

**Denbighshire County Council
Cyngor Sir Ddinbych**



Department of Education

Scheme For Financing Schools

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SECTION 1

INTRODUCTION TO THE SCHEME

1.1 THE FUNDING FRAMEWORK

- 1.1.1 The funding framework which replaces Local Management of Schools is based on legislative provisions contained in sections 45-53 of the School Standards and Framework Act, 1998 (SSAF Act) and as further detailed in The School Funding (Wales) Regulations 2010.
- 1.1.2 Under this legislation, the Local Authority determines the size of the Local Schools Budget (LSB). The categories of expenditure which fall within the LSB are prescribed under regulations made by the Secretary of State, but included within the LSB is all expenditure, direct and indirect, on the Authority's maintained schools. The Local Authority may retain funding for purposes defined in regulations made by the Welsh Assembly Government under s.46 of the SSAF Act. The amounts to be retained centrally are determined by the Authority, subject to any limits or conditions prescribed by the Welsh Assembly Government. The balance of the LSB left after deduction of centrally retained funds is termed the Individual School's Budget (ISB).
- 1.1.3 The Local Authority must distribute amounts from the ISB amongst all its maintained schools, according to a formula which accords with regulations made by the Welsh Assembly Government, 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 which has not yet received a delegated budget, or the right to delegated budget has been suspended in accordance with s.51 of the SSAF Act. The financial controls within which delegation works are set out in this document in accordance with s.48 of the SSAF Act and are subject to approval by the Schools' Forum or Welsh Assembly Government. All revisions to the Authority's scheme must be approved by the Schools' Forum or Welsh Assembly Government, which will have the power to modify or impose a scheme.
- 1.1.4 Subject to the provisions contained in this scheme, governing bodies may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Welsh Assembly Government in regulations made under s.50, SSAF Act, 1998.
- 1.1.5 The Authority may suspend a school's right to a delegated budget, by giving the governing body notice, in writing, if the provisions of the Scheme for Financing Schools (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. The Authority is likely to issue the governing body of a school with a Notice of Concern letter in the first instance where, in the opinion of the Head of Education and the Section 151 Officer, action is needed to be taken to safeguard the financial position of the Authority or 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. The process the Authority will follow in suspending delegation is outlined in Annex 2. There is a right of appeal to the Welsh Assembly Government. A school's right to a delegated budget share may also be suspended for other reasons.

- 1.1.6 In accordance with regulations, the Authority will publish each year a statement setting out details of its planned Local Schools' Budget, showing the amounts to be centrally retained, the budget share for each school, the formula used to calculate those budget shares and the detailed calculation for each school. After each financial year the Authority will publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.
- 1.1.7 The detailed publication requirements for financial statements and for the Scheme are set out in regulations. Each school will receive a copy of the Scheme and any amendment, and each year's budget and out-turn statements.

1.2 THE ROLE OF THE SCHEME

- 1.2.1 Denbighshire County Council's Scheme for Financing Schools sets out the financial relationship between the Authority and the maintained schools which it funds. The Scheme contains requirements relating to financial management and associated issues and is binding on both the Authority and on schools. The scheme should be considered in conjunction with Denbighshire County Council's Education Service Service Plan, and education policy and guidance documents, including those described in para 1.1.6 above and Denbighshire County Council's Contract & Procedure Rules.

1.3 APPLICATION OF THE SCHEME TO MAINTAINED SCHOOLS

- 1.3.1 This scheme applies to all Denbighshire's Community, Voluntary, Community Special and Foundation schools. Schools within scope of the scheme are listed at ANNEX 1 to this scheme.

1.4 PUBLICATION OF THE SCHEME

- 1.4.1 A copy of the scheme for financing schools in Denbighshire, together with any approved revisions, will be provided for the Headteacher and Governing Body of each school covered by the scheme. Additionally, the scheme will also be made available on both the working document store for internal purposes, and the Denbighshire website.

1.5 REVISION OF THE SCHEME

- 1.5.1 Monitoring and evaluation of the scheme will be carried out by the Schools' Budget Forum which meets termly for consultative purposes. The Forum comprises governors, headteachers, and members and officers of the County Council. The Forum evaluates the efficiency and

effectiveness of the Scheme for Financing Schools and approves any changes to the Scheme. All Forum minutes and agendas are available on the Denbighshire website.

1.5.2 Proposed revisions to the scheme will be the subject of consultation with all headteachers and all Schools' governing bodies. Should the Schools' Forum and the Authority not agree on the terms of any proposed revision to the Scheme, the Authority may apply to the Welsh Minister for approval of such proposals.

1.5.3 The Welsh Minister may approve proposals, approve subject to modification, or refuse to approve any such proposals.

1.6 THE ROLE OF THE AUTHORITY, THE GOVERNING BODY AND DELEGATION OF POWERS TO THE HEADTEACHER

1.6.1 Denbighshire County Council has a wide range of statutory functions relating to the provision of Education, including a duty to promote high standards. The Authority's priorities are laid down in the 'Big Plan' and the 'Education Services Service Plan' which form the basis of an active partnership between the County Council, its schools and other partners to secure continuous school improvement.

1.6.2 Governing bodies are incorporated and have their own statutory duties and powers. Specifically, the governing body is required to conduct the school with a view to promoting high standards of educational achievement. The governing body has a general responsibility for ensuring that the school is run effectively and efficiently within the framework set by legislation and the policies of Denbighshire County Council.

1.6.3 The governing body of a school which has a delegated budget is able, subject to any specific provisions made by this scheme, to spend any sum available to it in respect of the school's budget share for a financial year as they deem appropriate. In doing so, they must determine what powers they wish to be delegated to the headteacher. Governors will want to balance the need for the school to function effectively on a day to day basis with the fact that responsibility rests with them. A prudential balance needs to be arrived at, which should include full reporting back to governors of the use made of delegated powers on a suitable periodic basis. The governing body is required to consider the extent to which it wishes to delegate its financial powers to the headteacher and other members of their Schools leadership teams and to record its decisions (and any revisions) relating to delegation of powers in the minutes of the governing body.

1.6.4 The first formal budget plan of each financial year must be approved by the full governing body by 31st May. (see SIFD policy)

1.7 MAINTENANCE OF SCHOOLS

The Authority is responsible for maintaining the schools covered by the Scheme, and this includes the duty of defraying all the expenses of

maintaining them (except in the case of a voluntary school where some of the expenses are, by statute, payable by the governing body). Part of the way an Authority maintains schools is through the funding system put in place under Sections 45 to 53 of the School Standards and Framework Act 1998.

SECTION 2

FINANCIAL REQUIREMENTS: AUDIT

2.1 APPLICATION OF FINANCIAL CONTROL TO SCHOOLS

2.1.1 In their management of the delegated budget, Governing Bodies must abide by the Authority's requirements on financial controls and monitoring as identified in both this published scheme and in those publications referred to within this scheme but not comprising part of it. Where additional publications are referred to, these will be provided for schools and be fully compatible with this scheme.

2.2 PROVISION OF FINANCIAL INFORMATION AND REPORTS

2.2.1 Schools are required to provide the Local Authority with details of anticipated and actual expenditure and income. Finance Managers must populate the County's Collaborative Planning system (CP) with 3 year figures and keep up to date in accordance with the Revenue Report and Committee timetable.

2.2.2 Those schools deemed to be in financial difficulty (SIFD) will be expected to meet the requirements of the Challenge and Intervention Framework for Schools.

2.3 PAYMENT OF SALARIES: PAYMENT OF BILLS

2.3.1 The County Council may offer an SLA for the payment of salaries and the procurement and payment of goods and services, according to the terms and specifications of the DCC Traded & Support Services Framework. All responsibilities, administrative arrangements and designation arrangements relating to these services will be agreed with schools at the time the SLAs are agreed, the details of which can be found on the working document store.

2.4 CONTROL OF ASSETS

2.4.1 Schools are free to determine their own arrangements for keeping a register of assets worth less than £1000, but they must keep a register in some form that satisfies the requirements of insurers. The Authority issues guidance in this respect. All schools are required to maintain a register of its moveable non capital assets worth in excess of £1000 in a form determined by the Authority and in accordance with

Denbighshire County Council's Contract & Procedure Rules. All disposals of assets from the register shall firstly be authorised by the governing body or its finance committee (if appropriate). All disposals shall also be in accordance with Denbighshire County Council's Contract & Procedure Rules.

2.5 ACCOUNTING POLICIES (including year end procedures)

2.5.1 Accounting Policies

The Authority's responsibilities are to make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Section 151 Officer) has responsibility for the administration of those affairs. The Section 151 Officer is responsible for the preparation of the Authority's statement of accounts, which includes expenditure by schools and must present a true and fair view of the financial position of the Authority at the end of the financial year.

In order to achieve this, suitable accounting policies have been selected and will be applied consistently, ensuring that proper accounting records are maintained and kept up to date. A summary of the main policies is given below:

- use of accruals (commitments) basis;
- all income and expenditure should be matched;
- a prudential approach should be adopted towards estimating future income and expenditure.

All schools must comply with the Authority's accounting policies.

2.5.2 Accounting year end procedures

Financial Services will issue specific guidelines to schools on the timetable and procedures to be followed. Schools are required to comply with the closure timetable.

2.6 WRITING OFF OF DEBTS

2.6.1 The Governing Body of each school will have the final decision in the writing off of debts. Any costs arising from the Governors decision must be met from the School's delegated budget share. The Authority will provide schools with regular information on outstanding debts to ensure this can be monitored effectively.

2.7 BASIS OF ACCOUNTING

2.7.1 The Local Authority requires all reports and accounts from schools to be on an accruals basis. This means that all income and expenditure should be accounted for in the financial year which it is incurred. However, internally schools may use either a cash or accruals basis for accounting.

2.8 SUBMISSION OF BUDGET PLANS

- 2.8.1 Each school, through their designated Finance Manager, is required to submit a 3 year budget plan to the Authority annually. In the case of all schools, this should be not later than 31 May each year. However, best practice would dictate that financial year budgets should be set by 1 April. Budget plans must show the school's intentions for expenditure in the following 3 financial years and the assumptions underpinning that budget plan. Budget plans need to be monitored and reviewed for accuracy in a timely manner.

It is desirable that schools make clear the way in which school development planning and, in particular school improvement, is supported by the budget plan. In certain cases, and specifically where planned expenditure is exceeded, the Authority will require the submission of revised plans.

- 2.8.2 Finance Managers will have online access to the Authority's Financial Management Systems (JWalk & Collaborative Planning - CP), which will show the latest income and expenditure items posted against the school's delegated budget. The system allows schools to enquire on individual items and raise any queries they may have in relation to the item.
- 2.8.3 Schools must take full account of estimated deficits/surpluses at the previous 31 March in their budget plan. Schools are allowed to apply for a licensed deficit and show that they have a plan to be in a surplus position over 3 years. Those schools with falling rolls and severe forecast deficit positions will be required to submit a recovery plan which will be closely monitored on a regular basis. The requirements for this are set out in the Challenge and Intervention Framework for Schools.

2.9 IMPROVEMENT PLANNING

- 2.9.1 Section 2 of the Local Government (Wales) Measure 2009 places local authorities under a general duty to "make arrangements to secure continuous improvement in the exercise of [their] functions". While this statutory responsibility does not extend to governing bodies, it is considered good practice for such bodies to set clear priorities, to identify actions to achieve them and to establish an appropriate framework of performance measures to be used in monitoring progress. Such plans and strategies will need to be refreshed on a regular basis possibly annually.

2.10 VIREMENTS

- 2.10.1 Schools may vire funds between budget heads within delegated budgets. However, where the governing body is in receipt of specific grants, they must comply with the grant conditions relevant to each grant. The funding allocated through the funding formula is not hypothecated for that particular purpose and can be vired accordingly.

2.11 AUDIT: GENERAL

- 2.11.1 Financial Regulations 26-29 require an on-going internal and external audit system for all schools. Each governing body is expected to comply with these regulations and to meet any request for information or access to records from both internal and external auditors.

2.12 SEPARATE EXTERNAL AUDITS

- 2.12.1 Governing bodies may employ their own suitably qualified external auditors to audit their accounts if they wish. The Authority will not, however, make any additional funds available for this purpose. Such arrangements will not preclude the Section 151 Officer carrying out any internal or external audit check he/she feels necessary.

2.13 AUDIT OF VOLUNTARY AND PRIVATE FUNDS

- 2.13.1 Every governing body must ensure the safe and proper custody of any voluntary or private funds, or funds relating to trading organisations entrusted to it, and that all funds are approved firstly by the governing body and thereafter properly accounted for. To this end, all funds must be subject to an appropriate audit certificate on an annual basis and, where a fund is registered as charitable, all necessary returns to the charity commission are completed and submitted in accordance with requirements of the charity commissioners. It is the responsibility of the Governing Body to ensure that the school meets the requirements of the DCC School Fund Guidance.
- 2.13.2 A report should be presented to the Governing Body annually, stating the use made of such funds and the balances held.

2.14 REGISTER OF BUSINESS INTERESTS

- 2.14.1 All governors, headteacher and all members of staff of a school must declare all business interests they or their immediate family have in a register set up by the governors for that purpose. It will be the responsibility of the governing body to ensure that the register is kept up to date, by positively reviewing and making necessary enquiries of every governor, headteacher and members of staff at least annually.

2.15 PURCHASING, TENDERING AND CONTRACTING REQUIREMENTS

- 2.15.1 Schools are required to abide by the Authority's Financial Regulations Relating to Schools FR45-56 in relation to purchasing, tendering and contracting matters.
- 2.15.2 The Council has established a number of "corporate contracts" with approved suppliers and there is an expectation that schools will utilise these contracts in order to ensure and demonstrate that they are

obtaining value for money. Current examples of such contracts include office supplies, educational products, paper, energy, IT hardware and Consumables.

2.16 APPLICATION OF SERVICE LEVEL AGREEMENTS (SLA's) TO SCHOOLS - SEE ALSO SECTION 8

- 2.16.1 Schools are not bound to take up Authority SLAs and may opt out of them if they feel they can obtain value for money from an alternative provider. This only applies to those services categorised as traded and not those categorised as support. Schools which enter into SLAs with the Authority are bound by the terms contained within each SLA, which may allow for variation of terms and conditions. Schools which opt out of Authority SLAs in contravention of the agreed terms and conditions will be required to meet any additional costs or obligations incurred as a result of their action. Schools may also be bound to certain contracts approved by the Welsh Assembly Government for services for which funding is delegated after April 1999, irrespective of the agreement of schools.
- 2.16.2 Schools should note that, although governing bodies are empowered under para 3 Sch 10 SSAF Act 1998 to enter into SLAs or contracts, in most cases they do so on behalf of the Education Authority, as maintainer of the school and owner of the funds in the budget share. Where the governing body has clear statutory obligations, e.g. contracts made by aided schools for the employment of staff, the agreement may be made solely on behalf of the governing body.
- 2.16.3 The Authority publishes to schools a list of School Support / Traded Services every year, containing a list of the services which it intends to offer to schools and for which schools may enter into contractual arrangements with the Authority. The Authority reserves the right to alter or amend these services in line with its duty to secure value for money. It undertakes to conduct a periodic review of such services through Schools' Budget Forum.

2.17 CENTRAL FUNDS AND EARMARKING

- 2.17.1 Where certain conditions are met, the Authority may make available to schools, allocations from central funds or grants that are additional to and separate from a schools delegated budget share.
- 2.17.2 All such additional allocations will be subject to conditions that clearly set out the purpose or purposes for which the funds may be used.
- 2.17.3 The Local Authority retains the right to require a school to return any earmarked sum or grant if it cannot be demonstrated that such funding has been spent on the purposes for which it is given.
- 2.17.4 The Authority will, if necessary, establish an appropriate accounting mechanism to ensure that such allocations are not assimilated into a schools budget share.

2.17.5 The Local Authority cannot make any deduction, in respect of interest costs to the Local Authority, from payments to schools of devolved specific or special grant.

2.18 SPENDING FOR THE PURPOSE OF THE SCHOOL

2.18.1 S.50, SSAF Act, 1998 allows governing bodies to spend budget shares for the purposes of the school. This may include non-school provision of programmes of education or provision of programmes of education within the 'Family of Schools' where governors can show that these relate directly to the raising of standards. One example of this would be Community Focused Schools' activities.

2.19 CAPITAL SPENDING FROM BUDGET SHARES

2.19.1 Governing bodies may use their budget shares to meet the cost of capital expenditure on school premises. This provision includes expenditure by the governing body of an aided school on work which is their responsibility under para 3 Sch. 3 of the SSAF Act 1998. However, should the anticipated capital expenditure by a governing body of a school exceed £15,000 in any one year, the governing body is required to notify the Authority and take into account any advice from the Head of Education as to the merits of the proposals.

2.19.2 Where premises are owned by the Authority, normally the case with regard to maintained (community and voluntary controlled) schools, then the governing body must obtain the consent of the Head of Education to carry out proposed capital works. Consent may be withheld on health and safety or efficiency grounds, and other reasons such as 2.19.3 below.

2.19.3 Whilst all proposals for capital expenditure will be considered on their individual merits, governing bodies should be aware that the Authority will not normally approve works which could lead to the creation of spare (surplus) places, or which are contrary to the School Organisation Plan. Similarly the Authority will not normally approve works which incur additional on-going revenue costs, unless the governing body is able to demonstrate an ability to meet such additional costs from budget share.

2.20 GRANT FUNDING

2.20.1 Schools in receipt of grant funding, for example from European Union sources or Lottery Funding, should be fully aware of their financial obligations under the terms of any grant. In particular, governing bodies have the responsibility for project delivery in line with the grant application and conditions and for complying with any audit and document retention requirements. Advice should be sought from the Denbighshire's External Funding Claims Team.

SECTION 3

INSTALMENTS OF THE BUDGET SHARE: BANKING ARRANGEMENTS

3.1 FREQUENCY OF PAYMENT

Budget shares for those schools which elect to operate an external bank account will be made available to Governing Bodies on the 18th of each month or the last working day prior to that date.

3.2 PROPORTION OF BUDGET SHARE PAYABLE AT EACH INSTALMENT

3.2.1 PAYMENT INSTALMENTS

Each monthly instalment will be of equal size equating to 1/12th of the appropriate budget share.

3.2.2 INSTALMENTS EXCLUDING PAYROLL

Instalments of Budget Share net of estimated pay costs will also be available where the Authority provides Payroll services for the school.

To enable the Local Authority to calculate the initial pay costs, Governing bodies of schools with external bank accounts will be required to advise the Authority by no later than 1st February preceding the new financial year of the intended staffing levels for the coming year. Such details must be submitted in a format determined by the Authority.

The methodology to estimate pay costs will not differentiate between schools, irrespective of size, phase or category.

Calculations of pay costs will be provided for schools choosing to operate external bank accounts by no later than 1st March preceding each financial year. (depending on timely submission of information from schools)

This calculation will take account of annual pay awards and incremental progression. The responsibility for ensuring the accuracy and updating of staffing details and pay awards lies with the Governing Body who must inform the Local Authority in writing of any changes or errors in information provided. The remaining balance of budget share will then be paid as in 3.2.1 above.

3.3 ADJUSTMENT IN RESPECT OF LOSS OF INTEREST

3.3.1 There is no proposal at present to claw back interest, but this may be reviewed in the future.

- 3.3.2 The LEA is required to add interest to late payments of budget share instalments, where such late payment is the result of LEA error. The interest rate used will be in line with the current Bank of England base rate.

3.4 BUDGET SHARE FOR CLOSING SCHOOLS

- 3.4.1 Budget shares of schools, for which approval for discontinuation has been secured, will continue to be made available until closure on a monthly basis net of estimated pay costs.

3.5 BANK AND BUILDING SOCIETY ACCOUNTS

- 3.5.1 All schools financed under the provision of this Scheme are entitled to hold an external bank account. These accounts must be held with bona fide Financial Institutions as approved by the Authority.
- 3.5.2 Schools may operate both current (cheque) and interest bearing accounts but only one approved current account may be used. Any interest earned on the accounts may be retained by the school.
- 3.5.3 The Local Authority will, if the school desires, transfer immediately to the account an amount agreed by both the school and Authority as the estimated cash balance held by the Authority in respect of the school's budget share. Such transfer will be adjusted when the accounts for the relevant year are closed.
- 3.5.4 No school with a deficit balance will be able to operate an external bank account for 12 months following the clearance of such deficits.
- 3.5.5 All accounts opened may be done so under the name of the school only or in the name of the Local Authority. However, if the account is in the name of the Local Authority then the account mandate should provide that the Local Authority is the owner of the funds in the account, that it is entitled to receive statements and that it can take control of the account if the school's right to a delegated budget is suspended by the Local Authority. Both Local Authority and school employees must be allowed signatories to the accounts. (NB Budget Share funds paid by the Local Authority and held in school accounts remain Local Authority property until spent (S49(5) of Act).
- 3.5.6 Schools intending to open new bank accounts will only be allowed to do so with effect from the start of each financial year following the receipt of a written notice of intent signed by the Headteacher and Chair of Governors giving 3 months notice.
- 3.5.7 The Governing Body of each school will be responsible for ensuring that their bank accounts are managed properly and efficiently.

- 3.5.8 The choice of authorised signatories to a bank account is at the discretion of the school governing body, but the Local Authority requires that at least two senior members of the school staff must be so authorised.
- 3.5.9 As schools will not be able to register independently with H.M. Customs and Excise, all appropriate financial stationery used by the schools must have reference to Denbighshire County Council and its registration numbers.
- 3.5.10 The Authority must be advised immediately in writing with full details of all bank accounts opened under this scheme.

3.6 RESTRICTIONS ON ACCOUNTS

- 3.6.1 For schools which choose to hold their own bank accounts, as detailed in para 3.5, the school must inform the Authority as to which bank account it wishes its budget share to be credited.

3.7 SCHOOL PETTY CASH IMPREST ACCOUNTS

- 3.7.1 Schools which do not wish to open their own bank account may open a small imprest cheque book account. The purpose of this account would be to allow schools to hold some petty cash at the school for the purchase of small items of expenditure.

3.8 BORROWING BY SCHOOLS

- 3.8.1 Governing Bodies may borrow money only with the written permission of the Welsh Assembly Government to which application should be made. The Authority will not accept responsibility for any such loans so authorised.

SECTION 4

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

4.1 THE RIGHT TO CARRY FORWARD SURPLUS BALANCES

- 4.1.1 Any surplus / deficit balance made by a school in any one financial year shall be retained by the school and carried forward to the following financial year. Schools will receive a final outturn statement for the financial year which will show both the balance brought forward from the previous financial year and the balance to be carried forward to the next.

4.2 REPORTING ON THE INTENDED USE OF SURPLUS BALANCES

- 4.2.1 Where surplus balances are in excess of 5% of the current year's

annual budget share, Governing Bodies are required to inform the Authority as to how the school intends to use such balances as outlined in the Authority's policy for the use / claw back of surplus balances.

4.3 INTEREST ON SURPLUS BALANCES

4.3.1 Where schools choose the Local Authority to provide Banking and Financial services on their behalf then interest will be payable on any surplus balances held in excess of £1,000.

4.4 OBLIGATION TO CARRY FORWARD DEFICIT BALANCES

4.4.1 Where schools carry forward a deficit balance, then this will be deducted from the following year's budget share.

4.4.2 Where deficit balances are held, a deficit recovery plan, including a full working budget, will be requested from the School and Governing Body giving details of how they intend to recover the deficit.

4.4.3 Further details relating to schools with deficit balances may be found in the Challenge and Intervention for Schools document and schools must ensure they meet the requirements of this framework.

4.5 PLANNING FOR DEFICIT BALANCES

4.5.1 Schools may plan a deficit budget provided they are able to produce a realistic and viable deficit recovery plan over a period of time agreed with the Authority. This is usually within the 3 year period covered by the 3 year budget plan, but this period can be extended in serious cases involving falling rolls. The school must, however, apply for a licenced deficit as in para 4.9. Full details can be found in the Challenge and Intervention Framework for Schools.

4.6 CHARGING OF INTEREST ON DEFICIT BALANCES

4.6.1 Where schools choose the Local Authority to provide Banking and Financial services on their behalf then interest may be charged on any deficit balance at the discretion of the Local Authority.

4.6.2 Any charge will be based on the rate that the Authority would itself incur should it be overdrawn.

4.7 WRITING OFF OF DEFICITS

4.7.1 The Local Authority cannot write off the deficit balance of any school under any circumstances. Liability will remain with the school until deficits are cleared.

4.8 BALANCES OF CLOSING AND REPLACEMENT SCHOOLS

- 4.8.1 In the event of the Authority ceasing to maintain a school, then any surplus balance or deficit balance at the time of closure will revert to the Local Authority; it cannot be transferred as a balance to any other school, unless the school is a successor to the closing school.

4.9 LICENSED DEFICITS

- 4.9.1 Schools which do not have a deficit may plan for a deficit budget with the written approval of both the Head of Education and Section 151 Officer, given the following criteria:
- (i) the arrangement will be funded by the collective surplus of school balances held by the Authority on behalf of schools: whilst the Authority may legally take into account the balances held by a school in an external bank account (as school balances are legally the property of the Authority if made available by the Authority initially), it would wish to seek the views of such schools before acting in this way;
 - (ii) the maximum period of time over which a school would be expected to repay the deficit (i.e. to reach at least a zero balance) shall be not more than five years;
 - (iii) a clear and agreed purpose and plan for the deficit arrangement; to be reviewed at termly intervals;
 - (iv) the Authority will not commit more than 40% of the collective schools balances held by it at any one time;
 - (v) schools holding balances in their own bank accounts may be invited to participate;
 - (vi) detailed terms and conditions will be agreed between the governors, headteacher, Head of Education and Section 151 Officer;
 - (vii) schools will need to be aware that interest may be charged as described in 4.6 on licensed deficits;
 - (viii) that in the event of the maximum period of time in which a deficit must be repaid being exceeded, the Authority may consider suspension of a governing body's right to a delegated budget in accordance with s.51 (Sch.15) SSAF Act, 1998;
 - (ix) in seeking a licensed deficit, schools will be expected to demonstrate that the arrangement supports the raising of educational standards.

Full details of the requirements can be found in the Challenge and Intervention Framework for Schools.

SECTION 5

INCOME

Note: Unless the Private Finance Initiative (PFI) states to the contrary, these rules may also apply to PFI Schools.

5.1 INCOME FROM LETTINGS

5.1.1 Schools may retain income from lettings of the school premises which would otherwise accrue to the Local Authority subject to the terms of:

- (i) a joint use agreement made between a governing body and the Local Authority as per the charging policy;
- (ii) a Private Finance Initiative (PFI) agreement.

5.1.2 Schools may cross-subsidise lettings for community and voluntary use with income from other lettings, provided that there is no net cost to the school's budget share.

5.1.3 Schools are required to pay due regard to the Authority's policy with regard to the use of school premises, including lettings, policy on charges and any joint use agreement between the school and the Authority.

5.1.4 Income from lettings of school premises should **not** be payable into voluntary or private funds held by a school. Schools should ensure there is no financial detriment to the school as a result of the lettings.

5.2 INCOME FROM FEES AND CHARGES

5.2.1 With the exception of any service provided by the Local Authority from centrally retained funds but occurring on a school site, schools may retain any income generated from fees and charges levied for a service provided by or on behalf of the Governing Body.

5.2.2 Where such services are provided by the school, then Governing Bodies are required to have regard to any relevant policy statements on charging issued by the Local Authority.

5.3 INCOME FROM FUND RAISING ACTIVITIES

5.3.1 Schools are allowed to retain any income generated from fund raising activities they organise and are responsible for. This may be retained in the school private fund.

5.3.2 Any deficit that occurs as a consequence of such activities must not be met from the school's delegated budget share.

5.4 INCOME FROM THE SALE OF ASSETS

5.4.1 Income derived from the sale of assets purchased with delegated funds may only be spent for the purposes of the school. Schools will retain the

proceeds of sale of assets except in cases where the asset was purchased with non- delegated funds (in which case the Authority will decide who will retain the proceeds), or the asset concerned is land or buildings or property forming part of the school premises and is owned by the Authority.

5.5. ADMINISTRATION PROCEDURES FOR THE COLLECTION OF INCOME

- 5.5.1 Where the schools choose the Local Authority to provide Banking and Financial services on their behalf, all income received by them should be promptly banked using the schools bank paying in book with all items individually identified and coded appropriately. Schools should ensure that where applicable any VAT is separately recorded when banking.
- 5.5.2 For those schools that choose to operate an external Bank account, they will be required to establish proper practices for the recording of income ensuring that a proper VAT receipt is issued if appropriate and the correct VAT rate charged. All records will need to be kept for six full financial years.

SECTION 6

THE CHARGING OF SCHOOL BUDGET SHARES

6.1 GENERAL PROVISION

- 6.1.1 In those circumstances identified under 6.2 below, the Local Authority is authorised to levy a charge on a school's delegated budget share WITHOUT the consent of the Governing Body. Governing Bodies will be advised of any additions or deletions to these circumstances, following the consultation that is required under Schedule 14 of the School Standards and Framework Act, 1998.
- 6.1.2 Such 'charges' will provide protection for the Local Authority from any liabilities caused by the action or inaction of a Governing Body.
- 6.1.3 Where charges are to be levied against a school's delegated budget share then the Local Authority will first consult with the school concerned regarding its intention and will notify schools when the charge has been finalised.
- 6.1.4 The Authority will provide a procedure to resolve disputes where schools consider that charges have unreasonably been applied.
- 6.1.5 In all such circumstances the Local Authority will act in a reasonable manner and remains subject to a direction by the Welsh Assembly Government.

6.1.5 Salaries/wages of school based staff will be charged to budget shares at actual cost.

6.2 CIRCUMSTANCES IN WHICH CHARGES MAY BE MADE

6.2.1 Other expenditure incurred to secure resignations where the school had not followed Local Authority advice

6.2.2 Awards by courts and industrial tribunals against the Local Authority or out of court settlements arising from action or inaction by the Governing Body contrary to the Local Authority's advice.

6.2.3 Any costs incurred by the Local Authority where the Local Authority is joined by the Governing Body in an action and has incurred expenditure as a consequence of the Governing Body not taking the Local Authority's advice.

6.2.4 Expenditure by the Local Authority in carrying out health and safety work or capital expenditure for which the Local Authority is liable but where funds have been delegated to the Governing Body for such work and the Governing Body has failed to carry out the required work.

6.2.5 Expenditure by the Local Authority incurred in making good defects in building work funded by capital spending from delegated budget shares where the premises are owned by the Local Authority or the school has voluntary controlled status.

6.2.6 Expenditure incurred by the Local Authority in insuring its own interests in a school where funding has been delegated for this purpose but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Local Authority

6.2.7 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement and the result is that monies are owed by the school to the Local Authority

6.2.8 Recovery of penalties or other charges imposed on the Local Authority by the Board of Inland Revenue, the Contributions Agency, H.M. Customs and Excise, Teachers' pensions or regulatory authorities as a result of school negligence.

6.2.9 Correction of Local Authority errors in calculating charges to a budget share (e.g. pension deductions.)

6.2.10 Additional transport costs incurred by the Local Authority arising from decisions by the Governing Body on the length of the school day, and failure to notify the Local Authority of non-pupil days, resulting in unnecessary transport costs.

- 6.2.11 Legal costs which are incurred by the Local Authority because the Governing Body did not accept the advice of the Local Authority (see Section 11).
- 6.2.12 Costs of necessary health and safety training for staff employed by the Local Authority, where funding for training had been delegated but the necessary training had not been carried out.
- 6.2.13 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.
- 6.2.14 Costs incurred by the Local Authority in securing provision specified in a statement of ALN where the Governing Body fails to secure such provision despite the delegation of funds in respect of that statement.
- 6.2.15 Costs incurred by the Local Authority due to submission by the school of incorrect data.
- 6.2.16 Recovery of amounts spent from specific grants (e.g. SEG) on ineligible purposes.
- 6.2.17 Costs incurred by the Local Authority as a result of the Governing Body being in breach of the terms of a contract.
- 6.2.18 Expenditure incurred by the Local Authority from any action by the Governing Body which has been taken contrary to written advice by the Local Authority
- 6.2.19 Any costs incurred by the Local Authority under the Late Payment of Commercial Debt (Interest) Act 1998 as a result of inaction by schools.

SECTION 7

TAXATION

7.1 VALUE ADDED TAX

- 7.1.1 Schools will receive separate VAT guidance as and when required which will give detailed advice on VAT issues, including lettings, fees and charges, fund raising and the sale of assets and VAT incurred on items of expenditure.
- 7.1.2 Generally HM Customs and Excise have agreed that VAT incurred by schools when spending any funding made available by the Authority is reclaimable by the Authority. This does not include expenditure by the governors of a VA school when carrying out their statutory responsibility to maintain the external fabric of the buildings.
- 7.1.3 Schools which choose to maintain their own bank accounts will pay their suppliers gross of VAT and charge VAT on all VATABLE income they

receive. Schools will need to account for VAT paid and received on a monthly basis from the Authority, on the pro forma returns that will be provided. There are strict rules governing the recovery of VAT. Schools must adhere to the Authority's timetable (a return should be received by the seventh day of the following month) for the submission of monthly returns, which may vary from time to time due to legislative changes; otherwise schools will be liable for any penalty the Authority incurs for non compliance. Schools will receive the VAT reclaimed on their behalf.

- 7.1.4 Schools should be aware of the possible need to register with HM Customs & Excise where they undertake significant trading activities through either charitable or voluntary organisations linked to the school.

7.2 CONSTRUCTION INDUSTRY TAXATION SCHEME (C.I.T.S.)

The above scheme has been reviewed and currently does not apply to works directly procured by schools and is the responsibility of schools and where the work is directly chargeable to the School delegated budget. However, any building works procured through the Authority does form part of the scheme.

- 7.2.1 The above scheme only affects contractors within the construction industry, be they companies, partnerships or individuals who are self-employed, and covers construction type work relating to installations, repairs, decorating, demolition and general building related work.
- 7.2.2 The scheme requires that contractors that satisfy certain conditions are issued with a tax certificate by the Inland Revenue which allows that person to receive payments without deduction. For any person not holding a certificate a deduction is made on account of the contractor's tax liability for labour payments.
- 7.2.3 Schools which choose to maintain their own bank accounts will need to deduct the relevant amount of tax from their suppliers as appropriate and pass the total amount deducted from contractors on to the Authority on a monthly basis, or satisfy themselves that the contractor satisfies the relevant conditions to be paid gross.

SECTION 8

THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY

8.1 PROVISION OF SERVICES FROM CENTRALLY RETAINED BUDGETS

- 8.1.1 Where services are provided to schools from centrally retained funds, then the Local Authority will determine the basis of this provision. There will be no discrimination by the Local Authority in the provision of such services unless:

8.1.2 (1) Funding for the services in question has been delegated to a restricted number of schools or:

(2) The statutory duties of Governing Bodies require such discrimination to be made.

8.2 TIMESCALES FOR THE PROVISION OF SERVICES BOUGHT BACK FROM THE LOCAL AUTHORITY USING DELEGATED BUDGETS

8.2.1 The term of any arrangement to buy services or facilities from the Local Authority is limited to a maximum of five years from the date of the agreement. There is no prescribed minimum period but the Authority will look to ensure best value in determining the duration of agreements to provide services.

8.2.2 When a service is provided for which expenditure cannot be retained centrally by the Authority, it must be offered at prices which are intended to generate income which is no less than the cost of providing those services. The total cost of the service must be met by the total income, even if schools are charged differentially.

8.3 PACKAGING

8.3.1 Schools are not under any obligation to purchase services or facilities from the Authority (see also para 2.16.1) and the Authority will seek not to package services in a way which might unreasonably restrict schools' freedom of choice of the services. Where practicable, provision will be offered on a service by service basis. The Authority does, however, reserve the right to package certain services or facilities together in order to be able to offer them at discounted rates to schools or to meet best value.

8.4 SERVICE LEVEL AGREEMENTS

8.4.1 Denbighshire County Council will consult with schools as to those services or facilities which schools would wish to see provided by the Authority under service level agreements. It reserves the right, however, not to offer services where there is insufficient demand from schools or where the service is uneconomical or does not meet other best value requirements.

8.4.2 The Authority will consult with schools on an annual basis through Service Level Agreements (see also 2.16.3), giving details of the duration of each agreement, the service standards, service specifications and any packaging, optional or additional arrangements which might be available.

8.4.3 Services and facilities offered by the Authority through service level agreements are available to schools on an ad hoc basis (that is, for periods or at intervals of less than the duration of the agreement) but the Authority reserves the right to charge for such ad hoc services at a different rate from

services provided under a service level agreement.

- 8.4.4 Services or facilities provided under a service level agreement - whether without charge or on a buy-back basis - will be reviewed at least every three years if the agreement lasts longer than that period.

SECTION 9

PUBLIC FINANCE INITIATIVE (PFI)

- 9.1 The PFI is one of the main mechanisms through which the public sector can provide services in partnership with the private sector.
- 9.2 Typically, a Local Authority will purchase a capital intensive service from a private sector provider over the period of a long-term contract. The service will often consist of the provision and maintenance, to a specified standard, of a facility within which an Authority's own staff deliver a core service, for example a school. The Authority pays for the service as and when it is received in amounts set in the contract. Payments will vary depending on the private sector's performance and/or the usage of the service. The contractor takes responsibility for investing in the capital assets required, financing that investment and then managing the facilities to provide the specified level of service to the Authority. The private sector takes the business risk entailed in committing to supply the service for the contracted level of payments.
- 9.3 Where a school PFI project is likely to be developed, then an appropriate agreement must be reached with the Headteacher / Governors of the School before the PFI contract is signed. The agreement will set out those service elements and costs of the Fair Funding delegated budget which will be transferred back to the Council to offset service charges under the PFI e.g. catering, cleaning, maintenance etc.

SECTION 10

INSURANCE & RISK MANAGEMENT

10.1 INSURANCE COVER

- 10.1.1 Funding for insurances is delegated to schools within the funding formula. If any school seeks to purchase its own insurance cover, other than through the Authority, they would be required to demonstrate that the cover relevant to the Authority's insurable interests were at least as good as the relevant minimum cover arranged by the Authority under any arrangements entered into by the governing body. The Authority must have regard to the actual risks which might be expected to arise at the school in question in operating this requirement.
- 10.1.1 Supplementary guidance is available to schools and includes a summary of the insurances which the Authority currently holds and

additional insurances which schools may obtain through the Authority if they so wish.

10.2 LIABILITY OF GOVERNORS

- 10.2.1 Legislation imposes upon governors certain statutory responsibilities which they are expected to discharge. However, because the governing body of a school is a corporate body and because of the terms of s.50(7) of the SSAF Act, governors of maintained schools do not incur personal liability in the exercise of their power to spend the delegated budget share, provided they act in good faith.
- 10.2.2 The Authority provides certain insurance cover in respect of school governors.
- 10.2.3 Insurance cover provided by the Authority and the provisions in legislation relating to actions 'in good faith' do not rule out all possibilities of personal liabilities. Governors may be held personally responsible in the case of:
- (i) corrupt or deliberately irregular behaviour;
 - (ii) gross or deliberate carelessness; for example, in respect of Health and Safety matters.

SECTION 11

MISCELLANEOUS

11.1 RIGHT OF ACCESS TO INFORMATION

- 11.1.1 Governing bodies will be required to supply all financial and other information which might reasonably be required to enable the Authority to satisfy itself as to the school's management of its delegated budget share. This requirement does not extend to copies of internal reports to the governing body on financial matters.
- 11.1.1 As part of the audit of the Authority's accounts, any interested person may inspect the accounts (between specifically advertised dates) to be audited and all books, deeds, contracts, bills, vouchers, and receipts relating to them and make copies of all or any part of the accounts and those other documents (Public Audit (Wales) Act 2004). Schools may make a reasonable charge for this service in order to cover costs.
- 11.1.2 This includes any documents held by schools. Schools need to be aware that the Authority will require schools to provide copies of any documents held by them in a timely manner if requested to do so. The Authority will give prior notification of such requests unless this is impractical. Additional requests for information are now being received under the Freedom of Information Act 2000, which have return deadlines and for which schools will be asked to provide information held by them.

11.2 GOVERNORS EXPENSES

- 11.2.1 The Local Authority is allowed to delegate to the Governing Body of a school yet to receive a delegated budget, funds to meet governors' expenses, the amount of which will be determined by the Local Authority.
- 11.2.2 Under Schedule 11 of the Act, only 'allowances' specified in Regulations may be paid to members of the Governing Body of schools financed under the provisions of this scheme from a school's delegated budget share. This would be funded at the discretion of the school from their individual budget share.
- 11.2.3 Where the Welsh Assembly Government appoints additional Governors to a school under Special Measures, there shall be no duplication of expenses already paid for by the Assembly.

11.3 RESPONSIBILITY FOR LEGAL COSTS

- 11.3.1 Legal costs incurred by the Governing Body, although the responsibility of the Local Authority as part of the cost of maintaining the school (which does not include costs relating to the statutory responsibility of voluntary aided school governors for buildings) will be charged to the school's budget share unless the Governing Body chooses to invest in a pooled scheme that covers such costs. Where there is a conflict of interest between the Local Authority and the Governing Body, the Governing Body is free to obtain, at its own expense, legal advice from a third party.

11.4 HEALTH AND SAFETY

- 11.4.1 Governing Bodies of schools financed under the provision of this scheme are required at all times to have due regard to duties placed upon the Local Authority in relation to Health and Safety matters and to the Authority's policy on Health and Safety in the management of the Budget share.
- 11.4.2 Further details relating to Health and Safety in schools may be found on the intranet in the Directorate's publication entitled "School Health & Safety Manual 2009".

11.5 RIGHT OF ATTENDANCE FOR SECTION 151 OFFICER

- 11.5.1 Governing bodies are required to allow the Section 151 Officer of the Authority or any officer of the Authority nominated by the Section 151 Officer, to attend meetings of the governing body at which any agenda items are relevant to the exercise of his/her responsibility and to notify the Section 151 Officer of the agenda item(s) in advance.

11.6 DELEGATION TO NEW SCHOOLS

- 11.6.1 The Authority is empowered to delegate selectively and optionally to the shadow Governing Bodies of schools which have yet to receive delegated budgets.

11.7 WHISTLEBLOWING

- 11.7.1 Persons working at a school or school governors who wish to complain about financial management or financial propriety at the school shall do so in accordance with the Council's corporate Whistleblowing policy.
- 11.7.2 The corporate whistleblowing policy sets out in detail how to raise a concern and how the council will respond to such concerns.

11.8 CHILD PROTECTION

- 11.8.1 Governing Bodies are required to release staff to attend Child Protection Case Conferences and related events regardless of whether the Local Authority makes any payment to schools to help meet the costs. It is the discretion of the LA whether funding is delegated for this purpose.

11.9 SCHOOL MEALS

- 11.9.1 In discharging their duties in relation to delegated funding for school meals, governing bodies are required to have regard to any policies which the Authority might have in place in relation to school meals.

11.10 SPENDING BUDGET SHARE (ADDITIONAL LEARNING NEEDS)

- 11.10.1 Schools have a statutory duty to identify and provide for the additional educational needs of their pupils. Should a school substantially and persistently breach its responsibilities in this context, the Authority may take action to suspend delegation.

SECTION 12

RESPONSIBILITY FOR REPAIR AND MAINTENANCE

12.1 REPAIR AND MAINTENANCE OF BUILDINGS AND GROUNDS

- 12.1.1 The categories of work which the Welsh Assembly has recommended as being the appropriate division of responsibilities between the LEA and the Governing Body of Community and Voluntary Aided Schools is set out in the Traded Services SLA for Building Maintenance.
- 12.1.2 All funding for repairs and maintenance of schools is delegated to schools, subject to 12.1 above. Only funding in respect of capital

expenditure will be retained by the Local Authority. Denbighshire Local Authority may only treat expenditure as capital if it fits the definition of capital used by the local authority for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting.

- 12.1.3 Voluntary Aided School Governors will continue to be eligible for grant from the Welsh Assembly for Wales in respect of their statutory responsibilities for buildings and premises. In addition they will have responsibility for other repair and maintenance items on the same basis as Community and Foundation Schools.

12.2 LOCAL AUTHORITY LANDLORD RESPONSIBILITIES

- 12.2.1 As the owner of both buildings and land in schools other than Voluntary Aided or Foundation schools the Local Authority will monitor its assets in order to ensure that its responsibilities in this regard are adequately discharged in order to maintain the structure, fabric and condition of its property.

ANNEX 1

DENBIGHSHIRE SCHOOLS MAINTAINED UNDER THE PROVISIONS OF THIS SCHEME

Primary Schools	Official Ref. No.
Ysgol Hiraddug	2011
Ysgol Y Castell	2037
Christchurch School	2038
Ysgol Llywelyn	2039
Ysgol Y Faenol	2057
Ysgol Penmorfa	2059
Ysgol Emmanuel	2060
Ysgol Dewi Sant	2066
Ysgol Melyd	2067
Ysgol Bodfari	2070
Ysgol Bryn Hedydd	2072
Ysgol Esgob Morgan	2098
Ysgol Cefn Meiriadog	2124
Ysgol Frongoch (Junior)	2125
Ysgol Henllan	2127
Ysgol Twm o'r Nant	2134
Ysgol Bryn Clwyd	2135
Ysgol Y Parc (Infants)	2136
Ysgol Clocaenog	2163
Ysgol Gellifor	2164
Ysgol Cyffylliog	2166
Ysgol Pentrecelyn	2168
Ysgol Rhewl	2169
Ysgol Betws Gwerfil Goch	2214
Ysgol Carrog	2215
Ysgol Caer Drewyn	2216
Ysgol Bro Elwern Gwyddelwern	2219
Ysgol Y Lllys	2227
Ysgol Bryn Collen	2234
Rhos Street School	2255
Ysgol Penbarras	2256
Ysgol Bro Cinmeirch	2261
Ysgol Bro Famau	2262
Ysgol Gymraeg Y Gwernant	2263
Ysgol Clawdd Offa	2264
Ysgol Bodnant Community School	2265
Ysgol Pendref	2266
Ysgol Bro Dyfyrdwy	2677
Ysgol Tremeirchion V.P.	3020
St Asaph Infants V.P.	3024
Ysgol Llanbedr Controlled	3044
Ysgol Llanfair D.C. Controlled	3045
Ysgol Borthyn Controlled	3050
Ysgol Pantpastynog Prion	3057
Ysgol Dyffryn Ial	3061
Ysgol Mair R.C.	3315
Ysgol Trefnant	3316
St Brigid's (Primary)	5900

Secondary Schools	Official Ref. No.
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Rhyl High School	4003
Prestatyn High School	4014
Ysgol Glan Clwyd	4020
Denbigh High School	4026
Ysgol Dinas Bran	4027
Ysgol Brynhyfryd	4031
Blessed Edward Jones	4601
St Brigid's	5901

Special Schools	Official Ref. No.
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Ysgol Tir Morfa	7000
Ysgol Plas Brondyffryn	7010