

## 8. Managing the Budget

This chapter contains information relating to:

- the regulatory framework for school funding;
- loss of the right to a delegated budget;
- 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 Welsh Government (WG) 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 WG. 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 onwards. These regulations revoked and replaced 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. Section 45A of the SSFA introduced new definitions of the 'LA budget' now called the 'Non-schools Education Budget' and the 'schools budget' for expenditure on pupils. The School Funding (Wales) Regulations 2010 makes provision about these budgets and the individual schools budget.

6. **The Non-schools Education 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.
7. **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.
8. Under 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.
9. 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.
10. 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.
11. The LA must, in addition to consulting the schools forum for their area, consult the governing body and head teacher of every school that it maintains about any proposed changes made to the funding formula since the preceding funding period.

### *Financial Schemes*

12. The financial controls within which delegation works are set out in the LA's Scheme for Financing Schools. Each LA must, under section 48 of the SSFA and the School Funding (Wales) Regulations 2010, have a scheme in place that deals with the financing of its schools. Schemes cover items such as banking, accounting and audit arrangements. The LA must publish its scheme and provide a copy of the scheme to the governing body and the head teacher of each school it maintains.
13. 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 include the provision of teaching and associated services and items to children and young persons who are not registered pupils at the school.

14. The governing body can delegate some aspects of school expenditure to the head teacher. Where it does so, it must record its decision in the governing body minutes.

15. Schools may carry any savings accumulated, or deficits incurred, forward from one funding period to another. The schools governing body must however, notify the LA of its plans for the use of surplus balances which exceed 5% of the school budget share or £10,000 whichever is the greater. If surplus budgets held by schools exceed £50k for primary schools, or £100k for secondary schools and special schools the LA may direct the governing body 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 as part of the LAs Schools Budget for the funding period in question. .

16. Any revisions to the LAs financial scheme must be approved by the schools forum. If the schools forum refuses to approve the revisions, the LA may apply to the Welsh Ministers for approval.

#### *Suspension of financial delegation*

17. Section 51 of the SSFA 1998 gives LAs the power to suspend a school's right to a delegated budget if the governing body—

- (a) has been guilty of a substantial or persistent failure to comply with any delegation requirement or restriction,
- (b) are not managing in a satisfactory manner the expenditure or appropriation of the delegated budget or
- (c) are not managing in a satisfactory manner any expenditure, or sums, received in the exercise of their power to provide community facilities under [section 27](#) of the Education Act 2002).

#### *Financial statements*

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

19. The section 52 return details the amount 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 must provide a copy of their section 52 return to the governing body and head teacher of each school it maintains. Under the [Education \(Budget Statements\) \(Wales\) Regulations 2002](#), LA's must also provide a copy to the WG and make copies publicly available.

20. At the end of each financial year the LA must publish a statement showing out-turn expenditure actually incurred during the year 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 WG in accordance with section 53A of the SSFA. Information in the statements is collated and published by the WG on the following website:

<https://statswales.wales.gov.uk/Catalogue>

<http://wales.gov.uk/topics/educationandskills/schoolshome/fundingschools/schoolfunding/?lang=en>

22. Information about the funding of schools in Wales can be found on the WG website at:

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

### **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 (see para 17). Where a LA decides to do so it must normally give notice to the governing body and head teacher of the school specifying the grounds for the suspension. The LA is required to review the suspension within a certain period (or may do so earlier if they wish).

24. The principal effect of suspension of the right to a delegated budget is that the governing body loses 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.

25. A LA may also suspend a school's right to a delegated budget if the LA has intervened in the conduct of the school under section 8 of the School Standards and Organisation (Wales) Act 2013; if this happens such suspension has the same effect as though made under the SSFA 1998. 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**

26. 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.

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

28. In VA schools financial assistance is provided for capital repair and maintenance items which are deemed governors responsibility through the Capital Repair and Maintenance Programme. Advice should be sought from the relevant Diocesan Director in respect of capital repair and maintenance of a VA school. Governors should discuss with the LA any intention to replace existing items, the repair of which would normally be the responsibility of the LA.

### **Provision of School Meals**

29. 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 the LA duties to the governing body. Such orders are made when funding is delegated.

30. 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.

31. While food suppliers themselves must comply with the various food legislation, public sector organisations supplying food have an obligation to complete effective due diligence to ensure the quality and compliance of their suppliers, and to ensure that full traceability is in place especially for meat products. Suppliers are expected to have in place an adequate Hazard Analysis and Critical Control Point system (HACCP). This affects the supply, preparation, packaging, storage and distribution of food. It is recommended that organisations ensure that their food contracts / suppliers undergo food hygiene audits. In addition, the WG provides best practice guidance and tools for public sector organisations on food procurement through Value Wales' Food Procurement Route Planner (PRP) on [www.Buy4Wales](http://www.Buy4Wales), as well as the Food Charter 'Buying Safe Food for the Public Plate: A New Approach to Food Procurement for Wales' and the 'Food for Thought ' sustainable food guidance.

## Purchase of Legal Advice

32. 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

33. 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

34. 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.

35. Although there are various categories of insurance, the principal items relate to the protection of buildings and liability insurance. An 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.

36. 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 37. Governing bodies of voluntary aided schools should discuss insurance with their Diocese; the WG is not responsible for any building or other insurance matters.

38. 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 any 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 the 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](#)

The School Standards and Organisation (Wales) Act 2013