



# Northumberland County Council

**DRAFT**

**SCHEME FOR FINANCING MAINTAINED  
SCHOOLS**

**1 September 2023**

DRAFT

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**ANNEX A                      LIST OF SCHOOLS COVERED BY THE SCHEME**

## **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 to 53 of the School Standards and Framework Act 1998.

Under this legislation, local authorities determine for themselves the size of their Schools Budget and their non-schools education budget - although at a minimum an authority must appropriate its entire Dedicated Schools Grant to their schools budget. The categories of expenditure that 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 the Authority's maintained schools. Local Authorities may centrally retain funding in the Schools Budget for purposes defined in Regulations made by the Secretary of State under Section 45A of the School Standards and Framework Act 1998. The amounts retained centrally are decided by the Authority, and are subject to any limits or conditions (including gaining the approval of their Schools Forum or the Secretary of State in certain circumstances). The balance of the Schools Budget left after the deduction of centrally retained funds is termed the Individual Schools Budget (ISB), and it is this balance that is delegated to the Governing Bodies of schools. Expenditure items in the non-schools education budget must be centrally retained, although earmarked allocations may be devolved to schools.

Local Authorities must distribute the ISB amongst its maintained schools using a formula that accords with the Regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the Governing Body of the school concerned, unless the school is a new school that has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with Section 51 of the School Standards and Framework Act 1998. The financial controls within which the delegation works are set out in a Scheme made by the Authority in accordance with Section 48 of the School Standards and Framework Act 1998. All proposals to revise the Scheme must be approved by the Schools Forum, though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority. Furthermore, within the parameters set by this Scheme, the Governing Body's powers and responsibilities for the management of their delegated budget are subject to the general direction of the Executive Director of Finance as the statutory Section 151 Officer of the Authority. All revisions to the Scheme must also be approved by the Secretary of State, who has the power to modify Schemes or impose one.

Subject to the provisions of the Scheme, Governing Bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in Regulations made under Section 50 of the School Standards and Framework Act 1998.

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

The 1998 Act also gives the Authority the power to suspend a school's right to a delegated budget if the provisions of this Scheme (or rules applied by the Scheme) have been substantially or persistently breached, or if the budget share has not been

managed satisfactorily. The process by which this will be undertaken is set out in a four stage approach to enable a school the opportunity to take corrective action and prevent further escalation.

It is a requirement of the Department for Education that when a local authority send a letter to a School under the above stages 2 to 4, that both the DfE and the Regional Schools Commissioner (RSC) receive a copy of the notification.

### **Stage 1 Letter of Concern**

This is an initial letter from the Council to the School concerned, stating concerns in relation to the financial position of the school, and seeking information about the action being taken to address this.

### **Stage 2 – Warning Notice**

Once it has been determined that a local authority or RSC will issue a warning notice to a maintained school, they must give the notice in writing to the governing body of the school. The notice must set out:

- the matters on which their concerns are based;
- the action the governing body is required to take in order to address the concerns raised;
- the period within which the governing body must comply or secure compliance with that action (the compliance period); and
- the action the local authority or RSC is minded to take (under one or more of sections 63 to 69 of the Education and Inspections Act 2006 or otherwise) if the governing body does not take the required action.

In addition to giving the governing body a warning notice, the local authority or RSC must give a copy to the headteacher; and in the case of a Church of England school or a Roman Catholic Church school, the appropriate diocesan authority; and in the case of a foundation or voluntary school, the person who appoints the foundation governors<sup>19</sup>.

### **Stage 3 – Failure to Comply with Warning Notice letter**

When a governing body has failed to comply with a warning notice to the satisfaction of the RSC or local authority within the compliance period, and the issuing local authority or RSC has given reasonable written notice that they propose to intervene, a school is eligible for intervention and further action may be taken.

### **Stage 4 – Notice of Intervention**

Under section 60B of the Education and Inspection Act 2006, a maintained school becomes eligible for intervention where it :

- Fails to comply with a warning notice ; and / or
- Is judged inadequate by Ofsted

The range of statutory powers available under the 2006 Act include :

- Section 63 – power to require the governing body to enter into arrangements;
- Section 64 – power to appoint additional governors;
- Section 65 – power to appoint an interim executive board (IEB); and
- Section 66 – power to suspend the delegated budget.

A school's right to a delegated budget share may also be suspended for other reasons under Section 17 of the School Standards and Framework Act 1998.



The Authority is obliged to publish each year a statement setting out details of its planned Schools Budget and other expenditure on children's services, showing:

- the amounts to be centrally retained;
- 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 and for Schemes are set out in directions issued by the Secretary of State. Each school must receive:

- each year's budget and out-turn statements, as far as they relate to that school or central expenditure.

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

## **1.2 The Role of the Scheme**

The Scheme sets out the respective roles of both Northumberland's Schools and the Authority in relation to the funding of schools and the application of such funds. It is a framework that sets out the requirements relating to financial management and associated issues, and it is binding on both schools and the Authority.

To this end, the Authority has established various conditions and requirements that form the framework within which local management will operate. Although such rules are inevitably prescriptive, they are necessary to protect both Governing Bodies and Headteachers when exercising their delegated powers and responsibilities, and to ensure that the Authority is able to fulfil its statutory obligations in respect of education. They are designed to avoid unreasonably limiting the flexibility of schools in the control and deployment of their budgets whilst setting a background against which public moneys are properly accounted for and recorded.

### **1.2.1 Application of the Scheme to the Authority and Maintained Schools**

The Scheme applies to all schools maintained by the Authority, i.e. all Community, Voluntary, Foundation, Community Special, Foundation Special Schools and PRUs. Unless otherwise specifically stated, the provisions of this Scheme shall apply to any Nursery School maintained by the Authority. These schools are listed in Annex A to this Scheme.

## **1.3 Publication of the Scheme**

In accordance with the Regulations, a copy of Northumberland's Scheme for Financing Schools will be provided to both the Headteacher and Governing Body of each school covered by the Scheme. The Scheme will also be available for inspection at County Hall, as well as being published on the County Council's web site.

## **1.4 Revision of the Scheme**

All proposed revisions to the Scheme will be the subject of consultation with the Governing Body and Headteacher of every maintained school before they are submitted to the schools forum for approval by members of the forum representing maintained schools. Where a Schools Forum does not approve the revisions or approves them subject to modifications which are not acceptable to the authority, the

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

### **1.5 Delegation of Powers to the Headteacher**

The provisions of the School Standards and Framework Act 1998 allow the Governing Body of a school with a delegated budget to delegate to the Headteacher the power and the responsibility for deploying resources, subject to the requirements of this Scheme. Governors are responsible for the sound financial administration of their school, and must consider the extent to which they wish to delegate their financial powers to the Headteacher, with the limits of any such delegation consistent with the needs of the school. Any delegated powers must be recorded in the Minutes of the Governing Body, and the Headteacher must report back to the next available meeting of the Governing Body any actions taken under that delegated responsibility. The Authority's "Financial Regulations for Schools" give details of the suggested maximum limit on the financial delegation to Headteachers.

### **1.6 Maintenance of Schools**

Northumberland County Council is responsible for maintaining the schools covered by the Scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a Voluntary School where some of the expenses are, by statute, payable by the Governing Body). Part of the way the Authority maintains schools is through the funding system put in place under Sections 45 to 53 of the School Standards and Framework Act 1998.

## **2. FINANCIAL CONTROLS**

### **2.1 General Procedures**

#### **2.1.1 Application of Financial Controls in Schools**

Schools with delegated budgets remain an integral part of the Authority and must ensure that financial control and monitoring procedures operate to the highest standard. While schools may determine the financial systems to be used, these are subject to the approval of the Executive Director of Finance. All financial procedures must be documented and comply with the requirements of the Authority's "Financial Regulations for Schools" and other guidance issued by the Executive Director of Finance or Executive Director of Adult Social Care and Children's Services (DCS).

#### **2.1.2 Provision of Financial Information and Reports**

The Authority is required to maintain its accounts, of which schools' accounts are part, in a prescribed form, and to enable it to comply with this requirement schools must make periodic financial returns to the Authority. Normally, such returns shall be quarterly, except where the Authority has notified the school in writing that it considers the school's financial position warrants more frequent returns. Where a school operates its accounts solely through the Authority's on-line accounting system, the 3 monthly interval will not apply.

Schools that decide to operate their own bank account are required to submit statements at least quarterly to the Executive Director of Finance. The format of the statement will be determined by the Executive Director of Finance, will be compatible with the Consistent Financial Reporting Framework and will include the school's current approved budget, a summary of actual income and expenditure, and give an explanation of any significant variations indicated by the figures from the planned profile.

Schools which decide not to operate their own bank account are required to submit at least quarterly returns of income collected by the school and expenditure paid

through the school's Local Account. However, reimbursement of Local Account expenditure will only be undertaken upon receipt of a return, and schools may prefer to continue to make monthly returns.

All statements and returns must be certified by the Headteacher and be sent to the Executive Director of Finance within two weeks of the quarter end.

### **2.1.3 Payment of Salaries and Bills**

Schools must follow the policies and procedures prescribed by the Authority for the payment of salaries and bills.

### **2.1.4 Control of Assets**

Schools are required to maintain a record of all moveable non-capital assets in a form to be determined by the authority and setting out the basic authorisation procedures for disposal of assets. However schools should be free to determine their own arrangements for keeping a register of assets worth less than £1,000 but they should keep a register in some form. The scheme should encourage schools to register anything that is portable and attractive, such as a camera.

Disposal of other assets owned by the Authority may only be undertaken with the written permission of the Authority.

### **2.1.5 Accounting Policies (including year end procedures)**

Schools must follow the detailed written guidelines and procedures issued by the Executive Director of Finance.

### **2.1.6 Writing off Debts**

Governors must follow the Authority's general procedures for debt collection, and may only write off debts in accordance with the Authority's "Financial Regulations for Schools". The Governors may authorise the Headteacher to write off debts up to a value of £50.

## **2.2 Basis of Accounting**

The Authority accounts for schools on a cash basis and any financial returns must be completed on the same basis. School may decide to maintain their own accounting records on an alternative basis if they wish.

## **2.3 Submission of Budget Plans**

Each school must submit to the Executive Director of Finance, no later than 4-May 15 May each year, a detailed budget plan for all the financial years within the multi-year budgeting period. The plan must take full account of estimated surplus/deficit at 31 March of that calendar year and be approved by either the full Governing Body or a Committee of the Governing Body with the specifically delegated power to set the initial budget. The plan must also be submitted electronically in the format prescribed by the Executive Director of Finance, include full details of the assumptions underpinning the plan and take account of and be compatible with the Consistent Financial Reporting framework.

Where a school with its own bank account fails to provide the required budget by 15 May, instalments will be limited to an amount only sufficient to cover direct pay costs. Schools without their own bank account that fail to provide a budget by 15 May will have their non-direct pay costs suspended.

### **2.3.1 Submission of Financial Forecasts**

Each school must submit by 1 December each year a revised budget plan for the financial year, taking into account the latest information about expenditure and income, as well as details of expected retrospective adjustments to their budget

share. Schools must also submit by the same date a revised indicative budget plan for the following two financial years.

#### **2.4 School Resource Management**

Schools must seek the 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 Headteachers and Governors to determine at school level how to secure better value for money. There can be 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**

Once the annual budget is set, Governors may transfer amounts between various budget heads provided that the overall budget is not changed. Any movements should be in line with the School Improvement Plan, and the Executive Director of Finance must be notified of any changes. The Governors may delegate to the Headteacher the power to vire amounts up to £1,000, or 0.5% of the budget share, whichever is the greater.

#### **2.6 Audit - General**

The Accounts and Audit Regulations 2003 require that the Authority maintain "an adequate and effective system of internal audit of their accounting records and control systems". This requirement extends to all activities of the Authority including schools.

Internal Audit has the right to visit any school, to inspect all records and to receive the co-operation of Governors and employees. Governors are required to respond in writing stating how they propose to address any matters raised in the audit report. The Authority's external auditor will have the same rights of access and inspection as Internal Audit.

The auditors will also report to the Executive Director of Finance and the Executive Director of Adult Social Care and Childrens' Services on any matters of significance or where Governing Bodies fail to take appropriate remedial action.

#### **2.7 Separate External Audit**

The Governing Body may have their delegated accounts independently certified by an external auditor if they feel the need to do so. The audit fee for such additional external audit work will have to be met by the school and may be charged against the delegated budget. Only suitably qualified auditors may be appointed and a copy of the auditor's report and certification must be sent to the Executive Director of Finance. The cost of the audit of other school funds must be met by the school and cannot be charged to the delegated budget.

#### **2.8 Voluntary & Private Funds**

The Governors may approve the operation of funds outside of the accounts maintained for delegated moneys. Where such funds exist, Governors are required to ensure that accounting arrangements are no less rigorous than those required for official moneys. The accounts must be inspected and certified by a suitable independent person and an annual statement must be presented to the Governing Body within four months of the end of the accounting period, a copy of the certified statement must also be sent to the Executive Director of Finance. Where income or expenditure exceeds £50,000 during the accounting period the accounts must be audited and certified by a suitably qualified accountant.

## 2.9 Register of Business Interests

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

- any business interests that they or any member of their immediate family have;
- details of any other educational establishments that they govern;
- any relationships between school staff and members of the governing body

Governing bodies are also required to:

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

## 2.10 Purchasing, Tendering and Contractual Requirements

The school must abide by the Authority's "Financial Regulations for Schools" in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the Health and Safety competence of contractors, taking into account the Authority's policies and procedures. These regulations do not require a school to:

- do anything incompatible with the provisions of this Scheme, any statutory provision or any EU Procurement Directive;
- seek a countersignature from an officer of the Authority for any contract for goods or services below £60,000 per annum;
- select suppliers only from an approved list;

or would permit schools to seek fewer than three tenders or quotations in respect of any contract with a value exceeding £10,000 in any one year, subject to specific listed exceptions.

However, the Executive Director of Finance may agree specific financial limits with individual Governing Bodies.

Schools may seek advice from the DfE on a range of compliant deals via **Buying for schools**, available at: <https://www.gov.uk/guidance/buying-for-schools>

All orders must be placed using stationery approved by the Executive Director of Finance and must be signed by an authorised school employee. Contracts with suppliers which are not specifically recommended by the Authority and when there is a cost over more than one financial year may only be entered into after the terms and conditions have been approved by the school's legal adviser. Any contracts that involve services provided by specific staff may also only be entered into after the terms and conditions have been approved by the school's HR adviser. Contracts must be countersigned by the Chair of Governors, or by the Vice Chair in the absence of the Chair. Contracts that commit the school to expenditure of over £10,000, or are for a period of more than one year, must be specifically agreed in advance by the whole Governing Body.

## 2.11 Application of Contracts to Schools

Where responsibilities and the corresponding funding are delegated, schools are free to opt out of contracts arranged by the Authority, except where this Scheme provides otherwise. Before entering into any new contracts, schools are encouraged to seek and follow the advice and guidance of the Authority.

Where schools agree or have agreed to enter into a contract or service level agreement with the Authority for services paid for out of delegated budgets, irrespective of the date of delegation, schools may not make alternative arrangements until that contract or agreement expires, except with the specific written agreement of the Authority. Where a school agrees to be covered by contractual arrangements in respect of services for their school and where these are entered into by the Authority on their behalf, it may not make alternative arrangements until those contracts expire.

Under Paragraph 3 of Schedule 1 of the Education Act 2003 the Governing Body has the power to enter into contracts, but in most cases it does so on behalf of the Authority as maintainer of the school and the owner of the funds in the budget share. However, it is possible for the Governors to enter into a contract made solely on behalf of the Governing Body where it has clear statutory obligations, for example an Aided School offering a contract of employment.

### **2.12 Central Funds and Earmarking**

Where the Authority provides schools with an additional allocation of funds from sources outside the scope of delegation, for example sums for SEN or other initiatives funded from the central expenditure of an authority's Schools Budget or other authority budget, they must ensure that any separate conditions and accounting requirements for such funds are followed. Unless otherwise specifically agreed in writing, such moneys cannot be applied to other purposes and must be returned if unspent at the end of the financial year or the appropriate accounting period.

The authority may not make any deduction in respect of interest costs to the authority from payments to schools of devolved specific grant.

### **2.13 Spending for the Purposes of the School**

Governors may not spend their delegated budget outside of the purposes for which the Authority allocated the funds. However from April 2011, section 50(3A) of the School Standards and Framework Act 1988, amounts spent by Governing Bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

### **2.14 Capital Spending from Budget Shares**

Governors may spend part of their budget share to meet the cost of capital expenditure on the school premises. This includes expenditure by the Governors of Voluntary Aided Schools on work which is their responsibility under Paragraph 3 of Schedule 3 of the School Standards and Framework Act 1998.

Governors must notify the Authority of all capital expenditure, and if it is expected that the total for the year might exceed £15,000 the Governors should inform the Authority in advance and take account of any advice offered as to the merits of the proposed expenditure. In the case of a Voluntary Controlled School or if the Authority owns the land or premises, their consent must be obtained in advance for all capital works, but such consent will only be withheld on Health and Safety grounds.

### **2.15 Notice of Concern**

The LA may issue a notice of concern to the Governing Body of any school it maintains where, in the opinion of the Executive Director of Finance and the Executive Director of Adult Social Care and Childrens' Services, the school has failed to comply with any provisions of the Scheme, or where actions need to be taken to safeguard the financial position of the local authority or the school.

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

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

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

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

The SFVS replaced the Financial Management Standard in Schools (FMSIS), which was withdrawn by the Secretary of State with effect from 15 November 2010.

Governing Bodies have formal responsibility for the financial management of their schools. The SFVS has been designed to assist schools in managing their finances and to give assurance that they have secure financial management in place.

All local authority maintained schools, including the pupil referral unit (PRU), are required to complete and submit the SFVS annually, before the end of the financial year. The SFVS will not be externally assessed. It will be used by the local authority to inform their programme of financial assessment and audit.

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

Schools should submit their SFVS to their local authority by no later than 31 March each year 2022. Local authorities should submit their assurance statement to DfE within 6 weeks, or by no later than 31 May.

## **2.17 Fraud**

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

The Governing Body and Headteacher 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 the induction for new school staff and Governors.

### **3 BANKING ARRANGEMENTS; INSTALMENTS OF BUDGET SHARE**

Schools that choose not to operate their own independent bank account will have access to their entire budget share from 1 April each year. For the purpose of this section, Budget Share includes any place-led funding for Special schools or Pupil Referral Units. They will also have access to an imprest account (known as a Local Account), which enables bills to be paid by cheque and allows access to limited amounts of cash. All schools may operate their own independent bank account, and the provisions of the paragraphs below only apply to schools that choose to operate their own independent bank accounts.

#### **3.1 Frequency of Instalments**

Schools that request their full budget to be paid into a bank account will receive an instalment at the beginning of each month. Schools which request their budget net of pay costs to be paid into a bank account will receive an instalment at the beginning of each term. Top up payments for pupils with high needs should be made on a monthly basis unless alternative arrangements have been agreed with the provider.

#### **3.2 Proportion of Budget Share Payable at each Instalment**

Where a school chooses to operate a bank account for its full budget share it will receive one twelfth of its budget share at each instalment. Where a school requests to operate a bank account net of pay costs, the total to be put into that account will be

1 April	42%
1 September	33%
1 January	25%

of the proportion of the budget share less the pay costs calculated based upon the information sent to the Executive Director of Finance before 31 March each year. Where there is a delay, the initial instalment will be calculated by the Executive Director of Finance using the general profile for other schools of that type together with the individual school's profile for previous years, taking into account any global budget changes. Subsequent instalments will be modified to take into account the actual pay costs once they become known or any variation of pay costs as notified under paragraph 2.3.

Amounts included in school budget shares pursuant to Regulation 29(1) of the Financing of Maintained Schools (England) Regulations 2002, will be placed at the disposal of the Governing Body of each school by 15 May each year, irrespective of any instalment arrangement applicable to the remaining amount of the school's budget share. The making available of this sum will be irrespective of the existence of any deficit relating to expenditure of the school's budget share. No interest claw back is to be applied to the amount before it is made available.

#### **3.3 Interest Claw back**

Where a school opts to operate an independent bank account, the budget share instalments paid into the account will be net of an amount equal to the estimated interest lost by the Authority in making available the budget share in advance. The rate of deduction will be the 7-day deposit rate at the time of the instalment. In the case of termly advances, but not monthly advances, the claw back will be



recalculated only if the 7-day rate changes during the course of the term by more than 2 percentage points. In the event of any late payments, interest will be added on the same basis. Full details are given in the Authority's "Financial Regulation for Schools". Schools operating their own bank accounts will be credited with additional sums in respect of specific or special grants, at the time of receipt by the Authority, and no deduction of interest will be made.

### **3.3.1 Interest on late budget share payments**

Interest will be paid in respect of late payment of budget share instalments, where such payment is the fault of authority error. The interest rate used will be that used for claw back calculations.

### **3.4 Budget Shares for Closing Schools**

For schools where approval for closure has been secured, the facility to have their full budget share paid into an independent bank account will not be available from 1 April in the year in which closure will occur. However, budget share net of estimated pay costs may still be paid into an independent bank account until closure.

### **3.5 Bank and Building Society Accounts**

Schools that operate independent bank accounts will retain all interest payable on the account and will be responsible for all bank charges. Only schools without a deficit balance will be able to operate an independent bank account and therefore schools wishing to change to an independent bank account must clear any deficit balance first. Any decision to operate an independent bank account should be made and notified to the Executive Director of Finance giving at least three month's advance notice in writing. A new independent bank account will only be able to operate from either the beginning of a financial year or the beginning of an academic year. Once opened, any estimated surplus balance will be transferred into the account, with any amendments effected at a later date.

#### **3.5.1 Restrictions on accounts**

Schools may operate a bank account with any of the following banks or building societies:

- Barclays
- Lloyds
- TSB
- National Westminster
- Co-operative
- HSBC
- Royal Bank of Scotland
- Bank of Scotland
- Halifax
- Nationwide

Any independent bank account relating to budget share expenditure can be in the name of the school or jointly in the name of the school and Northumberland County Council. All moneys in such an account remain the property of the Authority until spent; the Authority is entitled to receive statements and can take control of the account if the school's right to a delegated budget is suspended by the Authority. Any school using an account at a bank not on the above list prior to 1 April 2001 can continue to do so for as long as that account remains open, but any new account must be at a bank from the approved list.

Where a school operates a Local Account that is part of an authority contract, the school should not enter into any arrangements for the use of direct debits or standing

orders without the approval of the Executive Director of Finance (Cashiers and Income Management).

### **3.6 Borrowing by Schools**

Governing Bodies may borrow money from an external source (which includes finance leases) only with the written permission of the Secretary of State, which is likely to be granted only in exceptional circumstances. However, schools may use any scheme which the Secretary of State has said is available to schools without specific Secretary of State approval. The Executive Director of Finance must be notified in writing of a school's intent to seek such permission at least ten working days before a request is made to the Secretary of State. It should be noted that borrowing includes credit cards and overdrafts, although procurement (debit) cards may be used as a useful means of facilitating electronic purchase. Schemes may also wish to permit the use of credit or charge cards. However, no interest charges should be incurred by the school, with balances fully cleared on a monthly basis

These restrictions do not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. However, these debts may not be serviced directly from the delegated budget, 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 own borrowing. Governing bodies do not act as agents of the authority when repaying loans.

These provisions do not apply to loan schemes run by the authority (see section 4.10).

### **3.7 Other Provisions**

All independent bank accounts must be operated in accordance with the Authority's "Financial Regulations for Schools". These do not contain provisions requiring cheques to be signed only by the Authority's employees nor do they bar the use of direct debits and standing orders.

## **4 THE TREATMENT OF SURPLUSES AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES**

### **4.1 Right to Carry Forward Surplus Balances**

The governing body of the school will be allowed to carry forward from one financial year to the next any surplus balance relative to the school's budget share for the year, plus/minus any balance brought forward from the previous year. A school's surplus balance on 1 April will be equal to that at the previous 31 March. With effect from 1 April 2007, surplus balances held by schools at the previous 31 March (commencing 31 March 2008) as permitted under this Scheme are subject to the following restrictions:

- (a) The Authority will 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 recurrent balance category B01, as defined in the Consistent Financial Reporting (CFR) framework.
- (b) The Authority will deduct from the calculated balance any amounts for which the school has a prior-year commitment to pay from the surplus balance.
- (c) The Authority will then deduct from the resulting sum any amounts that the Governing Body of the school has declared to be assigned for specific purposes permitted by the Authority as listed below, and which the Authority is satisfied are properly assigned. To count as properly assigned, the area of expenditure must have been previously incorporated into the School

Improvement Plan (or equivalent) in sufficient detail to justify the proposed expenditure and amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Authority. In considering whether sums are properly assigned the Authority may also take into account any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned;

- Repair and maintenance projects for school buildings;
- A revenue contribution towards a Capital building project;
- School security, energy efficiency or Health and Safety projects;
- Refurbishment of classrooms, library or resources areas;
- Acquisition and installation of ICT and telephone systems;
- The total cash value of unspent money or grants from external organisations given for a specific purpose or project, and this includes Pupil Premium Grant.
- Provision for future falling rolls.
- Specific projects within School Improvement Plan linked to raising standards

- (d) If the result of steps (a) to (c) is a sum in excess of 10% of the new financial year's budget share for High/Secondary and Middle Schools, or of 16% for First/Primary and Special Schools, or **£50,000 whichever is the larger** then the Authority will deduct from the current year's budget share an amount equal to the excess.

Funds paid into the budget share account of the school deriving from sources other than the Authority will be taken into account in this calculation, whether under provisions in this Scheme or otherwise. However, funds held in relation to a school exercising its powers under Section 27 of the Education Act 2002 (Community Powers Facility) will not be taken into account, unless added to the budget share surplus by the school as permitted by the Authority under paragraph 13.7 of this Scheme.

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

#### **4.2 Reporting on the Intended Use of Surplus Balances**

Governors are required to report to the Executive Director of Finance by 1st July each year on the use which they intend to make of any surplus balance which existed on the previous 31 March where that surplus is in excess of 10% of the school's budget share for High/Secondary and Middle schools or 16% in the case of First/Primary and Special schools. Such a report must include evidence from e.g. the relevant School Improvement Plan demonstrating that the commitment was made well before the end of the financial year.

#### **4.3 Interest on Surplus Balances**

If schools decide to continue with the existing Local Account system where the Authority holds balances on behalf of schools then interest will be paid. The basis of the calculation of interest is included in the Authority's "Financial Regulations for Schools".

#### **4.4 Obligation to Carry Forward Deficit Balances**

Although schools should not normally have a deficit balance at the end of the year, if a deficit occurs it will be carried forward and deducted from the following year's budget share.

#### **4.5 Planning for Deficit Budgets**

Schools can plan for deficits only in certain approved circumstances. The Governors are required to obtain the written approval of the Executive Director of Finance prior to the setting of their budget to an amount higher than their budget share plus any balances brought forward (surplus or deficit) from the previous financial year. In the event of approval being given the deficit will be deducted from the following year's budget share unless other arrangements are agreed with the Executive Director of Finance.

#### **4.6 Charging of Interest on Deficit Balances**

Deficit balances held by schools that are not approved by the Executive Director of Finance as licensed deficits will incur interest charges. The method of calculation of interest charges is detailed in the Authority's "Financial Regulations for Schools".

#### **4.7 Writing Off Deficits**

The Secretary of State will not allow a school's deficit balance to be written off by the Authority

#### **4.8 Balances of Closing and Replacement Schools**

When a school closes the balance (whether surplus or deficit) reverts to the Authority. The balance cannot be transferred to any other school, even where the school is a successor to the closing school. However, where a new school is a successor to a school that closes with a deficit, any additional funding allocated to the new school may be abated by an amount up to the deficit balance from the old school, although not against any normal funding of the new school.

#### **4.9 Licensed Deficits**

Schools should contain their annual spending within the total resources available to them, but where this is impossible the Governors may seek the approval of the Authority to plan for a deficit. Schools wishing to avail themselves of this facility should write to the Executive Director of Adult Social Care and Childrens' Services at the earliest possible opportunity, giving details of how the deficit has arisen and how they plan to eliminate the deficit and over what timescale. The Executive Director of Adult Social Care and Childrens' Services will liaise with the Executive Director of Finance before requesting that the Executive Director of Finance approve the deficit.

Approval for a deficit will only be given where a Governing Body produces firm and realistic proposals to bring its spending into line with available resources and remove any deficit within two financial years. It may be agreed that this period can be up to three financial years, or in exceptional circumstances, an alternative period as agreed by the Executive Director of Finance and Executive Director of Adult Social Care and Childrens' Services.

Deficits will normally only be agreed for schools where there has been an unexpected and significant reduction in pupil numbers resulting in a deficit balance carried forward from the previous financial year. However, in exceptional circumstances, deficits may be agreed for other reasons, for example where not to do so would incur greater costs to the school or the Authority.

The maximum deficit that will normally be approved will be the lesser of 8% of the school budget share, or the following figures according to the phase of the school:

- First / Primary : £75,000
- Middle : £150,000 or
- Secondary/High : £300,000

In exceptional circumstances a higher amount may be approved, with the agreement of the Executive Director of Finance and Executive Director of Adult Social Care and

Childrens' Services. The total of all approved deficits will not be more than 40% of the collective school surplus balances held by the Authority. Schools' balances held in independent bank accounts will be excluded from this calculation, unless invested with the Authority.

In circumstances where a school requires a budget share advance in order not to be overdrawn at their bank, this should be treated as a cash advance and not a loan. This will have no effect on the school's budget and outturn statements.

#### **4.10 Loan Schemes**

The Authority makes available to schools a Loans Scheme to support school capital improvement, which will be funded by the collective use of all the schools' balances that are lodged with the Authority. The total of all approved loans and licensed deficits will not exceed 40% of the collective school surplus balances held by the Authority. Schools' balances held in independent bank accounts will be excluded from this calculation, unless invested with the Authority. Schools wishing to avail themselves of this facility should apply to the Executive Director of Finance in accordance with the procedure specified in the Scheme.

From 22 March 2018 the Secretary of State for Education has directed that the following text be incorporated into the schemes of all local authorities in England:

*“Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new Academy school.”*

## **5 INCOME**

### **5.1 Income from Lettings**

Schools will retain any income generated from the letting of the school premises, subject to alternative provisions arising from any joint use or PFI agreements. Charges for lettings should cover the costs of the letting, although income from community and voluntary lettings can be cross subsidised with income from other lettings to ensure that there is overall no net cost to the budget share. Any income from lettings must not be paid into voluntary or private funds held by the school. Schools are required to have regard to directions issued by the Authority as to the use of school premises as permitted under the School Standards and Framework Act 1998 for various categories of schools. However, where land is held by a charitable trust, it will be for the school's trustees to determine the use of any income generated by the land

### **5.2 Income from Fees and Charges**

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

### **5.3 Income from Fund Raising Activities**

Income from fund raising activities will be retained by schools.

#### **5.4 Income from the Sale of Assets**

The proceeds from the sale of assets owned by the school or the Authority will be retained by the school except where the asset was purchased with funds that were not delegated at the time of the sale. In such cases, the Authority will decide whether or not the school should retain the proceeds. Where the asset concerned is land or buildings forming part of the school premises and is owned by the Authority, the Authority shall retain the income. Any retention of funds from the sale of land assets is subject to the consent of the Secretary of State, and any conditions the Secretary may attach to that consent relating to the use of proceeds.

The retention of proceeds of sale for premises not owned by the local authority will not be a matter for the scheme.

#### **5.5 Administrative Procedures for the Collection of Income**

All income due to the school for the supply of goods and services should be collected promptly, ideally in advance of the provision of those goods or services. Notes of guidance on the collection of income will be issued to schools and updated on a regular basis.

#### **5.6 Purposes for which Income may be Used**

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

### **6 THE CHARGING OF SCHOOL BUDGET SHARES**

#### **6.1 General Provision**

**6.1.1** The Authority needs to protect its financial position from liabilities caused by the action or inaction of Governing Bodies. In exceptional circumstances, therefore, it may be necessary for school budget shares to be directly charged without the consent of the Governing Body. The Authority does not wish to act unreasonably in exercising this power, and schools are encouraged to seek the Authority's advice before taking decisions about any of the matters listed in paragraphs 6.2 and 6.3. If direct charging becomes necessary, the Authority will notify schools of the intention to make a charge as well as when that charge has been processed. If a school disputes the charge the matter will be referred to the Council's Monitoring Officer who will arrange an arbitration service which will be binding on all parties. 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.

**6.1.2** The Authority must charge the salaries of school based staff to school budget shares at actual cost including National Insurance, pension contributions and any other directly attributable costs.

#### **6.2 Costs Incurred in Securing the Termination of Employment Contracts**

Any school considering the termination of the employment contract of a member of staff employed to work at the school must seek the specific advice of the Authority before making any formal commitment to terminate the employment contract whether or not the school has access to any other source of relevant advice.

Costs incurred in respect of the premature retirement (including ill-health retirement) of any member of staff of a maintained school shall be met from the budget share of the school, unless in the most exceptional circumstances the Authority has agreed in writing before the retirement occurs that it will meet all or part of the cost. It should be noted that early release of pension with or without enhancement gives rise to long term

commitments which must be honoured by the school until the pension ceases to be payable, although this can be discharged by a lump sum payment to the pension provider and in some cases there is a requirement to do so.

Costs incurred in securing the termination of employment of any member of school staff employed for community purposes shall be met by the Governing Body of the school, unless in the most exceptional circumstances the Authority has agreed in writing before the termination occurs that it will meet all or part of the cost.

From 1 April 2013, the budget for the costs of school redundancies and terminations of employment was delegated to schools as part of their budget shares. The costs arising from any termination of employment determined by Governing Bodies will be met from the delegated budget share, spread if necessary over a number of years.

The Authority may offer a contribution to any redundancy cost at its sole discretion where it deems that it would be unreasonable in all the circumstances to expect the school budget share and other income of the school to meet the whole cost of a particular redundancy.

Where a partnership agreement relevant to the particular employment is in force, the termination costs will be charged proportionately against the budget shares of the partner schools as specified by the partnership agreement or in the absence of such a specification in proportion to the respective numbers of pupils at the schools.

School budget shares will be charged for the costs arising from any termination of employment, including costs awarded by Courts and Employment Tribunals or out of court settlements, where one or more of the circumstances set out below are applicable:

- (a) any expenditure incurred to secure an agreement with the employee to terminate their contract of employment (usually known as a Settlement Agreement);
- (b) any expenditure associated with the termination of employment where the school has not sought and followed the Authority's advice in a timely manner;
- (c) an offer intended to secure the termination of employment has been made by the school at terms which vary from the Authority's current policy;
- (d) it appears to the Authority that the proposed termination is aimed at avoiding the need to deal with a performance, capability or ill-health issue which should be or should have been managed through other processes;
- (e) the school has not informed the authority in writing at the earliest practicable opportunity of changed circumstances which give rise to the need to reduce employee numbers and the proposed change in employee numbers;
- (f) staffing reductions arising from a deficit caused by, or made worse by, factors mainly or wholly within the school's control;
- (g) excessive staffing reductions arising from a failure to respond to changes to the funding or cost context of the school in a timely fashion;
- (h) where the termination of the employment of staff is associated with the reduction or cessation of activities supported by an income stream from a grant making body;
- (i) the post is, has been in the past, or should be supported by the generation of traded income or income generated from a source other than the Authority's budget allocations to the school;
- (j) the post deleted is one within the Authority's staffing structures where the postholder works exclusively at the school through an SLA or other trading agreement and the termination of employment is a consequence of a decision taken by the school;

- (k) the school has not actively engaged with the Authority's redeployment policy and redeployment processes;
- (l) the school held a surplus revenue balance at the previous financial year end;
- (m) staffing reductions which the local authority does not believe are necessary to set a balanced budget or to meet the conditions of a licensed deficit;
- (n) the school reached the end of the previous financial year with an unlicensed deficit which arose during the year, or a deficit that exceeded a licensed deficit;
- (o) the school has a licensed deficit and the termination of employment has not been identified as necessary within the agreed deficit recovery plan;
- (p) the school has a licensed deficit but has failed to achieve the outcomes specified by the license or otherwise failed to act in accordance with the terms of the license;
- (q) the school's budget per pupil for the new financial year has increased in real terms over the budget per pupil for the previous year;
- (r) the school's pupil roll at the most recent annual census count has increased over the census count for the preceding year;
- (s) the school receives an allocation within its budget share to bring the budget share up to the government's guaranteed minimum funding level;
- (t) the school receives any additional funding allocation from the Authority above the budget share generated by the funding formula, other than in respect of Statemented pupils or other pupils with High Needs;
- (u) the revenue savings anticipated to be achieved within the two full academic years following the termination of employment are equal to or greater than the costs incurred;
- (v) the school has appointed to a permanent post with broadly similar responsibilities within the three years prior to the date of termination of employment;
- (w) the school appoints to a post with broadly similar responsibilities within one year after the termination;
- (x) the school has not over time effectively managed and reviewed the structure of Teaching and Learning Responsibility allowances and/or the leadership structure of the school;
- (y) the approach undertaken by the Governing Body appears to the Authority not to select the most appropriate post(s) for termination;
- (z) the selection criteria do not appropriately take into account the relative severance costs of the individuals in the "pool" from whom selection is being made;
- (aa) the Authority determines that the school has not made all practicable efforts to avoid the need for termination of an employment contract;
- (bb) the staffing reduction is an element of a package of changes which taken as a whole would be likely to increase the costs of operating the school;
- (cc) the postholder appointed to the post proposed for deletion by the school took up post within the three years prior to the date of termination of employment;

although when none of the above circumstances apply the Authority may at its sole discretion offer a contribution from its own budget to any redundancy cost where it deems that it would be unreasonable in all the circumstances to expect the school budget share and other income of the school to meet the whole cost of a particular redundancy. Due notice of the charge and details of any calculation made will be given by the Authority. However, in the event of any error, a correction will be made and the Governing Body will not be entitled to reject the charge.



### 6.3 Other Circumstances in which Charges may be Made

- (a) Awards by Courts and Employment Tribunals against the Authority, or out of court settlements, arising from action or inaction by the Governing Body contrary to the advice of the Authority which must have been sought in a timely manner.
- (b) Expenditure incurred by the Authority in carrying out Health and Safety work, or capital expenditure for which the Authority is liable where funds have been delegated to the Governing Body for such work, but the Governing Body has failed to carry out the required work.
- (c) Expenditure by the Authority incurred in making good defects in building work funded by capital spending from budget shares or other devolved or delegated budgets, where the premises are owned by the Authority or the school has Voluntary Controlled status.
- (d) Expenditure incurred by the Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Authority.
- (e) Recovery of monies due from a school for services set out in a service agreement, where a dispute over the moneys due has been referred to the disputes procedure set out within the terms of the agreement, and the result is that monies are owed by the school to the Authority.
- (f) Recovery of penalties imposed on the Authority by the Board of Inland Revenue, the Contributions Agency, HM Customs and Excise, Teachers Pensions or regulatory authorities as a result of school negligence or failure to comply with the appropriate regulations.
- (g) Correction of the Authority's errors in calculating charges to a budget share, for example pension deductions.
- (h) Additional transport costs incurred by the Authority arising from decisions by the Governing Body on the length of the school day, and failure to notify the Authority of non-pupil days resulting in unnecessary home to school transport costs.
- (i) Legal costs that are incurred by the Authority because the Governing Body did not seek and follow the advice of the Authority in a timely manner (see also section 11.4).
- (j) Costs of necessary Health and Safety and Child Protection training for staff employed by the Authority, where the funding for the training has been delegated but the necessary training has not been carried out.
- (k) 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.
- (l) Expenditure necessarily incurred by the Authority to rectify a failure by the school to carry out its financial responsibilities.
- (m) 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 costs of the Authority's compliance with its statutory obligations.
- (n) Costs of providing the provision specified in a pupil's Statement of Special Educational Need or Education Health and Care (EHC) Plan, where the responsibility for that provision has been delegated but the necessary provision has not been put into place.
- (o) Additional costs awarded against the Authority arising from the decision of an Appeal Panel, Local Ombudsman, Courts or SEN Tribunals in relation to the Special Educational Needs of a pupil with a Statement where the Governing Body has failed to make the appropriate provision as specified in the pupil's Statement or EHC Plan.

- (p) Costs incurred by the Authority due to the submission by the school of incorrect or late data.
- (q) Recovery of amounts spent from specific grants on ineligible purposes.
- (r) Costs incurred by the Authority as a result of the Governing Body being in breach of the terms of a contract or failing to seek in advance of letting a contract the necessary approvals as set out in paragraph 2.10 above.
- (s) Cost incurred by the Authority or another school as a result of the school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.
- (t) Agreed contribution relating to any PFI project at a school, as set out in the PFI revenue agreement (see Section 9).
- (u) Costs incurred by the authority in administering admissions appeals, where the local authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.
- (v) A £5,000 minimum charge to schools converting to academy status in order to recoup the costs to the local authority in relation to the academy conversion process.

## **7. TAXATION**

### **7.1 Value Added Tax (VAT)**

The Authority is able to reclaim from H.M. Customs and Excise on behalf of schools the net cost of any VAT incurred by schools on non-business activities. However, this does not include expenditure by the Governors of a Voluntary Aided School when carrying out their statutory responsibilities to maintain the external fabric of their buildings

In relation to the funding made available by the Authority, schools act as an agent of the Authority. All schools are required to provide returns to the Executive Director of Finance in order that VAT can be reclaimed and the school can be reimbursed.

### **7.2 Construction Industry Taxation Scheme (CIS)**

All schools are required to abide by the procedures issued by the Executive Director of Finance in relation to CIS.

## **8 THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY**

### **8.1 Provision of Services from Centrally Retained Budgets**

In accordance with Section 48 of the School Standards and Framework Act 1998, it is for the Authority to determine on what basis services from centrally retained funds will be provided, and this includes termination of employment costs. In providing services, the Authority will not discriminate on the basis of category of school, except in cases where this would be allowable under the school and early years finance regulations or the dedicated schools grant (DSG) conditions of grant

### **8.2 Timescales for the Provision of Services bought from the Authority using Delegated Budgets**

Any service level agreements offered will be for a maximum duration of three years and a minimum duration of one year. Any subsequent agreement relating to the

same services will not exceed five years. For service level agreements relating to catering services, the maximum periods will be five years.

### **8.2.1 Packaging**

When offering schools the opportunity to buy services from their delegated budgets, the Authority will not package those services in such a way that unreasonably restricts schools freedom of choice, and where practicable provision will be offered on a service by service basis.

### **8.3 Service Level Agreements**

The terms of any services or facilities offered by the Authority, whether free or on a buy-back basis, will be reviewed at least once every three years. However, centrally funded premises and liability insurances are specifically excluded from this requirement. Schools will be given a minimum of one month to consider the terms of any new agreement before the date of operation. Where practicable, the Authority will provide services on a pay as you use basis. The prices for each service level agreement will be set at a level that ensures that the total income generated is at least equal to the cost of providing that service.

### **8.4 Provision of Information under the Teachers' Pensions Regulations 1997**

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 and came into effect on 1 November 2002. These 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 an agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require the person to supply the 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) are passed to the Authority within the time limit specified in the AVC scheme. The Governing Body shall meet the consequential costs from the school's budget share.

A Governing Body of any maintained school which directly administers its payroll shall supply the 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 Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC scheme. The Governing Body shall meet the consequential costs from the school's budget share.

## **9 PRIVATE FINANCE INITIATIVES (PFI)**

Should the Authority propose to enter into a contract for a PFI project in the future, the Governing Body of the school(s) concerned will be consulted about the terms of any financial implications that the project may incur.

The agreement will formally set out the power of the LA to charge to the school's budget share amounts agreed under the PFI agreement entered into by the governing body of the school(s). See paragraph 6.3 (t).

## **10 INSURANCE**

If a school requests the delegation of the insurance budget relating to their school, the Authority will require the school to demonstrate that cover relevant to the Authority's insurable interests, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the Authority. The evidence required to demonstrate the parity of cover should be reasonable, not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier.

Instead of taking out insurance, a school may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA. The scheme should contain a provision which allows schools to join the RPA after 1st April 2020. Schools may do this individually when any insurance contract of which they are part expires.

The scheme should also provide for all primary and/or secondary maintained schools to join the RPA collectively by agreeing through the Schools Forum to de-delegate funding.

## **11 MISCELLANEOUS**

### **11.1 Right of Access to Information**

Schools are required to provide the Authority with all financial and other information that might reasonably be required to enable the Authority to satisfy itself as to the school's management of its budget share or the use made of any centrally retained funds which are allocated to the school.

### **11.2 Liability of Governors**

The Governing Body is a corporate body, and under Section 50 paragraph 7 of the School Standards and Framework Act 1998, individual Governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided that they act in good faith.

### **11.3 Governors' Expenses**

Under Section 11 of the School Standards and Framework Act 1998, only allowances specified in Regulations may be paid to Governors from the school's delegated budget share. Where the Secretary of State makes payment to any additional Governors appointed to any school under Special Measures, schools may not make any payments which duplicates those payments.

Where a school has yet to receive a delegated budget, the Authority may delegate to the Governing Body funds to meet Governors' expenses, to be paid at rates prescribed by the Authority.

### **11.4 Responsibility for Legal Costs**

Any costs arising from legal action incurred by a Governing Body (although the responsibility of the Authority as part of the cost of maintaining the school unless they relate to the statutory responsibility of the Governors of an Aided School for buildings) may be charged to the school's budget share unless the Governing Body has sought and acted in accordance with the advice of the Authority in a timely manner.

Where there is a conflict of interest between a school and the Authority, Governors should ensure that they make their own independent arrangements for legal advice.

#### **11.5 Health and Safety**

In expending their budget share, Governing Bodies must have due regard to the duties placed on the Authority in relation to Health and Safety and to the Authority's policy on Health and Safety matters.

#### **11.6 Right of Attendance for the Executive Director of Finance**

Governing Bodies shall permit the Executive Director of Finance, or any officer nominated by the Executive Director of Finance, to attend any meeting of the Governing Body at which an agenda item is relevant to the exercise of his/her responsibilities. Prior notice of attendance will be given wherever possible.

#### **11.7 Delegation to New Schools**

The Authority will delegate powers, selectively and optionally, to the Governing Body of schools that are yet to receive a delegated budget.

#### **11.8 Optional Items of Delegation**

Where a school opts to have delegated or devolved any responsibility that is not delegated to all schools of that type or phase that option may only be exercised by giving three months' notice with the delegation to take effect from the beginning of the financial year.

#### **11.9 Special Educational Needs**

By virtue of Section 317 of the Education Act 1996, in expending their budget share, Governors are under a duty to use their best endeavours to secure that any educational provision needed by a pupil with Special Educational Needs is made.

#### **11.10 Interest on Late Payments**

Governors should note that any interest charged by a supplier for the late payment of an invoice falls to be met from the school budget share unless met by the provider of an invoice paying service.

#### **11.11 Whistleblowing**

Governors must ensure that they adopt and follow the Authority's policy that safeguards the interests of whistleblowers.

#### **11.12 Child Protection**

In expending their budget share, Governing Bodies must have due regard to the agreed Child Protection guidelines and the obligations these place on both the school and the Authority.

#### **11.13 School Meals**

In any school that has delegated to it the responsibility for the provision of school meals, in expending its budget share the Governing Body must have regard to any policy statement of the Authority on school meals.

### **12 RESPONSIBILITY FOR REPAIRS AND MAINTENANCE**

In line with the Authority's custom and practice and also its interpretation of the CIPFA code of practice, all new build will be funded from centrally held or devolved capital budgets. Similarly, all repair and maintenance costs relating to existing buildings will have to be met by Governing Bodies from their budget shares or from devolved formula capital, except where the Local Authority agrees to make a contribution from its limited central capital budget. For Voluntary Aided Schools, the

liability of the Authority for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained schools. However, eligibility for capital grant from the Secretary of State for capital works at Voluntary Aided Schools depends on the de minimis limit applied by DfE to categorise such work, and if the value of work is below this limit then the financial liability rests with the Governing Body.

## **13 COMMUNITY POWERS FACILITY**

### **13.1 Introduction**

Any school that chooses to exercise the power conferred by Section 27(1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. Firstly, Regulations made under Section 28(2), if made, can specify activities that may not be undertaken at all under the main enabling power. Secondly, schools are obliged to consult the Authority and have regard to its advice. Thirdly, the Secretary of State will issue guidance to Governing Bodies about a range of issues connected with exercise of the power, and schools must also have regard to that advice.

However, under Section 28(1), the main limitations and restrictions on the power will be those contained in the Northumberland's Scheme for Financing Schools made under Section 48 of the School Standards and Framework Act 1998. Paragraph 2 of Schedule 3 to the Education Act 2002 extends the coverage of Schemes to include the exercise of the powers to provide community facilities.

Schools are therefore subject to prohibitions, restrictions and limitations in the Scheme for Financing Schools.

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

Schools are reminded that mismanagement of community facilities can be grounds for suspension of the right to a delegated budget.

### **13.2 Consultation with the Authority: Financial Aspects**

In accordance with Section 28(4) of the Education Act 2002, before exercising the community facilities power, the Governing Body must consult the Authority regarding its proposals and have regard to its advice. In addition, where the proposed facility relates to Early Years or to Childcare provision, the Governing Body must consult the Commissioner for Primary and Early Years and also have regard to their advice.

Schools are encouraged to seek the Authority's advice and submit their proposals as soon as possible, but no later than 2 months before the intended start date. When submitting their proposals formally, schools must include a detailed business plan containing the following information:

- the school's vision and a detailed description of the service
- details of any capital expenditure and the sources of income to fund it
- a detailed profile of projected income and revenue expenditure over the first 12 months of operation of the project. In particular, this should include:
  - one-off start-up costs
  - details of staffing and associated costs (pay, on-costs, payroll and personnel overheads, etc.)
  - sources of revenue income and the assumptions underlying it

- an outline profile of the projected income and revenue expenditure in years 2 to 5 of the project
- the time it will take for the project to break-even and come into surplus, and if this is not expected within 12 months of starting, an explanation of why this cannot be achieved within this timescale
- how the Governing Body will cover any shortfall if the project fails and leaves a deficit
- details of the cash flow of the business, and how any shortfall will be met given that schools cannot borrow from external sources
- proposed banking arrangements
- proposed audit arrangements
- details of the Health and Safety arrangements and of the risk assessments the school has undertaken
- details of the analysis of insurance requirements for the venture and of any additional cover that is to be arranged
- whether or not VAT is to be reclaimed, the justification for this and what consultation there has been with the local VAT office.

Schools are encouraged to seek professional advice as they develop their plans and to ensure that any submission is complete before formally seeking the Authority's advice about their proposals.

The Authority will respond to the school's proposals as soon as practically possible, in most circumstances within 6 school weeks of receipt of complete information. Where the Authority offers advice to a school, the school must inform the Authority of the action it has taken in response to that advice before embarking upon the Scheme.

### **13.3 Funding Agreements: Local Authority Powers**

Where the provision of community facilities in a school is dependent on the conclusion of a funding agreement with a third party which will either be supplying funding or supplying funding and taking part in the provision, the school shall not enter into such an agreement until it has submitted the proposed agreement to the Authority and taken proper account of its advice and comments. Proposed agreements should be submitted to the Authority as soon as possible, but no later than 3 months prior to the proposed date of signing. The Authority will not be a signatory to any such agreement, unless this is a requirement imposed by the third party or by the Governing Body itself.

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

### **13.4 Other Prohibitions, restrictions and limitations**

Whereas the Authority does not have the right of veto to either funding agreements with third parties or other proposed uses of the community powers facility, the Authority reserves the right in specific instances to require that the Governing Body shall protect the financial interests of the Authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for the risks associated with the project, as specified by the Authority.

The Authority does not intend to impose any additional prohibitions, restrictions or limitations on the use of the community facilities power.

### **13.5 Supply of Financial Information**

Schools that exercise the community facilities power are required to submit a budget plan to the Executive Director of Finance no later than 1 May each year. The format of the statement will be determined by the Executive Director of Finance.

Should the Authority have reason to give notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, the school will be required to submit financial statements at quarterly intervals, and if necessary to provide the Authority with a recovery plan for the activity in question.

All statements and returns must be certified by the Headteacher and be sent to the Executive Director of Finance.

All income and expenditure relating to the community powers facility must be included within the Consistent Financial Reporting Framework returns of the school.

Schools should note that Schedule 3 of the Education Act 2002 inserts a new provision into Schedule 15 of the School Standards and Framework Act 1998 to make mismanagement of funds received for community facilities the basis for suspension of the right to delegation of the budget share.

### **13.6 Audit**

Internal Audit has the right to visit any school, to inspect all records relating to the exercise of the community powers facility and to receive the co-operation of Governors and employees. Governors are required to respond in writing stating how they propose to address any matters raised in the audit report. The Authority's external auditor will have the same rights of access and inspection as Internal Audit. Auditors will also report to the Executive Director of Finance on any matters of significance or where Governing Bodies fail to take appropriate remedial action.

Where schools enter into agreements with other persons or bodies pursuant to the exercise of the community facilities power, they shall ensure that such 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.

### **13.7 Treatment of Income and Surpluses**

Schools will retain all income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Local Authority or some other person. Any surplus income over expenditure generated during the financial year will be carried forward over into the following financial year in the community facilities account. Similarly, any deficit accrued during the financial year will be carried forward over into the following financial year in the community facilities account. Where a school wishes to transfer all or part of any accumulated surplus and add it to the budget share balance, the school should seek the agreement of the Authority before doing so.

Where 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 third party funding provider.

### **13.8 Health and Safety Matters**

When exercising the community facilities power, the Governing Body must discharge its Health and Safety responsibilities in the same way as it does in relation to the



budget share. All the Health and Safety provisions of the main Scheme apply to the community facilities power.

When exercising the community facilities power, the Governing Body are responsible for securing and meeting the costs of any necessary Criminal Records Bureau clearance for those involved in the activity.

### **13.9 Insurance**

When exercising the community power facility, the Governing Body must undertake an assessment of the insurance implications and costs, seeking professional advice if necessary, and demonstrate that it has made adequate arrangements for insurance cover. The school must seek the Authority's advice before finalising any insurance arrangements.

The Authority will undertake its own assessment of the insurance arrangements made by a school in respect of community power facilities, and if it judges those arrangements are inadequate, it will make the necessary arrangements itself and charge the resultant cost to the school.

The Governing Body of the school will be responsible for the costs of securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day. Governing Bodies will be free to pass on such costs to a funding partner as part of an agreement with that partner.

### **13.10 Taxation**

Schools must seek the advice of both the Authority and the local VAT office on any issues relating to the possible imposition of VAT on expenditure in connection with any community powers facility, including the use of the Authority's VAT reclaim facility.

Schools are also reminded that if any member of staff employed by the school or the Authority in connection with community facilities at the school is paid from funds held in the school's own bank account set up for the purpose (see section 11), the school will be liable for payment of income tax and National Insurance, in line with Inland Revenue rules.

Schools are reminded that they are required to follow the Authority's advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

### **13.11 Banking**

Where a school exercises the community power facility and the school already operates an independent bank account for its budget share, it shall open a separate independent bank account for transactions relating to community facilities. Where a school exercises the community power facility and the school uses the Authority's banking facilities account for its budget share, it shall either open an independent bank account for transactions relating to community facilities or use the Authority's banking facilities but ensure that all transactions are kept separate from budget share transactions.

Any independent bank account relating to community facilities expenditure can be in the name of the school or jointly in the name of the school and Northumberland County Council, and must be opened with one of the banks listed in paragraph 3.5.1 of the main Scheme.

All financial transactions must be undertaken in accordance with the Authority's "Financial Regulations for Schools".

Governing Bodies are reminded that they may borrow money from an external source only with the written permission of the Secretary of State. The Executive Director of Finance must be notified in writing of a school's intent to seek such permission at least ten working days before a request is made to the Secretary of State.

## LIST OF SCHOOLS COVERED BY THE SCHEME

## FIRST/PRIMARY SCHOOLS

Acomb First School  
Allendale Primary School  
Amble First School  
Amble Links First School  
Beaconhill Primary School  
Beaufront First School  
Bedlington Station Primary School  
Bedlington Stead Lane Primary School  
Bedlington West End First School  
Bedlington Whitley Memorial Church of England Aided First School  
Belford Primary School  
Bellingham Primary School  
Berwick St Mary's Church of England First School  
Blyth Horton Grange Primary School  
Blyth New Delaval Primary School  
Blyth Newsham Primary School  
Bothal Primary School  
Branton Primary School  
Broomhaugh Church of England Aided First School  
Broomhill First School  
Cambo First School  
Cambois Primary School  
Central Primary School  
Chollerton Church of England Aided First School  
Choppington Primary School  
Corbridge Church of England Aided First School  
Cragside Church of England Primary School  
Cramlington Burnside Primary School  
Cramlington Eastlea Primary School  
Cramlington Northburn Primary School  
Cramlington Shanklea Primary School  
Ellingham Church of England Aided Primary School  
Ellington Primary School  
Embleton Vincent Edwards Church of England Aided Primary School  
Felton Church of England Primary School  
Grange View First School  
Greenhaugh Primary School  
Greenhead Church of England Aided Primary School  
Guide Post Ringway Primary School  
Hareside Primary School  
Henshaw Church of England Aided Primary School  
Hexham First School  
Hipsburn Primary School  
Holy Island Church of England Aided First School  
Holy Trinity Church of England Aided First School, Berwick  
Holywell Village First School  
Hugh Joicey Church of England Aided First School  
Humshaugh Church of England Aided First School  
Kielder Primary School and Nursery  
Linton Primary School  
Longhorsley St Helen's Church of England Aided First School  
Longhoughton Church of England Primary School  
Lowick Church of England First School  
Morpeth All Saints Church of England Aided First School (academised 01 April 2023)

Morpeth First School  
Mowbray Primary School  
New Hartley First School  
~~Newbrough Church of England Aided Primary School (academised 01 April 2023)~~  
Norham St Ceolwulfs Church of England First School  
Otterburn First School  
Pegswood Primary School  
Red Row First School  
Rothbury First School  
Scremerston First School  
Seahouses Primary School  
Seaton Delaval First School  
Seaton Sluice First School  
Seghill First School  
Shilbottle Primary School  
Slaley First School  
Spittal First School  
~~St Michael's Church of England Aided Primary School (academised 01 July 2023)~~  
Stakeford Primary School  
Stamfordham Primary School  
Stannington First School  
Swansfield Park Primary School  
Swarland Primary School  
The Sele First School  
Tritlington Church of England Aided First School  
Tweedmouth Prior Park First School  
Tweedmouth West First School  
Wark Church of England Aided Primary School (due to academise 01 Aug 2023)  
Whalton Church of England Aided Primary School  
Whitley Chapel Church of England Aided First School  
Whittingham Church of England Primary School  
Wooler First School

### **MIDDLE SCHOOLS**

Bellingham Middle School and Sports College  
Berwick Middle School  
Corbridge Middle School  
Glendale Middle School  
Seaton Sluice Middle School  
Tweedmouth Community Middle School  
Whytrig Community Middle School

### **HIGH/SECONDARY SCHOOLS**

Astley Community High School  
Haydon Bridge Community High School and Sports College  
James Calvert Spence College  
The Duchess's Community High School

### **SPECIAL SCHOOLS**

Emily Wilding Davison School  
Barndale House School  
Cleaswell Hill School  
Cramlington Hillcrest School  
Morpeth Collingwood School  
The Dales School  
The Grove Special School

Pupil Referral Unit