

8. Managing The Budget

This chapter contains information relating to:

- the regulatory framework for school funding;
- loss of the right to a delegated budget;
- changes to the regulatory framework from September 2010;
- repairs and maintenance;
- provision of school meals;
- purchase of legal advice;
- liabilities of governing bodies; and
- insurance.

School Funding

1. Almost all of a school's income comes from the LA. LAs receive funding for pre-16 provision in schools from the WAG via the local government revenue settlement (Revenue Support Grant) and through local taxation. Funding for post-16 provision in schools is allocated by specific grant from the WAG. Schools are free to raise extra funds through voluntary contributions from parents and others, and to rent out school premises to local bodies.

2. LAs are responsible for deciding how they spend their Revenue Support Grant. This is based on the principle that LAs are best placed to judge local needs and circumstances and to fund schools accordingly.

3. LAs distribute funding to schools in the form of an annual delegated budget and schools decide how to spend their budget. Each LA must consult their Schools Forum before setting schools budgets each year; and on any changes they wish to make to their scheme for financing schools.

4. The Schools Standards and Framework Act 1998 (the SSFA) sets out the legal framework within which LAs allocate their education expenditure to schools. [The School Funding \(Wales\) Regulations 2010](#) came into force on 1 September 2010 for the financial years 2011-12 onward. They amalgamate and replace the following school funding regulations:

- the Education (LEA Financial Schemes) (Wales) Regulations 2004;
- the LEA Budget, Schools Budget and Individual Schools Budget (Wales) Regulations 2003; and
- the Schools Budget Shares (Wales) Regulations 2004.

5. Under the School Funding (Wales) Regulations 2010 each LA must have a scheme for financing schools which defines the financial relationship between the

authority and schools in its area. Schemes cover items such as banking, accounting and audit arrangements.

6. [Section 45A of the SSFA](#) and the [School Funding \(Wales\) Regulations 2010](#) require LAs to allocate expenditure to three budgets.

7. **The LA Budget** relates to central LA functions and includes the costs of provision of a specialised nature, school improvement, access to education, further education and training for young persons and adults and strategic management.

8. **The Schools Budget** covers expenditure directly aimed at supporting schools for which the LA may retain funding centrally, such as SEN services, schools meals and milk. The amount of expenditure retained centrally is deducted from the Schools Budget and the remainder is the **Individual Schools Budget (ISB)** which is divided between the schools maintained by the Authority and delegated to schools.

9. Under the [the School Funding \(Wales\) Regulations 2010](#), the **ISB** is allocated to schools in the form of budget shares, using a locally determined funding formula. The regulations require that 70% of the funding is to be distributed on the basis of pupil numbers.

10. LAs have discretion to distribute the remaining 30% of budgets on the basis of a range of factors in the regulations, e.g. the size and condition of buildings and grounds, rates, cleaning, schools meals and milk, salaries etc.

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

12. The School Funding (Wales) Regulations 2010 introduces a new provision from 2011-12 onwards. LAs will set an annual budget for schools and provide forecasted budgets over the following 2 funding periods.

13 Information about the funding of schools in Wales can be found on the WAG website at:

<http://new.wales.gov.uk/topics/educationandskills/learningproviders/schools/schoolfunding/?lang=en>

14. The financial controls within which delegation works are set out in the scheme for financing of schools made by the LA in accordance with [section 48 of the SSFA](#) and the [School Funding \(Wales\) Regulations 2010](#).. Any revisions to the scheme must be approved by the schools forum. If the schools forum refuse to approve the revisions, they must be submitted to the Welsh Ministers for approval.

15. Subject to provisions of the scheme, governing bodies may spend budget shares for the purposes of the school. They may also spend budget shares on additional purposes set out in [the School Budget Shares \(Prescribed Purposes and Consequential Amendments\) \(Wales\) Regulations 2008](#). These purposes are the

provision of teaching and associated services and items to children and young persons who are not registered pupils at the school.

16. Schools may accumulate savings and carry them forward; but any deficit balances must also be rolled forward. In accordance with the [School Funding \(Wales\) Regulations 2010](#), governing bodies must report to the LA what plans they have for the use of surplus balances which exceed 5% of the school budget share or £10,000 whichever is the greater. When surplus budgets held by schools exceed £50k for primary schools, or £100k for secondary schools and special schools a LA may direct a school how to spend the balance. The LA may, if the governing body does not comply with such a direction, require the governing body to pay all or part of that surplus back to the LA with the proceeds applied to the LAs Schools Budget.

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

18. Under [section 52 of the SSFA](#) each authority must submit a budget statement detailing their proposed spend for the coming year.

19. These 'section 52 returns' detail amounts of funding to be centrally retained by the authority, the budget share for each school, the formula used to calculate those budget shares, and the detailed calculation for each school. LAs are required to send a copy of their section 52 return to each school, as well as to the WAG. LAs must also make the information publicly available.

20. After each financial year the LA must publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.

21. Both types of statement are subject to audit certification by the Wales Audit Office only if directed to do so by the WAG in accordance with [section 53A of the SSFA](#), and information in them is collated and published by the WAG on the following website:

<http://www.statswales.wales.gov.uk/ReportFolders/ReportFolders.aspx>

<http://new.wales.gov.uk/topics/educationandskills/learningproviders/schools/schoolfunding/?lang=en>

22. The detailed publication requirements for schemes are set out in [the School Funding \(Wales\) Regulations 2010](#), and each school must receive a copy of the scheme and any amendment. For the budget statements, the publication requirements are set out in the [Education \(Budget Statements\) \(Wales\) Regulations 2002](#).

Loss of the Right to a Delegated Budget

23. As mentioned above a LA may suspend a school's right to a delegated budget under certain circumstances.

24. Schedule 15 to the 1998 Act, as applied by section 51, provides that suspension may take place if a school's governing body has persistently or substantially breached a requirement or restriction relating to their delegated budget; or has not managed their budget share satisfactorily.

25. The LA must send a copy of the notice to the governing body, head teacher and WAG. If such suspension takes place there is a right of appeal to WAG; and the LA is required to review the suspension within a certain period (or may do so earlier if they wish). There is a further right of appeal against refusal to restore the right to a delegated budget.

26. The principal effect of suspension of the right to a delegated budget is that the governing body lose the right to decide on how the budget should be spent (except to a limited extent if the LA so decide); and lose most staffing powers.

27. An LA may also suspend the right to a delegated budget for reasons arising from the powers in [sections 14-17 of the SSFA](#); if this happens such suspension has the same effect but there is no right of appeal to WAG against the initial suspension. Loss of right to a delegated budget is a rare event and should remain so, because schools and LAs ought to discuss any problems which might lead to suspension and seek to rectify them before the need for formal action arises. Schools should therefore co-operate with LA's monitoring designed to identify financial problems, and take a positive approach to their resolution.

Repairs and Maintenance

VC 28. In community schools, community special schools, maintained nursery schools and voluntary controlled schools the responsibility for maintaining the fabric of the premises rests with the LA although this is often delegated to the governing body with the necessary funding. These costs will normally be paid from the school's budget share, unless expenditure on the work in question is treated under the LA's scheme for financing schools as being capital expenditure. Schemes normally contain a guide to which work falls in this category, but the authority should be consulted in cases of doubt.

VA 29. In voluntary aided schools, The Voluntary Aided (VA) Schools Capital Programme provides financial assistance for the establishment and capital maintenance of such schools in partnership with the school governors and the LAs.

VA 30. Responsibility for the provision, repair and maintenance of a VA School is shared between the school governors and the LA. The Governors are responsible for the school buildings. However the LA is responsible for the repair and maintenance of the interior of the school and for the initial provision of the kitchen, dining hall, medical inspection room, caretaker's house and playing fields. Under paragraph 5 of schedule 3 of the School Standards and Framework Act 1998, the WAG has the

power to make a grant for 85% of the costs of the governors approved expenditure, with the governors themselves required to meet the remaining 15%.

- VA 31. Advice should be sought from the WAG's Funding and Student Finance Division - Capital Funding Branch if governors intend to replace, or are asked to replace, existing items, the repair of which would normally be the responsibility of the LA.

Provision of School Meals

32. The duty to provide free meals and milk to eligible pupils, and to provide paid lunches on request, and to comply with national nutritional standards, rests with the LA, unless an order has been made under section 512A of the Education Act 1996 which has the effect of transferring duties to the governing body. Such orders are made when funding is delegated.

33. When the governing body has such duties they may make provision through arrangements they have negotiated themselves, or by buying back into an LA catering service. This does not shift the legal duty of provision back to the LA.

34. While food suppliers themselves must comply with the various legislation, public sector organisations supplying food have an obligation to complete effective due diligence to ensure the quality and compliance of their suppliers. Suppliers are expected to have an adequate Hazard Analysis and Critical Control Point system (HACCP). This affects the supply, preparation, packaging, storage and distribution of food. Those without the means to carry out such assurance themselves should consider using the services of professional third party audit service providers.

Purchase of Legal Advice

35. The LA's scheme for financing schools must detail arrangements for the provision of legal advice to a governing body. A governing body is free to purchase legal advice from whoever it chooses and is not obliged to only take advice from a LA.

Liabilities of Governing Bodies

36. By virtue of section 50(7) of the SSFA, governors do not incur any personal liability in respect of anything done in good faith in exercising their power to spend a school's budget share, or delegating that power to the head teacher.

Insurance

37. The LA's duty to maintain the school includes meeting the cost of insurance or obtaining the policy at its own cost on behalf of the governing body. The LA must decide which approach it intends to take. If the LA decides to obtain the policy itself then the governing body must check the terms of the policy carefully to ensure that both it and the LA are covered by the terms of the policy. The governing body should obtain a copy of the policy to verify whether or not it is covered by the policy for public liability insurance. If governing bodies do not see the policy they will not be able to satisfy themselves that adequate insurance cover is in place. If a governing

body is not specifically referred to as being covered or governing bodies as a group are not referred to as being covered then the policy should be amended accordingly.

38. Although there are various categories of insurance, the principal items relate to the protection of buildings and liability insurance. A LA may decide to delegate all or some insurance funding to schools generally, and they may either buy back into an LA arrangement or make alternative provision.

39. Again, the LA may specify the minimum cover required; and normally have power to secure such cover and charge the budget share of the school if the governing body do not obtain satisfactory insurance; there is no requirement that the amount delegated should exactly match the cost of securing insurance.

VA 40. Governing bodies of voluntary aided schools should discuss insurance with their diocese.

41. Governing bodies should also ensure they are covered for employer's liability, fire and buildings insurance. Governing bodies should check with the LA to see if these risks are covered if the authority obtains the policy. If not the governing body would be well advised to obtain its own policy.

In brief

The governing body:

- decides how to spend delegated budget depending on any conditions in the LA scheme for financing schools;
- must be consulted by the LA on significant changes to the authority's scheme for financing schools; and
- the governing body must ensure that accurate accounts are kept.

The head teacher

- May control some aspects of expenditure if asked by governing body.

The Law

[School Standards and Framework Act 1998](#), sections 43 to 53 and schedules 14 and 15.

[The Education \(Budget Statements\) \(Wales\) Regulations 2002.](#)

[The School Budget Shares \(Prescribed Purposes and Consequential Amendments\) \(Wales\) Regulations 2008.](#)

[The School Funding \(Wales\) Regulations 2010.](#)