, Chair of Governors, Chair of Finance, School Business Manager, HR and Finance, and school improvement if necessary.

4. At the meeting, colleagues will consider what actions are required to enable the Governing Board to resolve its financial difficulties. This will include discussions about the use of a licensed budget deficit.

5. If it becomes clear that a reduction in the number of staff employed at the school may be necessary and that employees may be dismissed, the Headteacher will be asked to undertake a staffing review to identity which areas need to be reduced and set up a employees may be dismissed, the Headteacher will be asked to undertake a staffing review to identity which areas.

6. When the Governing Board have identified the staff to be put forward for severance/redundancy/redeployment/VER, they will compile a costed budget recovery plan which will be shared with the Director Education, Inclusion and Education & Helping Families, HR, and Finance.

7. The recovery plan must show the budget is able to be brought back into surplus and governors will be expected to apply the conditions detailed below which will be subject to challenge from the local authority:
    - Year 1 corrective action results in the deficit budget being brought into balance – no further action
    - Where this is not possible, and as a minimum, a balanced in year budget is achieved by year 2
    - Year 3 any accumulated deficit balance is eliminated and brought back into balance
    - In **exceptional circumstances**, where a school is unable to achieve a balanced budget by year 3 without detriment to the provision of education, there will be special authorisation for up to a maximum of 2 additional years

8. If the proposed recovery plan is determined by the to meet the requirements of the approval process, formal approval would need to be obtained from the Executive Director of Children's Services, the Chief Financial Officer and the Lead Member for Children and Young People's Services.

Appendix 3

Salford City Council

School's Licensed Budget Deficit Application and Recovery Plan

School Name _____

The amount of deficit are you applying for:-

Date	Date	Date
£0,000	£0,000	£0,000

In line with Section 4.1 of this document, schools are expected to recover deficit budgets within a three-year period. In exceptional circumstances, this recovery period may be extended to five years.
If you are requesting approval for a deficit recovery plan that exceeds five years, please provide a detailed explanation in the box below.
Please note that any request for a recovery period beyond five years requires additional authorisation from the Chief Finance Officer, the Executive Director of Children's Services, and the Lead Member for Children's Services.

Reason for deficit

Please include in this Section the reasons for the deficit budget and the circumstances leading up to the current position.

Recovery plan

Please include in this Section a detailed narration of the recovery plan including the action to be taken and detailed timescales which link in with your agreed projections as approved by the Governing Board. (Please attach a copy of the minutes from your governors or finance committee as evidence of approval)

Action	***Target Date***	***Value of Saving £***

Additional Information to support your request for a licensed deficit.

Signed **Headteacher** **Date:**

Print Name:

Chair of the Governing Board **Date:**

Signed

Print Name:

Or Chair of the Finance Committee (if applicable) **Date:**

Signed

Print Name:

Appendix 4

Salford City Council

School's Licensed Deficit Approval Form

School name _____

Approval is given to a budget recovery programme phased over X years. In accordance with this approval, the maximum deficit balance allowed in X and subsequent years are as follows:

(Exceptional Circumstances)

	date	**date**	**date**	**date**	**date**	**date**
Maximum Deficit						
Balance at Year End						

	date	**date**	**date**	**date**	**date**	**date**
Pupil Number Projections (at October)						

This Approval is subject to the following conditions:

1. That termly financial monitoring reports be submitted to the Governing Board and a copy of the report, together with any relevant resolutions is sent to the local authority within fifteen days of the Governor's meeting. A standard monitoring pack will be provided by the School's Finance Team.

2. That the school reviews the budget plan termly, and, that the local authority be informed immediately if pupil number projections included in the approval plan are not achieved or improved upon and must also include details of the steps taken by the Governing Board necessary to maintain the overall deficit within the maximum allowed.

3. That the school finance committee members undertake deficit budget management training provided by the local authority finance team.

4. That any proposed staffing changes and the financial impact of such changes are reported to the local authority prior to implementation.

5. That, unless otherwise agreed by the local authority, any additional resources that become available from "real term" changes in the school budget share (excluding pupil number adjustments) be used to reduce the budget deficit.

6. That the school makes adequate arrangements to ensure the timely provision and preparation of financial information to the local authority.

7. Where in exceptional circumstances the monitoring indicates that the school will not be out of deficit by the end of the agreed period, the governors shall agree with the local authority an action plan to bring the budget back in balance. Where this is not possible, the local authority has the powers to intercede with the financial management of the school up to and including the removal of financial delegation.

Approval by Children's Services

Signed: Date:
Executive Director of Children's Services
Print Name:

Signed: Date:
Lead Member for Children Services
Print Name:

Approval by Chief Finance Officer

Signed: Date:
Chief Finance Officer
Print Name:

Agreement by the Headteacher and Chair of Governors

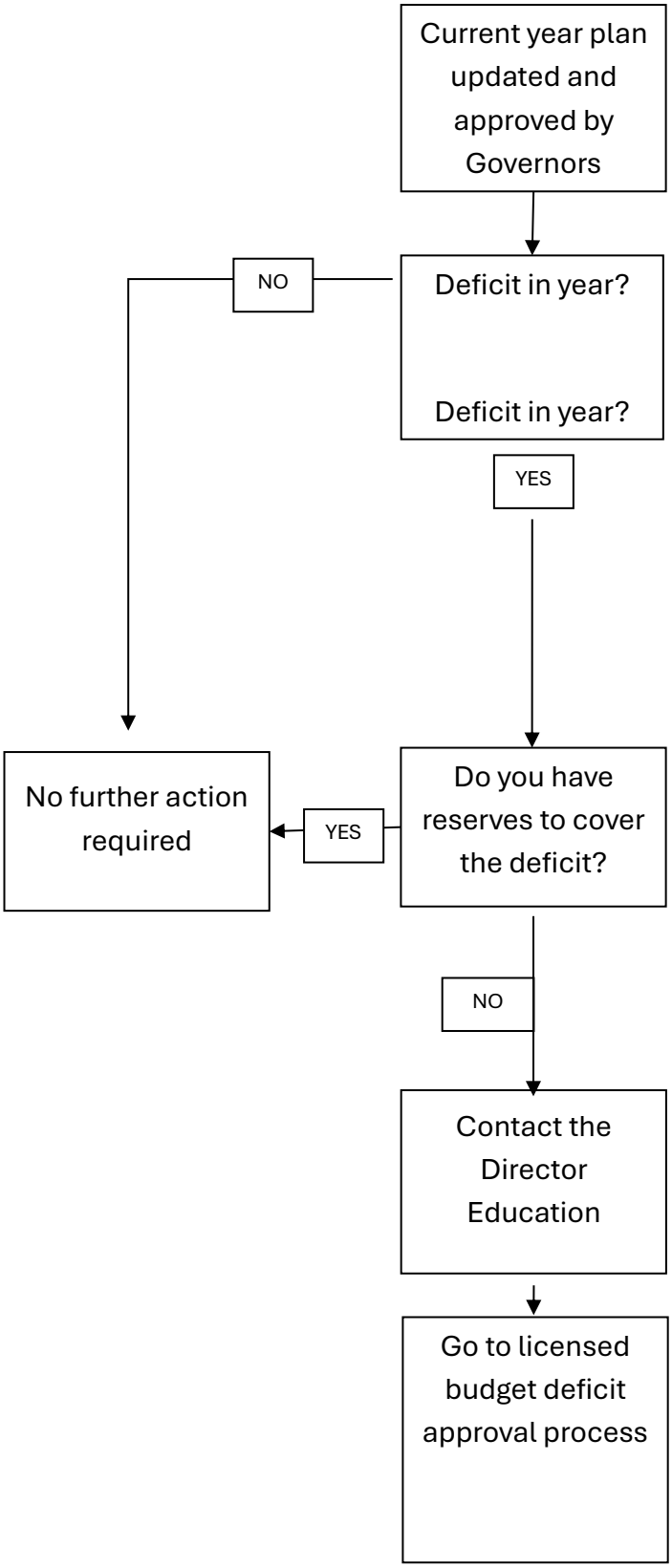
We agree to the licensed deficit approval arrangement set out on the conditions specified.

Signed: Date:
Headteacher
Print Name:

Signed: Date:
Chair of Governors
Print Name:

Appendix 5

Current Year Management Plan



Appendix 6

3 Year Budget Projections

