



MANCHESTER
CITY COUNCIL

Scheme for Financing Schools

Manchester City Council

Schools Finance Team
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THE MANCHESTER SCHEMES FOR FINANCING SCHOOLS

SECTION 1: INTRODUCTION

1.1 The Funding Framework

The funding framework which replaces Local Management of Schools is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998, and Schedule 14 to the act.

Under this legislation, local authorities determine for themselves the size of their Schools Budget and Local Authority Budget – although at a minimum a local authority must appropriate its entire Dedicated Schools Grant to their Schools Budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools except for capital and certain miscellaneous items. Local authorities may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under s.45A of the Act. The amounts to be retained centrally are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their 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 centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the Local Authority 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. The Local Authority must consult all schools on changes to the schools funding formula and the same applies to early year's formula, where there must be consultation with all providers. Each school's budget share is delegated to the governing body of the school concerned, unless the school is a new school, which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in a scheme made by the Local Authority in accordance with s.48 of the Act and approved by the Secretary of State. All revisions to the scheme must be approved by the Secretary of State, who has power to modify schemes or impose one. In addition, changes to the scheme must be approved by maintained school members of the Schools Forum.

Subject to provisions of the scheme, governing bodies of schools may spend budget shares for the purposes of their school, which includes pupils at other maintained schools, young people aged 19 to 25 with learning difficulties and community facilities. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act.

Local Authority may suspend a school's right to a delegated budget if the provisions of the schools 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 the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSAF Act 1998) but in that case there is no right of appeal.

Each authority is obliged to publish each year a statement setting out details of its planned Schools Budget and Local Authority Budget, showing the amounts to be centrally retained, the budget share for each school, the formula used to calculate those budget shares, and the detailed calculation for each school. After each financial year the authority must publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.

The detailed publication requirements for financial statements are set out in regulations, but each school must receive a copy of each year's budget and out-turn statements so far as they relate to that school or central expenditure.

Regulations also require a local authority to publish their scheme and any amendments to it; the latest version of the scheme will also be available online following completion of the consultation.

1.2 The role of the scheme

This scheme sets out the financial relationship between the Local Authority and the maintained schools in Manchester that it funds. It contains requirements relating to financial management and associated issues, which are binding on both the Authority and on the schools.

1.2.1 Application of the scheme to the authority and maintained schools

From 1 April 2005 this scheme applies to all community, nursery, special, voluntary, foundation, and foundation special schools in the area of the Local Authority together with any maintained by the Authority but situated elsewhere, (as listed in Annex A). This scheme applies to Pupil Referral Units from 1 April 2013.

1.3 Publication of the scheme

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

1.4 Revision of the scheme

All proposed revisions to the scheme will be the subject of consultation with the governing body and the head teacher of every school maintained by the authority before they are submitted to the 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 the head teacher

Each governing body 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 body. The governors are responsible for establishing an appropriate managerial and operational structure, including delegation to the head and other staff for routine spending decisions and financial administration, and must approve and monitor the nature, scope and effectiveness of such arrangements. All individuals involved in the spending, collection or custody of Local Authority resources or property must observe high standards of financial probity and regularity as set out in the Financial Regulations for Schools, Standing Orders of the City Council and the School Financial Regulations and Guidance.

The governing body, or a committee of the governing body must retain responsibility for approving the first formal budget plan of each financial year. This budget plan must be sent to the Local Authority by the end of June.

1.6 Maintenance of schools

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

SECTION 2: FINANCIAL CONTROLS

2.1.1. Application of financial controls to schools

The governing body are responsible for managing and controlling the finances of the school within the framework prescribed in this scheme and within the rules set out in the Financial Regulations for Schools and the School Financial Regulations and Guidance.

2.1.2 Provision of financial information and reports

The City Treasurer has a duty to ensure the proper administration of the Council's financial affairs (Section 151 Local Government Act 1972). The City Treasurer is also required to produce annual accounts in accordance with statutory requirements and statements of standard accounting practice. Schools must keep accounts that meet the prescribed format of

the City Council and will integrate with those for the authority as a whole. They must also meet the requirements of the DfE's Consistent Financial Reporting Framework.

Schools are required to provide the authority with details of expected and actual expenditure and income, in a form and at times determined by the authority, in order for it to comply with its own fiduciary responsibilities. The timetable for the submission of the financial monitoring returns and financial statements to the authority will be updated annually in separate guidance notes issued periodically by the Schools Finance Team.

The details of the minimum requirements are as follows:

Projected income and expenditure reports and bank reconciliations

- Quarterly budget monitoring reports (excluding quarter 1), balance and reserves position statement from the school's financial accounting system incorporating any adjustments necessary to reflect the estimated outturn position for the year.
- Quarterly bank reconciliation statement with supporting documentation.
- Monthly VAT returns from the school's financial accounting system.

Schools deemed by the Authority to be in financial difficulty or in their first year of operation will be required to provide budget monitoring returns on a more frequent basis; detailed requirements will be sent in writing to these schools.

The authority will discharge its monitoring role and ensure that schools are effectively managing the resources delegated to them by the monitoring of these returns and by the review of internal audit reports.

Cash Flow Plans

- All schools are responsible for managing the cash flow appropriately. Schools should supply the Local Authority with details of cash flow plans when requested.

2.1.3 Payment of salaries; payment of bills

Schools are required to make satisfactory arrangements for the payment of employees, creditors and other items, ensuring the correct application of (and accounting for) all statutory and other deductions, also complying with the requirements of Financial Regulations, guidance in the Financial Management for Schools document and advice and guidance from the City Treasurer to consistently maintain adequate financial standards.

Where a governing body does not use the Manchester City Council's services for payroll and/or the information is not available to the Council the governing body must ensure that:

- (a) Manchester City Council is provided with such information as it may require, in the format, to the level of detail and according to frequency and deadlines prescribed by the Council and defined in Financial Regulations;

- (b) all Teachers' pension contributions, including qualifying documentation, are submitted to Manchester City Council according to deadlines prescribed by the Council and in accordance with Financial Regulations, to enable the Council to transfer such contributions to the bodies concerned in compliance with requirements which they prescribe; other statutory deductions and contributions are accounted for directly and paid over by the school;
- (c) they (or their service provider) provide evidence of the accuracy of such information and amounts in the form of audit certification, to the Local Authority or its auditors as and when required.

This is essential to enable completion of statutory returns and accounting requirements and to avoid costs and penalties, which may arise as a result of delays or inaccuracies in such matters. Any costs and penalties incurred due to deadlines not being adhered to by the school will be payable by the school.

2.1.4 Control of assets

Governing bodies shall ensure that stocks and stores are recorded, issued and held securely, and checked at least annually, and that write-offs and disposal of redundant or damaged items are approved by the governing body or designated committee. They shall maintain an adequate level of security for premises, other assets and for information held in paper and electronic form.

Governors must not dispose of Local Authority capital assets nor take any decision, which would adversely affect the value of such assets. Each school must maintain an inventory of its moveable non-capital assets. The disposal of non-capital assets must be recorded, and governors must prescribe detailed procedures to secure adequate control and to maximise income. The value of sale proceeds from items originally purchased from a school's budget share may be added to its budget share, but proceeds from the sale of any item funded directly by the Local Authority must be returned to the Local Authority, unless a decision is taken by the Local Authority not to require this in particular cases.

Guidance on the inventory process for items above £200 and the basic authorisation procedures for disposal of assets is set out in the School Financial Regulations and Guidance.

2.1.5 Accounting policies (including year-end procedures)

Schools must abide by procedures issued by the authority in relation to accounting policies and year-end procedures shown in the Financial Management for Schools manual and year-end procedure notes and close down timetable sent by the Schools Finance Team prior to the closedown period of each financial year.

Schools are asked to ensure that internal invoices from within the City Council are paid within 30 days, or formally query the basis of the charge in writing by this deadline.

2.1.6 Writing Off of debts

Governing bodies have authority to write-off debts in respect of items of income due to the school's delegated budget and collectable by them but which are irrecoverable, in accordance with any procedures specified within the School Financial Regulations and Guidance. Such write-offs shall be formally considered and approved by the governing body, and recorded in the minutes of the meeting concerned.

The amount of any debt written-off will be borne by the delegated budget of the school involved to which the income was due.

The decision to write-off any debt if it proves irrecoverable must be made (and recorded in minutes) by the governing body. It cannot be delegated. Where the invoice exceeds £5,000 the governing body must notify and obtain the prior approval of the City Treasurer 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. All write-offs must be correctly recorded in the accounts – by reversal of the original income transaction(s).

2.2 Basis of accounting

Quarterly reports and accounts (as set out in 2.1.2) furnished to the Local Authority should be on an accruals basis and budget monitoring reports must include an estimated outturn position.

Final accounting reports will be on an accrual basis.

Where a school has a deficit or a continuing deficit position, the Local Authority may require the governing body to submit reports and accounts more frequently than quarterly until the deficit situation is eliminated.

Schools are free to use any accounting services provider or accounting software they think reasonable, providing any reports are submitted to the Local Authority in the required format.

2.3 Budget preparation and submission of budget plans

Each school is required to submit a multi-year budget plan to the Authority, signed by the head teacher and the chair of governors, after approval by the governing body, or a committee of the governing body by the 30th June in each financial year. The format of the budget plan will be consistent with the Consistent Financial Reporting 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.

Budget monitoring reports submitted quarterly to the Local Authority must incorporate any revisions to the budget plan.

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

The Local 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 supply each school with details of its budget share for the forthcoming financial year by no later than 15th March.

2.3.1 Submission of Financial Forecasts

The Local Authority may require schools to submit a financial forecast covering each year of a multi-year period including underlying assumptions on which the financial plans submitted are based on. Details of the Local Authority requirements will be sent to schools

2.4 Efficiency and Value for Money

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

It is for head teachers 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.

2.5 Virement

Schools are able to vire freely between budget heads in the expenditure of their budget shares, where this does not result in putting the school budget into deficit. Such virements should show on the quarterly budget monitoring returns submitted to the Local Authority. Governing bodies are required to establish levels at which the head teacher or a committee may approve virements and these should be set out in the school's scheme of delegation. Virements from one-off savings should not be used to fund long-term commitments. All virements must be recorded in the minutes of the governing body or nominated committee. Those approved by the head or senior members of staff in accordance with the scheme of delegation must be ratified by the governing body or a committee nominated by them.

2.6 Audit: General

School accounts, and financial management and administration generally, will be subject to the internal audit regime determined by the Local Authority, which is the responsibility of the City Treasurer under Section 151 of the Local Government Finance Act 1972. Further information on the internal audit process can be found in the School Financial Regulations and Guidance. Schools are also subject to the Local Authority external audit regime as determined by the Audit Commission.

The City Treasurer or his/her nominee will have the right to attend meetings of the governing

body to report and advise on matters arising from audit reviews.

The governing body will cooperate with auditors and give them access (for the purposes of audit) to such premises, staff, assets, documents, information and explanations as the auditors consider essential to perform their audit.

The governing body and/or head will immediately notify the City Treasurer of any suspected financial irregularity.

Financial records and vouchers, must be preserved by the governing body and the head, in accordance with criteria specified in School Financial Regulations and Guidance.

2.7 Separate external audits

Governing bodies may use delegated funds to obtain additional audit certification of their school's accounts, separate from any Local Authority internal or external audit process, subject to the principles of Value for Money. However, such external audits will not be looked upon as a **substitute** for the Authority's audit regime, and will only access records held by the school.

2.8 Audit of voluntary and private funds

In addition to the normal internal and external audits, schools must obtain audit certificates in respect of any voluntary and private funds they hold and of the accounts of any trading organisations controlled by the school. Guidance is given in the School Financial Regulations and Guidance.

2.9 Register of business interests

The governing body of each school must have in place, a register that lists for each member of the governing body, the head teacher, and staff:

- 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 body.

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.

It is recommended good practice to request a declaration for all school staff to fully mitigate any associated risks, however it is recognised that this is not always possible in larger schools, such schools will need to assess their individual risk and form a judgement based on the assessment of risk accordingly.

The register of business interests should be formally referred to prior to the acceptance of quotations or the awarding of contracts. It should be minuted that this procedure has been followed.

Governors, the head teacher, and any member of staff must refrain from the decision making process or taking any action where they or any member of their immediate family has a business or pecuniary interest.

2.10 Purchasing, tendering and contracting requirements

Schools must abide by the Local Authority's Financial Regulations in relation to purchasing, tendering and contracting matters¹. This includes a requirement to assess in advance, where relevant, the Health and Safety competence of contractors, taking account of the Local Authority's policies and procedures.

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

2.10.1 Applications of contracts to schools

Although governing bodies are empowered under the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the authority as maintainer of the school and owner of the funds in the budget share (this is the main reason for authorities requesting to be named counter-signatories of contracts exceeding a certain value).

Contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations; for example, contracts made by aided or foundation schools for the employment of staff.

2.11 Central funds and earmarking

The Local Authority is authorised to make sums available to schools from central funds in the form of devolved allocations, which are additional to and separate from the schools' budget shares. Such allocations shall be subject to conditions setting out the purpose or purposes for which the funds may be used. While these conditions need not preclude virement (except, of course, where the funding is supported by a specific grant, which the Local Authority itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school's budget share.

Such devolved funding is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not to be vired to the school's budget share. There should be an accounting mechanism for schools to be able to demonstrate that

¹ However, any section of the Authority's financial regulations and standing orders shall not apply if it requires schools:

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

this requirement has been complied with.

Earmarked funds must be returned to the Local Authority if they are not spent in year, or within the period over which schools are allowed to use the funding, if different.

The Local Authority is barred from making any deductions, in respect of interest costs to the Local Authority, from payments to schools of devolved specific or special grant.

2.12 Spending for the purposes of the school

Governing bodies are free² to spend budget shares 'for the purposes of the school, which includes pupils at other maintained schools³, and community facilities' subject to any provisions of this scheme.

2.13 Capital spending from budget shares

Governing bodies may use their budget share to meet the costs of capital expenditure on school premises. This includes expenditure by the governing body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998. However, if the expected capital expenditure from the budget share in any one-year will exceed £15,000, the governing body must notify the Local Authority and take into account any advice from the Director of Education as to the merits of the proposed expenditure. If the Local Authority owns the premises, or the school has voluntary controlled status, then the governing body should seek the consent of the Local Authority to the proposed works. These requirements do not affect expenditure from any capital allocation made available by the Local Authority outside the delegated budget share.

The Authority, having regard to national regulations and guidelines, will determine the definition of capital expenditure.

2.14 Notice of concern

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

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

These may include:

² In accordance with s.50 (3) of the School Standards and Framework Act 1998 (the SSAF Act 1998) and S50(3A) which came into effect 1 April 2011.

³ In accordance with 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).

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

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

2.15 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 the specified deadlines.

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

2.16 Fraud

All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets.

The governing body and head teacher must inform all staff of school policies and procedures 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.

2.16.1 Raising a Concern

Concerns should be reported as early and as clearly as possible. Under normal circumstances, school teachers and employees should report suspected fraud or irregularities to the head teacher / governors who must ensure that the matter is reported to Manchester City Council Internal Audit.

Internal Audit will advise regarding the most appropriate methods of investigation and whether Internal Audit, Human Resources or Legal Services need to lead or participate in the investigation.

Head teachers, governors, or other school employees who suspect fraud, bribery, money laundering or theft should not undertake investigations without first seeking advice from Internal Audit.

Should a member of school staff believe their superior is involved in the concern (or will not take appropriate action regarding concerns raised around fraud and irregularity), then they should contact Internal Audit directly.

2.16.2 How to Report a Concern

Concerns or suspicions of fraud/irregularity should use one of the following reporting mechanisms to notify Internal Audit:

- Email concerns directly to Internal Audit at: whistleblowing@manchester.gov.uk
- Contact Internal Audit by telephone: Whistleblowing hotline 0161 234 5280
- Use the Council's secure online whistleblowing reporting form: <https://secure.manchester.gov.uk/forms/form/606/en/whistleblowing>
- Concerns can be raised in person by contacting a member of the Counter Fraud Team within Internal Audit.
- Concerns can also be raised in writing to: Head of Internal Audit and Risk Management, Confidential, Manchester City Council, Floor 6, Town Hall Extension, Mount Street Elevation, Manchester, M60 2LA.
- Concerns regarding Money Laundering need to be reported immediately to the Money Laundering Reporting Officer (MRLO and S151) using the standard form within the policy document.

SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS ("The School Cheque Book Scheme")

3.1 Frequency of instalments

Manchester City Council has adopted the CIPFA Code of Practice for Treasury Management in Local Authorities. All schools within Manchester hold an external bank account for official funds and must comply with the rules and conditions in this scheme.

The budget share for each school, which includes place-led funding for special schools or pupil referral units, is issued as a cash advance. Top up payments for pupils with high needs are included in the budget share payment.

In the following section's text, the instalment of budget share will be referred to as "cash advance payments". Schools will receive 100% of their budget share in 12 instalments. The cash advance will be made available to governing bodies on a monthly basis at a time in the month prescribed by the City Treasurer (usually by the 7th of each month) and notified to school in advance of the budget year. The dates will take into account arrangements for the payment of salaries. Payments to schools from contingency fund will be made in one single payment.

3.2 Proportion of cash advance payable at each instalment

The monthly advance on dates to be prescribed by the City Treasurer will be calculated on the basis of a percentage of the school's approved budget share. This will be in the form of twelve equal monthly instalments from the year 2020/21 onward.

The percentages to be applied each month are set out below and will be reviewed periodically:

	%
April	8.34
May	8.34
June	8.34
July	8.34
August	8.33
September	8.33
October	8.33
November	8.33
December	8.33
January	8.33
February	8.33
March	8.33

These monthly payments will be netted off for pay costs where Local Authority payroll services are used.

3.3 Interest claw back

The frequency, timing and the percentage of cash advanced each month provides a cash flow

pattern, which is not in advance of existing arrangements and spending patterns. It will therefore NOT be necessary for the Authority to make a deduction from cash advances to cover any estimated interest lost by the Authority in making available these amounts.

3.3.1 Interest on late cash advance payments

If, due to a Local Authority error, cash advance payments are paid later than the arrangements described in section 3.2, interest will be added to the late payment at the prevailing Bank of England base rate.

3.4 Budget shares for closing schools

Provision is made for schools in the chequebook scheme for which approval for closure or amalgamation has been secured, to receive cash advances until closure on a monthly basis net of estimated pay costs, if the Local Authority wishes to do so.

3.5 Bank and building society accounts

All schools must have an external bank account into which their cash advances (as determined by other provisions) are paid. Schools are being 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.

3.5.1 Restrictions on accounts

Accounts may only be held for the purpose of receiving cash advances payments, at the following banks:

- Bank of Scotland PLC
- Barclays Bank PLC
- HSBC Bank PLC
- Lloyds TSB PLC
- National Westminster Bank PLC
- Santander UK PLC

Schools must seek approval from the Local Authority for other banks or building societies not shown on the above list. Schools having bank accounts with other banks prior to 1st April 2001 will be allowed to retain those accounts.

Any school closing an account used to receive its cash advance and opening another must select the new bank or building society from the approved list, unless approval has been given to choose a bank not on the above list, even if the closed account was not with an institution on that list.

Money paid by the Local Authority and held in school bank accounts remains Local Authority

property until spent. It is recommended that bank accounts are opened in the name of the school and Manchester City Council. Where a bank account is opened only in the name of the school, then the bank mandate must allow the Local Authority as owner of the funds to receive statements and take control of the account if the school's right to a delegated budget is suspended.

Schools must notify the City Treasurer of the bank used, account numbers and authorised signatories for all Local Authority bank accounts. Changes to banks and/or signatories must also be notified.

If any governing body of a school operating a bank account for payments fails to operate banking arrangements in accordance with this scheme and Financial Regulations or fails to submit the Local Authority returns as requested by the Schools Finance Team, then the City Treasurer may suspend further transfers of funding to the bank account of that school and may withdraw such banking arrangements until the situation is resolved. Where a school is unable to operate a bank account in accordance with Financial Regulations or any other guidance issued by the School Finance team, the Local Authority will withdraw bank account facilities from that school, and/or in certain circumstances could withdraw delegation.

Where a school has an unapproved deficit, the Local Authority may withdraw bank account facilities from that school.

3.6 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.

From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. Schools are able to use any scheme that the Secretary of State has said is available to schools without specific approval, currently including the Salix scheme, which is designed to support energy saving.

Bank Account schools are encouraged to use purchase cards in accordance with the School Financial Regulations and Guidance, which can be a useful means of facilitating electronic purchase. Schools may not use credit cards, which are regarded as borrowing.

This provision does not apply to the Local Authority's loan capital scheme (see paragraphs 4.9).

Queries on the Secretary of State's power should be directed to the DfE's School Capital and Buildings Division, which issue periodic advice on the matter.

Overdrafts are not permitted, and schools must not, under any circumstances, arrange overdrafts or allow the account to become overdrawn. (Any monies borrowed will impinge on the legal maximum that the Council as a whole may borrow, and could incur penalties).

3.7 Other provisions

The Local Authority has formulated rules and guidance in respect of banking arrangements, which are detailed below.

The scheme places certain requirements on the school. When accounts are opened, schools should ensure that the following requirements are fulfilled:

- Accounts must only be opened with the approval of the governors and preferably in the name of the school and Manchester City Council.
- Governors may authorise a minimum of four and up to a maximum of six signatories. These should be reviewed annually.
- A pro-forma should be completed by the school, authorising the bank to accept a request from the City Treasurer or his/her representatives (Internal Audit and/or finance staff employed by the Council) for access to information on the school account, in order to fulfil their statutory duties, and take control of the account if the school's right to a delegated budget is suspended.
- All correspondence from the bank to the school must be addressed to the head teacher.
- Bank statements must be provided at least monthly, sent to the school on the last banking day of each month immediately after the last banking day's transactions.
- The school should send a copy of the bank statement to the Local Authority with their monitoring returns or as requested by the Local Authority.
- Paying-in-books must be provided and used for paying in income.
- Cheque counterfoils or their electronic equivalent must be completed in every case and retained for audit purposes.
- Cheques of up to £20,000 must be signed in manuscript by two of the signatories.
- Cheques of over £20,000 must be signed in manuscript by three (one of whom must be the head teacher or a designated responsible officer in place of the head teacher) of the signatories.
- Cheques should be crossed, non-negotiable and "a/c payee only".

- The school retains any interest and bears any charges made by the bank. Interest should be paid gross.
- A surplus may be invested, but only in accounts of an approved bank, which bear no risk to the principal sum. Any investment must be made through the school itself and not through an intermediary. Details of this must be provided to the Local Authority in accordance with section 3.5.1.
- Direct debits or standing orders may be used for salaries and recurring payments such as utility bills and rates. Credit cards are not permitted.

Schools wishing to use telephone or electronic banking systems must ensure that the following control procedures are in place and adhered to:

- The authority is notified of any changes in banking procedures.
- Controls, particularly access controls, are of a level that is comparable to that provided by the current chequebook system.
- The school recognises that methods of authorisation may change, but the levels of authorisation must comply with the approved bank mandate.

SECTION 4: THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES

4.1 The right to carry forward surplus balances

Schools may carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year. School balances are part of the City Council's general reserves and may be used to support the overall financial requirement of the City Council but subject to the absolute undertaking that the balances will always be available for the use of school governing bodies when required.⁴

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 with effect from 1 April 2019:

- a. The Authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose, the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;
- b. The Authority shall then deduct from the resulting balance late grants that were

⁴3 A school's surplus balance at 1 April 2019 shall be equal to that at 31 March 2019.

received and not previously notified to the school in sufficient time in the financial year. The Authority will confirm to schools on an annual basis what grants are identified as late, and these will be excluded from any excess balance calculation. For example 2018/19 balances the calculation would therefore exclude additional devolved formula capital and the supplementary free school meals grant announced and paid to schools late 2018/19.

- c. If the result of steps a-b is a sum greater than whichever is the greater of 5% of the current year's budget share (secondary schools) or 8% (nursery, primary and special schools), or £10,000 (where that is greater than either percentage threshold), then the Authority will review how much of the amount above 5% or 8% has been held for more than 4 years.
- d. The Authority will clawback balances above the allowable threshold that have been held for more than 4 years, at the percentage rate agreed by Schools Forum. This will apply to balances from the 31 March 2019. The future operation of the mechanism will be reviewed by Schools Forum before March 2020.

If schools are unable to demonstrate sufficient robust plans to commit their current excess balance, clawback will be applied **prior** to the lapse of the allowable balance retention period of more than four years.

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

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

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

Schools should continue to annually provide analysis of reserves to governors for approval and send to the Local Authority by the 7th June.

4.2.1 Appeals Panel

An appeals panel will be formulated to review any appeals made against the automatic clawback of excess balances. The panel would be a sub-group to Schools Forum, and would be made up of three members of Schools Forum and would be supported by an LA officer. In specific situations (i.e. discussion around own school), it will become necessary for a substitute head teacher or governor to take the place of a colleague on the sub-group. It is not expected that this group would meet more than twice each year.

Appeals will be evidence-based. The panel will consider only written evidence from schools

subject to automatic clawback. Where the automatic clawback is £100k or more schools can request permission, with advanced notice, to have a school representative present at their allocated timeslot at the appeals panel.

4.3 Interest on surplus balances

No interest will be paid by the Local Authority on surplus balances because all schools have their own bank accounts.

4.4 Obligation to carry forward deficit balances

Deficit balances⁵ will be carried forward. The Local Authority will not charge any interest on deficit balances.

4.5 Planning for deficit budgets

Schools may only plan for a deficit budget in accordance with the terms of paragraph 4.8 below.

4.6 Writing off deficits

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

4.7 Balances of closing and replacement schools

When a school closes, any balance (whether surplus or deficit) shall revert to the Local Authority; it cannot be transferred as a balance to any other school, even where the school is a successor to the closing school, except that a surplus transfers to an academy where a school converts to academy status under section 4(1) (a) of the Academy Act 2010.

4.8 Licensed deficits

The Authority may license a deficit providing the school develops a recovery plan showing how the school will manage the deficit moving to a balanced position over an agreed period of time.

In order to be considered, schools must;

- submit an application for a licensed deficit, which will need approval by the City Treasurer;
- submit a detailed recovery plan (in a template provided by the Local Authority), identifying the budget pressures and what actions will be taken to achieve recovery;
- submit monthly monitoring returns and progress tracking against the agreed recovery plan;
- review their cash flow position to identify areas of concern and assess if they

⁵4 A school's deficit balance at 1 April 2019 is equal to that at 31 March 2019.

require a 'licensed deficit with a cash advance'.

4.9 Capital Loans and Revenue Cash Advance schemes

In appropriate circumstances the Local Authority will allow a school to apply for a cash advance from the Local Authority. The cash advance scheme will be funded from overall school balances. 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. Cash advances will be used as a means of ensuring a school has sufficient funds where it has arisen because a school's recurrent costs exceed its current income.

Interest will be charged on an annuity basis for loans to fund capital schemes calculated on the basis set out in the School Financial Regulations and Guidance.

The arrangements applying to the Local Authority for a revenue cash advances are set out below:

- The Local Authority may agree in advance a financial plan that provides for any cash advance to be recovered over more than one financial year subject to the governing body passing a resolution to that effect and complying with the conditions agreed in the financial plan.
- The maximum cash advance sum shall not normally exceed 10% of the delegated budget, unless the Local Authority gives specific written agreement.
- The total of agreed cash advance shall not normally exceed 40% of schools collective balances, subject to exceptional circumstances agreed between the City Treasurer and the Director of Education.
- The maximum period over which schools must balance their budget, in these circumstances, is normally three years except where a longer period has already been agreed prior to this scheme coming into effect or where the authority wishes to agree a longer term in exceptional circumstances.
- Schools will be subject to additional monitoring procedures and will need to satisfy the Director of Education and the City Treasurer that adequate financial management arrangements are in place at the school.
- Cash advances to cover licensed deficits agreed by the Authority do not incur any interest charges to the school interest will be charged on an annuity basis for loans to fund capital schemes calculated on the basis set out in the School Financial Regulations and Guidance.

SECTION 5: INCOME

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

5.1 Income from lettings

The governing body or a designated committee should agree a lettings policy and a scale of charges for them annually. Schools may retain income from lettings of the school premises, which would otherwise accrue to the Local Authority, subject to alternative provisions arising from any joint use or PFI /PPP agreements. Schools are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share. However, schools are required to have regard to directions issued by the Local Authority as to the use of school premises as permitted under the School Standards and Framework Act 1998 for various categories of schools. Schools should ensure adequate insurance arrangements are in place.

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

5.1.1 Income from school sports centres

A school operating separate sports centres should ensure that sports centre income is accounted for separately from any lettings income for the use of school sports facilities that the school makes. Schools should also ensure that expenditure is accounted for separately, that sports centre running costs are **not** subsidised from the school budget and any shared costs are properly recharged.

5.2 Income from fees and charges

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

5.3 Income from delegated school meals

A school operating their own school meals provision should ensure income and expenditure is accounted for separately in their school accounting system.

5.4 Income from fund-raising activities

Schools may retain income from fund-raising activities.

5.5 Income from the sale of assets

Schools may retain the proceeds from the sale of assets purchased from the school's revenue budget share, the income must be included in the school budget plan and only spent for the purposes of the school which includes pupils at other maintained schools, and community facilities. In cases where the asset was purchased with non-delegated funds the proceeds will

accrue to the Local Authority. The proceeds from the sale of an asset where the asset concerned is land or buildings forming part of the school premises and is owned by the Local Authority will accrue to the authority.

Assets that are leased cannot be sold.

5.6 Administrative procedures for the collection of income

The School Financial Regulations and Guidance contains administrative procedures for the collection of income including the treatment of VAT, which schools are required to adhere to.

5.7 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.

SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General provision

The budget share of a school may be charged by the Local Authority without the consent of the governing body only in circumstances set out in 6.2 below.

Such cases will arise only where the Local Authority has incurred the expenditure to be charged to the school. Where the Authority cannot incur a liability because the statutory responsibility rests elsewhere (e.g. in some cases the governing body of a Voluntary Aided or Foundation school) no charging is possible.

The Local Authority must consult a school as to the intention to so charge, and shall notify a school when it has been done.

For the avoidance of doubt, local authorities may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of the Schools Forum.

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.

The Local Authority shall make arrangements for a dispute procedure for such charges.

6.1.1 Salary costs

The Local Authority is required to charge salaries of school based staff to school budgets at actual cost.

6.2 Circumstances in which charges may be made

- Where premature retirement costs have been incurred without the prior written agreement of the Local Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Local Authority).
- Other expenditure incurred to secure resignations where the school had not followed Local Authority advice.
- Awards by courts and industrial tribunals or out of court settlements against the Local Authority arising from action or inaction by the governing body contrary to the Local Authority's advice.
- Expenditure by the Local Authority in carrying out health and safety work or capital expenditure for which the Local Authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.
- Expenditure by the Local Authority incurred in making good defects in building work funded by capital spending from budget shares, where the Local Authority owns the premises; or the school has Voluntary Controlled status.
- Expenditure incurred by the Local 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 Local Authority. (See also 10.1)
- Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure and the result is that monies are owed by the school to the City Council.
- Recovery of penalties imposed on the Local Authority by the Board of Inland Revenue, the Contributions Agency, HM Customs and Excise, Teachers Pensions, the Environment Agency, or regulatory authorities as a result of school negligence.
- Correction of Local Authority errors in calculating charges to a budget share (e.g. pension deductions).
- Additional transport costs incurred by the Local Authority arising from decisions by the governing body on the length of the school day, and failure to notify the Local Authority of non-pupil days resulting in unnecessary transport costs.
- Legal costs that are incurred by the Local Authority because the governing body did not accept the advice of the Local Authority (see also section 11).

- 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.
- Costs incurred by the Local Authority as a result of a school's failure to comply with the requirements of the Manchester Scheme for Financing Schools.
- Recovery of unspent earmarked funds (see section 2.12).
- Teacher pension remittance
- Cost of work done in respect of teacher pension remittance and records for schools using non-Local Authority payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligation.
- Costs incurred by the Local Authority in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs;
- Costs incurred by the Local Authority due to submission by the school of incorrect data.
- Recovery of amounts spent from specific grants on ineligible purposes.
- Costs incurred by the Local Authority as a result of the governing body being in breach of the terms of a contract.
- Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to the "Disputes Procedure" (see School Financial Regulations and Guidance) set out in a service level agreement, and the result is that monies are owed by the school to the Local Authority.
- Facilities provided by third parties for use by schools – Recover either: -
 - (a) The actual costs incurred in securing the provision of facilities and/or premises and for which individual schools chose to use; or
 - (b) The equivalent commercial rate of charge that the school would have had to pay for the use of the facilities/premises owned by third parties had the council not secured the use of these premises by way of a contract agreement.
- The recharge will be the lower of either (a) or (b).
- Where schools withdraw from a cluster arrangement into which they entered into

voluntarily and which consequently results in additional costs to the other schools in the cluster or to the Local Authority.

SECTION 7: TAXATION

7.1 Value Added Tax

All maintained schools are able to reclaim VAT on expenditure relating to non-business activity. The amounts so reclaimed will be passed back to the school. More detailed guidance on this is set out in the School Financial Regulations and Guidance.

7.2 CITS (Construction Industry Taxation Scheme)

Schools are required to abide by the procedures issued by the Local Authority in connection with CITS. They can be found in the School Financial Regulations and Guidance.

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

8.1 Provision of services from centrally retained budgets

The Local Authority shall determine on what basis services from centrally retained funds, including premature retirement costs and redundancy payments, will be provided to schools. However, the Local Authority is barred from discriminating in its provision of services on the basis of categories of schools except where such discrimination is justified by differences in statutory duties.

8.2 The provision of services bought back from the Local Authority using delegated budgets

Manchester City Council will determine from time to time the range of services, for which funding has been delegated, it will offer to schools to buy back through Service Level Agreements.

The term of any arrangement with a school starting on or after 1 April 1999 to buy services or facilities from the Local Authority is limited to a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the later, and periods not exceeding five years for any subsequent agreement relating to the same services. This may be extended where contracts are for the supply of catering services to five and seven years respectively. Services offered by Manchester City Council will be at prices, which are intended to generate income, which is no less than the cost of providing those services.

8.3 Service Level Agreements and contracts

Manchester City Council will invite schools, during the Autumn Term, to indicate which services they intend to buy back from the Council by making an expression of intent to purchase. This will assist both schools and the Council in determining resources for the forthcoming financial year. Manchester City Council recognises that schools may choose to buy services from

providers outside of the Council and will support schools to implement such decisions effectively.

Schools will be asked to confirm which services they are going to buy back from the Council before the end of March each year. All service level agreements must be in place by 31 March to be effective for the following financial year. Schools will have a month to consider the terms of agreements.

Service Level Agreements will contain details of the services offered by Manchester City Council, arrangements for negotiating additional services, the cost of the services and arrangements for reviewing costs during the term of the Agreement. There will also be a procedure for dealing with complaints and for the termination of agreements.

Schools buying services from Manchester City Council will be invoiced at the start of the financial year and may be offered a facility to pay the invoice by instalments during the financial year.

If services or facilities are provided under a service level agreement, whether free or on a buyback basis, the terms of any such agreement starting on or after the inception of the scheme will be reviewed at least every three years if the agreement lasts longer than that.

8.4 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.

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate.

The Authority will advise schools each year of the timing, format and specification of the information required. A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) be passed to the Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

A governing body of any maintained school which directly administers its payroll shall supply

salary, service and pensions data to 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 body shall also ensure that Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

SECTION 9: PFI/PPP CLAUSES

Where an agreement is to be entered into as a Private Finance Initiative or Public-Private Partnership, the agreement must be in accordance with relevant regulations and guidance issued by the Local Authority. The Local Authority retains the power to charge the school's budget share with amounts agreed under a PFI/PPP agreement entered into by the governing body of a school.

SECTION 10: INSURANCE

10.1 Insurance cover

Funds for insurance are delegated to schools within the individual schools budget share. Schools are required to ensure that cover relevant to the Local Authority's insurable interest, under a policy arranged by the governing body, is at least as good as the relevant minimum cover which would otherwise be arranged by the Local Authority.

The level and range of cover will vary from time to time and schools considering arranging their own policies must obtain advice and minimum cover levels from the City Treasurer before entering into negotiations with insurers.

Once quotations have been obtained from insurance companies and before entering into a contract with an insurance company, schools must inform the City Treasurer's Insurance and Risk Management Group. A representative of the group will then arrange a discussion with the head teacher and/or Finance Officer to review the adequacy of the cover and arrange for the financial appraisal of the insurance underwriters. Written advice will then be provided to the school by the Insurance and Risk Management Group within seven working days.

The school must notify the City Treasurer as soon as possible of the date when insurance will come into effect. Contingent insurance will then be arranged to cover the possibility of the failure of the schools insurance. The contingent insurance will cover each of the major areas of risk and details can be obtained on request.

SECTION 11: MISCELLANEOUS

11.1 Right of access to information

Governing bodies shall supply to the Local Authority all financial and other information which

might reasonably be required to enable the Local Authority to satisfy itself as to the school's management of its delegated budget share, or the use made of any central expenditure by the Local Authority (e.g. earmarked funds) on the school.

There may be occasions when the Authority may require further information to be assured that a school's delegated budget is being managed in a proper manner. Should the Authority need to undertake such work on behalf of the school, the school may be liable to a charge based on the published hourly rates of School Finance Service SLA and agreed in advance.

The keeping of accounts, financial records and prime documents should be in a suitably secure place and condition and retained for a period of six years plus the current year.

Schools must not mix official funds (monies due to and from the City Council) with private funds (e.g. School Fund, PTA). These should be kept and accounted for separately at all times.

11.2 Liability of governors

Because the governing body is a corporate body⁶⁵, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

11.3 Governors' expenses

The Local Authority shall have the power to delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses. Governing bodies will not have discretion in the amounts of such allowances; these will be set by the authority.

Only allowances in respect of purposes specified in regulations⁷⁶ may be paid to governors from a school's delegated budget share. Schools are expressly forbidden from paying any other allowances to governors. Schools are barred from payment of expenses duplicating those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

11.4 Responsibility for legal costs

Legal costs incurred by the governing body, although the responsibility of the Local Authority as part of the cost of maintaining the school (unless they relate to the statutory responsibility of aided school governors for buildings) may be charged to the school's budget share unless the governing body acts in accordance with the advice of the Authority. Where there is a conflict of interest between the Local Authority and the governing body such that the Local Authority's lawyers could not appropriately advise or represent the school a request should be made in advance to the Director of Education for separate legal representation. The Director of Education and the City Solicitor will determine if separate legal representation is appropriate and similarly if the cost of that representation should or should not be met by the Local Authority,

⁶⁵ And because of the terms of S.50(7) of SSAF Act

⁷⁶ Schedule 11 of the School Standards and Framework Act 1998

at least in the first instance.

11.5 Health and Safety

Governing bodies are required to have due regard to duties placed on the Local Authority in relation to health and safety, and the authority's policy on health and safety matters in expending the school's budget share.

11.6 Right of attendance for the City Treasurer

Governing bodies are required to permit the Authority's City Treasurer, or any officer of the Authority nominated by the City Treasurer to attend meetings of the governing body at which any agenda items are relevant to the exercise of their responsibilities. The Authority will give prior notice of such attendance unless it is impracticable to do so.

The City Treasurer's attendance shall normally be limited to items that relate to issues of probity or overall financial management and shall not be regarded as routine.

11.7 Suspension of financial delegation

Governing bodies and head teachers are required to manage their delegated budgets with due propriety and to the standards of stewardship required for public money. If they fail to do so the authority will be entitled to take the following action:

- Give advice
- Issue warnings
- Take other direct remedial action in accordance with the Scheme for Financing Schools

The Local Authority will consider the Suspension of a governing body's right to a delegated budget where:

- There is evidence of substantial or persistent failure to comply with any requirements applicable under the Scheme for Financing Schools.
- There is evidence of financial mismanagement, where the governing body is not managing the appropriation or expenditure of the sum put at their disposal for the purposes of the school in a satisfactory manner.
- There has been mismanagement of the educational affairs of the school.

Where delegation is withdrawn, the following conditions will apply:

- The authority will give at least one month's notice of the suspension to the governing body and the head teacher.
- The authority may withdraw delegation before the expiry of the period of notice in an emergency situation, but must provide immediate written notification and justification of

the action to the Secretary of State.

- The governing body has a right of appeal to the Secretary of State against withdrawal of delegation where the grounds are either failure to comply with the Scheme or financial mismanagement, but not in the case of mismanagement of the educational affairs of the school.

Furthermore:

Where a school has been the subject of an inspection which identified the school as being in need of special measures, the authority is empowered to suspend the governing body's right to a delegated budget subject to conditions specified in section 17 of the School Standards and Framework Act 1998.

Schools will continue to have limited delegation as laid down in para.4 of schedule 15 to that Act. The authority will be responsible for ensuring that the school budget is not overspent. A limit on a school's authority to incur expenditure and other financial processes to be followed will be set down in a school specific agreement document produced by the authority. The document will define the roles and responsibilities of both school based staff and the designated Local Authority monitoring and support officers.

11.8 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.

11.9 "Whistleblowing"

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 in the School Financial Regulations and Guidance. Please also see paragraph 2.16 for guidance on suspected fraud.

11.10 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.

SECTION 12: COMMUNITY FACILITIES

12.1 Introduction

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

Regulations made under S.28 (2), if made, can specify activities, which may not be undertaken at all under the main enabling power. The school is obliged to consult with the Local Authority and have regard to advice from the authority. The Secretary of State issues guidance to governing bodies about a range of issues connected with exercise of the power, and a school must have regard to that.

However, under S.28 (1), the main limitations and restrictions on the power will be:-

- a) those contained in schools' own instruments of government, if any; and
- b) Any prohibitions, restrictions and limitations made elsewhere in the Manchester Scheme for Financing.

This section of the scheme does not extend to joint-use agreements, transfer of control agreements, or agreements between the Authority and schools to secure the provision of adult and community learning.

The budget share of a school may be used to fund community facilities.

Mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

12.2 Consultation with the Local Authority – Financial aspects

Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the Local Authority, and have regard to advice given to them by their Local Authority.

Schools are reminded that they are required to seek advice from the Authority before exercising their community facilities power. The following process should be followed when a school wishes to consider using its community facility powers:

The school should notify the Director of Education in writing of their intention to consider using the Governing Bodies Community Facilities Powers. The notification should include details of the proposed use of the powers and any third party involvement. Further information about the information to be supplied is given in the School Financial Regulations and Guidance.

The Director of Education, or their representative, will respond to the school's notification within 10 working days. They will arrange a mutually convenient date for the Director of Education, or their representative, to meet with the school to discuss the proposals and provide advice in

accordance with the requirements set down in this scheme for financing schools. The Authority cannot levy a charge for the advice given.

12.3 Funding Agreements – Local Authority powers

The provision of community facilities in many schools may be dependent on the conclusion of a funding agreement with a third party, which will either be supplying funding, or supplying funding and taking part on the provision. A very wide range of bodies and organisations are potentially involved.

Any such proposed agreement should be submitted to the Local Authority in writing for its comments; and must give the Local Authority a maximum of 6 weeks to respond. The formal notice should include a statement of purpose and a business plan for the proposed use of the community facilities power. The Local Authority cannot impose a right of veto on such agreements, either directly or through requiring a right to countersign the agreement. 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.

12.4 Other prohibitions, restrictions and limitations

The governing body 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 body concerned shall make arrangements to protect the financial interests of the Authority. Arrangements for protection may include the setting up of a limited company formed for the purpose, or obtaining indemnity insurance for risks associated with the project in question, as specified by the Local Authority. Guidance on the setting up of companies is contained in the School Financial Regulations and Guidance.

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

12.5 Supply of financial information

Schools that exercise the community facilities power must provide the Authority every six months with a summary statement, showing 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.

The Local Authority, on giving notice to the school that it believes there to be cause for concern as to the school's management of the finances of the community facilities power, will require such financial statements to be supplied every three months and, if necessary require the submission of a recovery plan for the activity in question.

12.6 Audit

The school must grant access to the school's records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure.

Schools are required, to ensure that funding agreements contain adequate provision for access by the Authority to the records and other property of those persons held on the school premises, or held elsewhere insofar as they relate to the activity in question, in order for the Authority to satisfy itself as to the propriety of expenditure on the facilities in question.

12.7 Treatment of Income and Surpluses

Schools will be allowed to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that is the Local 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.

12.8 Health and Safety Matters

The School will be responsible for ensuring health and safety provisions are met in respect of the community facilities.

The governing body has responsibility for the costs of securing Disclosure and Barring Service clearance for all adults involved in community activities taking place during the school day. Governing bodies would be free to pass on such costs to a funding partner as part of an agreement with that partner.

12.9 Insurance

It is the responsibility of the governing body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance should not be funded from the school budget share. The school should seek the Authority's advice before finalising any insurance arrangement for community facilities.

The Local Authority may undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. Such costs

could not be charged to the school's budget share.

12.10 Taxation

Schools should seek the advice of the Local Authority and the local VAT office on any issues relating to the possible imposition of Value Added Tax 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 Local 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.

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

12.11 Banking

Schools should make banking arrangements in accordance with section 3 of this scheme. A school may have just the one account provided there are adequate internal accounting controls to maintain separation of funds.

Schools may not borrow money without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by the Local Authority.

SECTION 13: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

13.1 Overview

The Local Authority will continue to delegate all revenue funding for repairs and maintenance to schools as part of the school's budget share.

Only capital expenditure is to be retained by the Local Authority. 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 CIPFA Code of Practice on Local Authority accounting.

Schools are also in receipt of devolved formula capital (DFC) grant to carry out work that can be defined as capital. The DFC grant remains under individual schools' control.

For voluntary aided schools, the capital funding is devolved to the relevant diocese who then work with their schools and governing bodies to address condition needs.

Annex A – List of Schools To Which The Scheme Applies

DFE No	School	Status	Sector	Status - Type
2001	Abbott Community Primary School	Maintained	Primary	CY
4271	Abraham Moss Community School	Maintained	Secondary	CY
2048	Acacias Primary School	Maintained	Primary	CY
3301	All Saints CofE Primary School - Newton Heath	Maintained	Primary	VA
2321	All Saints Primary School - Gorton	Maintained	Primary	CY
2006	Alma Park Primary School	Maintained	Primary	CY
3043	Armitage CofE Primary School	Maintained	Primary	VC
2010	Ashbury Meadow Community Primary School	Maintained	Primary	CY
7749	Ashgate Primary School	Maintained	Special	CY
2326	Baguley Hall Primary School	Maintained	Primary	Foundation
2341	Benchill Primary School	Maintained	Primary	Foundation
2328	Birchfields Primary School	Maintained	Primary	CY
2039	Bowker Vale Primary School	Maintained	Primary	CY
2298	Broad Oak Primary School	Maintained	Primary	CY
2340	Button Lane Primary School	Maintained	Primary	CY

DFE No	School	Status	Sector	Status - Type
7023	Camberwell Park School	Maintained	Special	CY
7959	Castlefield Campus -The Federation	Maintained	Special	CY
2057	Cavendish Community Primary School	Maintained	Primary	CY
2058	Chapel Street Primary School	Maintained	Primary	CY
2060	Charlestown Community Primary School	Maintained	Primary	CY
2288	Cheetwood Community Primary School	Maintained	Primary	CY
3003	Chorlton CofE Primary School	Maintained	Primary	VC
3402	Christ the King RC Primary School	Maintained	Primary	VA
2068	Claremont Primary School	Maintained	Primary	CY
3490	CofE School of The Resurrection	Maintained	Primary	VA
1008	Collyhurst Nursery School	Maintained	Nursery	CY
2296	Crab Lane Primary School	Maintained	Primary	CY
2075	Crosslee Community Primary School	Maintained	Primary	CY
2076	Crowcroft Park Primary School	Maintained	Primary	CY
2327	Crumpsall Lane Primary School	Maintained	Primary	CY
7055	Grange School	Maintained	Special	CY
2129	Heald Place Primary School	Maintained	Primary	CY
2303	Higher Openshaw Community School	Maintained	Primary	CY
3408	Holy Name RC Primary School	Maintained	Primary	VA
3005	Holy Trinity CofE Primary School	Maintained	Primary	VC
2249	Irk Valley Community School	Maintained	Primary	CY
7029	Lancasterian School	Maintained	Special	CY
2142	Lily Lane Primary School	Maintained	Primary	CY
4753	Loreto High School	Maintained	Secondary	VA
1102	Manchester Bridgelea PRU (KS 1/2)	Maintained	Special	CY
7007	Manchester Hospital School	Maintained	Special	CY
1105	Manchester Secondary PRU (KS 3/4)	Maintained	Special	CY
2305	Manley Park Primary School	Maintained	Primary	CY
1007	Martenscroft Nursery School	Maintained	Nursery	CY
2161	Mauldeth Road Primary School	Maintained	Primary	CY
7042	Meade Hill School	Maintained	Special	CY

DFE No	School	Status	Sector	Status - Type
2324	Medlock Primary School	Maintained	Primary	CY
2164	Moston Fields Primary School	Maintained	Primary	CY
2165	Moston Lane Community Primary School	Maintained	Primary	CY
3503	Mount Carmel RC Primary School	Maintained	Primary	VA
2184	New Moston Primary School	Maintained	Primary	CY
7061	North Ridge High School	Maintained	Special	CY
2186	Northenden Community School	Maintained	Primary	CY
2330	Oswald Road Primary School	Maintained	Primary	CY
4761	Our Lady's RC High School	Maintained	Secondary	VA
3475	Our Lady's RC Primary School	Maintained	Primary	VA
3506	Park View Community Primary School	Maintained	Primary	CY
2300	Peel Hall Primary School	Maintained	Primary	CY
2302	Pike Fold Primary School	Maintained	Primary	CY
2216	Plymouth Grove Primary School	Maintained	Primary	CY
2232	Rack House Primary School	Maintained	Primary	CY
2234	Ravensbury Community School	Maintained	Primary	CY
2008	Ringway Primary School	Maintained	Primary	CY
7047	Rodney House School	Maintained	Special	CY
3464	Sacred Heart Catholic Primary School (Baguley)	Maintained	Primary	VA
3505	Sacred Heart RC Primary School (Gorton)	Maintained	Primary	VA
2301	Sandilands Primary School	Maintained	Primary	CY
3491	Saviour CofE Primary School	Maintained	Primary	VA
7056	Southern Cross School	Maintained	Special	CY
3041	St Agnes CofE Primary School	Maintained	Primary	VC
3415	St Aidan's Catholic Primary School	Maintained	Primary	VA
3418	St Ambrose RC Primary School	Maintained	Primary	VA
3310	St Andrew's CofE Primary School	Maintained	Primary	VA
3504	St Anne's RC Primary School - Ancoats	Maintained	Primary	VA
3422	St Anne's RC Primary School - Crumpsall	Maintained	Primary	VA
3011	St Augustine's CofE Primary School	Maintained	Primary	VC
3473	St Bernard's RC Primary School	Maintained	Primary	VA

DFE No	School	Status	Sector	Status - Type
3429	St Brigid's RC Primary School	Maintained	Primary	VA
3432	St Catherine's RC Primary School	Maintained	Primary	VA
3434	St Chad's RC Primary School	Maintained	Primary	VA
3015	St Chrysostom's CofE Primary School	Maintained	Primary	VC
3501	St Clare's RC Primary School	Maintained	Primary	VA
3042	St Clement's CofE Primary School	Maintained	Primary	VC
3500	St Cuthbert's RC Primary School	Maintained	Primary	VA
3439	St Dunstan's RC Primary School	Maintained	Primary	VA
3440	St Edmund's RC Primary School	Maintained	Primary	VA
3445	St Francis RC Primary School	Maintained	Primary	VA
3316	St James' CofE Primary School - Rusholme	Maintained	Primary	VA
3446	St John Bosco RC Primary School	Maintained	Primary	VA
3045	St John's CofE Primary School - Longsight	Maintained	Primary	VC
3489	St John's RC Primary School - Chorlton	Maintained	Primary	VA
3494	St Joseph's RC Primary School	Maintained	Primary	VA
5200	St Kentigern's RC Primary School	Maintained	Primary	VA
3044	St Luke's CofE Primary School	Maintained	Primary	VC
3452	St Malachy's RC Primary School	Maintained	Primary	VA
3455	St Margaret Mary's RC Primary School	Maintained	Primary	VA
3022	St Margaret's CofE Primary School	Maintained	Primary	VC
3484	St Mary's CofE Primary School - Moston	Maintained	Primary	VA
3028	St Mary's CofE Primary School -Moss Side	Maintained	Primary	VC
3457	St Mary's RC Primary School - Levenshulme	Maintained	Primary	VA
4762	St Matthew's RC High School	Maintained	Secondary	VA
3460	St Patrick's RC Primary School	Maintained	Primary	VA
3039	St Paul's CofE Primary School	Maintained	Primary	VC
3465	St Peter's Catholic Primary School	Maintained	Primary	VA
4770	St Peter's RC High School	Maintained	Secondary	VA
3325	St Philip's CofE Primary School	Maintained	Primary	VA
3482	St Richard's RC Primary School	Maintained	Primary	VA
3034	St Wilfrid's CofE Junior & Infant School - Newton Heath	Maintained	Primary	VC

DFE No	School	Status	Sector	Status - Type
3469	St Wilfrid's RC Primary School - Hulme	Maintained	Primary	VA
3472	St Willibrord's RC Primary School	Maintained	Primary	VA
4768	The Barlow RC High School	Maintained	Secondary	VA
7041	The Birches School	Maintained	Special	CY
3507	The Divine Mercy RC Primary School	Maintained	Primary	VA
2278	Varna Community Primary School	Maintained	Primary	CY
4276	Wright Robinson Sports College	Maintained	Secondary	Foundation

PUPIL REFERRAL UNITS

Manchester KS1 / 2 Pupil Referral Unit

Manchester KS3 / 4 Pupil Referral Unit

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 states the current policy that Manchester has adopted. It also provides some examples of when it might be appropriate to charge an individual school's budget, the central Schools Budget or the local authority's non-schools budget.

Section 37 of the 2002 Education Act says:

(4) costs incurred by the local education authority in respect of any premature 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 body in writing (whether before or after the retirement occurs) that they shall not be so met

(5) costs incurred by the local education 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 authority have 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 premature 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 has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy. Ultimately, it would be for the courts to decide what was a 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
- 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-schools 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, does not have sufficient balances to cover the costs and where the central Schools Budget does not have capacity to absorb the deficit
- 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

With the above in mind, the Local Authority have chosen to depart from the default position stipulated in the Education Act 2002. The Local Authority will meet the costs of a redundancy / severance payment under both the compulsory and voluntary severance schemes in accordance with the Council's policy. However, the Local Authority will only make payment if one of the following are satisfied:-

a) The Directorate Lead Children and Commissioning Finance has confirmed in writing to the governing body that the school is in "financial difficulty" or has a licensed deficit budget, which requires staffing reductions. Confirmation must be sought before commencing organisational change processes.

b) The head teacher has confirmed in writing that:

- i. Vacancy management and other voluntary measures short of redundancy e.g. reduction in working hours and redeployment has failed;

- ii. The number of similar posts in the school is not anticipated to increase within 2 years after the effective date of termination;
- iii. No employee made redundant from the school will be re-employed within the school in any capacity for the next 2 academic years; and
- iv. There is a headcount reduction in the school's staffing establishment.

The Local Authority may not fund redundancy payments where the school meet any of the following criteria:

- i. The school has excess surplus revenue balances above the 5% and 8% thresholds.
- ii. The school does not have falling pupil numbers or financial difficulties
- iii. The school has not followed advice from Local Authority, which may have avoided the need to make redundancies, including the inappropriate use of fixed term contracts.

Similarly where a school is restructured, amalgamated, remodelled or changes its status following a decision of the Local Authority and it does not have excessive surplus revenue balances then it may be proper for the authority to fund PRC and dismissal costs.

Costs of new early retirements or redundancies may only be charged to the central part of the Schools Budget where the expenditure is to be incurred as a result of decisions made before 1 April 2013. Costs may not exceed the amount budgeted in the previous financial year.

It is important that 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.

A de-delegated contingency could be provided, if Schools Forum agree, to support individual schools where "a governing body 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 body, and can be funded from the school's delegated budget if the governing body is satisfied that this will not interfere to a significant 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 incur costs—

(a)in respect of any premature 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 body except in so far as the authority agree

with the governing body 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 body of a maintained school in England to the local authority may be met by the governing body 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 body 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.