

## **Scheme for Financing Schools**

Including

The Scheme Specific Financial Regulations

**Updated September 2015**

## **Scheme for Financing Schools**

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[The Scheme Specific Financial Regulations](#)

# **Cheshire West and Chester Council Scheme for Financing Schools**

## **The Outline Scheme**

References throughout this statutory guidance to:

“the Act” are to the School Standards and Framework Act 1998;

“the authority” means the local authority; and

“the Regulations” are to the School and Early Years Finance (England) Regulations 2014 made under the Act.

The Regulations state that schemes must deal with the following matters:

1. The carrying forward from one funding period to another of surpluses and deficits arising in relation to schools’ budget shares.
2. Amounts which may be charged against schools’ budget shares.
3. Amounts received by schools which may be retained by their governing bodies and the purposes for which such amounts may be used.
4. The imposition, by or under the scheme, of conditions which must be complied with by schools in relation to the management of their delegated budgets and of sums made available to governing bodies by the authority which do not form part of delegated budgets, including conditions prescribing financial controls and procedures.
5. Terms on which services and facilities are provided by the authority for schools maintained by them.
6. The payment of interest by or to the authority.
7. The times at which amounts equal in total to the school’s budget share are to be made available to governing bodies and the proportion of the budget share to be made available at each such time.
8. The virement between budget heads within the delegated budget.
9. Circumstances in which a local authority may delegate to the governing body the power to spend any part of the authority’s non-schools education budget or schools budget in addition to those set out in section 49(4)(a) to (c) of the 1998 Act.
10. The use of delegated budgets and of sums made available to a governing body by the local authority which do not form part of delegated budgets.
11. Borrowing by governing bodies.
12. The banking arrangements that may be made by governing bodies.
13. A statement as to the personal liability of governors in respect of schools’ budget shares having regard to section 50(7) of the 1998 Act.

14. A statement as to the allowances payable to governors of a school which does not have a delegated budget in accordance with the scheme made by the authority for the purposes of section 519 of the 1996 Act.
15. The keeping of a register of any business interests of the governors and the head teacher.
16. The provision of information by and to the governing body.
17. The maintenance of inventories of assets.
18. Plans of a governing body's expenditure.
19. A statement as to the taxation of sums paid or received by a governing body.
20. Insurance.
21. The use of delegated budgets by governing bodies so as to satisfy the authority's duties imposed by or under the Health and Safety at Work etc Act 1974.
22. The provision of legal advice to a governing body.
23. Funding for child protection issues.
24. How complaints by persons working at a school or by school governors about financial management or financial propriety at the school will be dealt with and to whom such complaints should be made.
25. Expenditure incurred by a governing body in the exercise of the power conferred by section 27 of the 2002 Act.



## **1. Introduction**

### **1.1. The Funding Framework**

1.1.1. The main features of the Funding Framework are set out in [Annex A](#).

### **1.2. The role of the scheme**

1.2.1. The scheme sets out the financial relationship between the Local Authority and the schools which it maintains. It contains requirements relating to financial management and associated issues which are binding on both the Local Authority and on schools.

### **1.3. Application of the scheme to the Local Authority and Maintained Schools**

1.3.1. This scheme applies in respect of all community, nursery, special, voluntary, foundation (including trust), foundation special schools and pupil referral units (PRUs) maintained by the authority, whether they are situated in the area of the authority or situated elsewhere. It does not apply to schools situated in the authority's area which are maintained by another authority. Nor does it apply to academies. The schools are listed for information in Annex B.

### **1.4. Publication of the scheme**

1.4.1. A copy of the scheme will be supplied to the Headteacher and to the Governing Body of each school covered by the scheme, and any approved revisions will be notified to each school. Copies will also be made available on the Local Authority's internet site. A copy of each year's budget and outturn statements will also be made available to each school covered by the scheme and published on the Local Authority's internet site.

### **1.5. Revision of the scheme**

1.5.1. Any proposed revisions to the scheme will be the subject of consultation with the governing body and the head teacher of every school maintained by the authority before they are submitted for approval to the Schools Forum. It is anticipated that the scheme will be reviewed from time to time. All proposed revisions must be submitted to the schools forum for approval by members of the forum representing maintained schools. Where the schools forum does not approve them or approves them subject to modifications which are not acceptable to the authority, the authority may apply to the Secretary of State for approval.

### **1.6. Maintenance of Schools**

1.6.1. The Local 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 Aided School where some of the expenses are, by statute, payable by the Governing Body). Part of the way in which 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.

## **1.7. Role of the Local Authority**

1.7.1. The role of the Local Authority is to:

- plan service provision
- monitor the performance of schools
- determine the total resources available
- review and recommend educational policies
- review the Scheme for the Financing of Schools
- provide services to schools, pupils and the community
- manage the non-delegated elements of the budget
- operate in partnership with schools and other partners in delivering the wider Children's Services agenda.

1.7.2. The Local Authority is accountable to:

- children, parents and carers
- partner organisations
- the Department for Education (DfE)
- the Council Tax payers of Cheshire West and Chester

1.7.3. The Local Authority provides a network of support and advice, together with policies and guidelines providing a compatible framework, consistent with discharging its legal obligations.

## **1.8. Role of the Section 151 Officer**

1.8.1. The Head of Finance has a statutory responsibility to ensure the proper administration of the Local Authority's financial affairs, including those of schools. To fulfill this responsibility the Local Authority will provide the Head of Finance with all necessary access to information, documents and records. In addition, the Head of Finance or their representative has the right to attend governors' meetings to give advice or information on financial matters that may affect the S151 officer's statutory responsibilities.

## **1.9. Role of the Strategic Director of Children and Families**

1.9.1. The Strategic Director of Children and Families is responsible for the management of the Scheme for Financing Schools, for monitoring the

effectiveness of the Scheme and for recommending to the Local Authority withdrawal of delegation where appropriate.

## **1.10. Role of the Schools Forum**

1.10.1. The Schools Forum's powers are set out in Regulations. In this context, the Forum is responsible for approving any changes to the Scheme for Financing Schools.

## **1.11. Role of the Governing Body**

1.11.1. The role of the Governing Body is to exercise responsibility for:

- the management of the school within its delegated budget
- the management of devolved budgets and funds generated by the school
- the maintenance of effective controls within financial systems
- the operation of the Scheme within the school
- deployment of resources within the schools budget to meet the schools needs and priorities.
- securing that the necessary provision is made for any pupil who has special educational needs
- development and implementation of the School Improvement Plan for the school within the general conditions and requirements of the Local Authority's Scheme.
- fulfilment of its tenant obligation for maintenance of the premises and adherence to the appropriate Health & Safety requirements.
- liaison with the Local Authority.

1.11.2. The Governing Body or a committee of the governing body must approve the first formal budget plan of each financial year.

1.11.3. The Governing Body is accountable to:

- pupils, parents and carers
- the local community
- the Local Authority
- the Department for Education (DfE)
- Council Tax payers of Cheshire West and Chester.

## **1.12. Delegation of powers to the Headteacher**

1.12.1. Full or partial management of the school's budget may be delegated to the Headteacher and other members of the school's staff, where this is considered appropriate and enhances control over the budget. The extent of such delegation, and the limits of financial authorisation, should be documented in a formal Scheme of Delegation for the school, approved and minuted by the full Governing Body.

1.12.2. References in this scheme to Governing Bodies also apply to the staff to whom powers have been delegated.

### **1.13. Declaration of interests**

1.13.1. Any Governor, Headteacher or other member of staff who has any financial interest, either personally or through a partner or family member, with any firm, or organisation that has any involvement with the school must declare that interest in writing. If the governor or member of staff is attending a meeting of the Governing Body or a committee at which matters affecting the firm or organisation are to be discussed they must declare their interest at the start of the meeting, refrain from participating in the discussion and not vote when a decision is being made.

1.13.2 The Governing Body of each school must have a register which lists for each member of the Governing Body and the Headteacher:

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

The governing body must; 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 publish the register, for example on a publicly accessible website.

### **1.14. Hospitality and gifts**

1.14.1. Governors, the Headteacher or any member of staff shall not accept any offer or gift, favour or hospitality on a personal level, from suppliers and contractors, and shall abide by all relevant legislation.

## **2. Accounting Policies and Procedures**

### **2.1. Accounting Principles**

- 2.1.1. The Local Authority adheres to the general accounting principles recommended by the Chartered Institute of Public Finance and Accountancy. Schools are required to abide by these principles and by procedures issued by the Authority which relate to accounting and year-end closure of accounts. More detailed guidance will be issued by the Local Authority as appropriate.
- 2.1.2. In its management of the delegated budget, the Governing Body is also required to abide by the Local Authority's requirements on financial controls and monitoring, not only those in the Scheme but also those requirements contained in more detailed publications referred to in the scheme and compatible with it. These include the Local Authority's Financial Regulations, Standing Orders, the Scheme Specific Financial Regulations, the Schools Financial Value Standard and the Code of Conduct for Employees. If however these are inconsistent with the provisions of this scheme, then the provisions of this scheme shall prevail.
- 2.1.3. All accounting codes used shall conform to the approved standard code list, which will be issued annually by the Finance Service in accordance with Consistent Financial Reporting (CFR).
- 2.1.4. All financial transactions which affect the school's budget must be processed through the Local Authority's bank account, the school's local bank account or imprest account, as approved by the Local Authority under an appropriate local financial processing scheme.
- 2.1.5. The Head of Finance will provide the Governing Body with details of the school's accounts as soon as possible after the conclusion of each financial year, including the carry-forward balance. It is these accounts which form the statutory accounts for each school.

### **2.2. Accounting Records**

- 2.2.1. Financial records and accounts kept by schools must be in a form which is compatible with those of the Local Authority, as it is the latter which form the statutory records and accounts of each school. Schools using their own financial software will be required to meet any costs of modification to provide output required by the authority.
- 2.2.2. Schools are required to provide the Local Authority with details of anticipated and actual expenditure and income, in a form and at times determined by the Local Authority. Such details will not be required to be submitted more often than once every three months except for

those connected with tax or banking reconciliation – unless the Local Authority has notified the school in writing that in its view the school's financial position requires more frequent submission or the school is in its first year of operation. The restriction to a minimum 3 month interval does not apply to schools which are part of an on-line financial accounting system.

2.2.3. Accounting records and associated documents must be retained for a period specified by the Head of Finance. This is currently six years after the end of the financial year. At the year-end, Governing Bodies Authority will submit any information requested as part of the process to close the Local Authority's accounts and to comply with those legislative requirements which relate to the publication of financial information.

2.2.4. The Local Authority has a responsibility to ensure Governing Bodies are exercising effective financial control over the school's delegated budget, and may therefore, at any time, request accounts and records to be produced and a full explanation given of any figures therein.

### **2.3. Payment of salaries and payment of bills**

2.3.1. Schools must abide by any separately published administrative procedures for the payment of salaries and bills. Further guidance is also included in the [Scheme Specific Financial Regulations](#), sections 2 and 4.

### **2.4. Central funds and earmarking**

2.4.1. In addition to the Schools Delegated Budget, the Local Authority may make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget shares. Such allocations will be subject to conditions setting out the purpose or purposes for which the funds may be used.

2.4.2. Such earmarked funding from centrally retained funds is to be spent only on the purposes for which it is given, and is to be spent in the financial year to which it relates or within the period over which schools are allowed to use the funding if different. Allocations cannot be vired into the budget share. Separate accounting analysis must be kept in a form prescribed by the Head of Finance. Schools must be able to demonstrate that these requirements have been complied with.

2.4.3. Earmarked funds must be returned to the Local Authority if not spent within the period stipulated over which schools are allowed to use the funding.

## **2.5. Audit: General**

- 2.5.1. The Governing Body is responsible for ensuring that this Scheme is observed in schools and that a system of internal controls is established, which ensures all activities under their control are conducted in a proper, efficient and well ordered manner.
- 2.5.2. The internal audit regime for schools will be determined by the Local Authority. Schools will also fall within the Local Authority external audit regime as determined by the Appointed external auditors. Schools are required to co-operate with both regimes.
- 2.5.3. The Internal Audit Manager is responsible for providing an independent internal audit of all the Local Authority's activities. The main purpose of the audit is to review, assure, alert and advise on the controls and systems employed by the Local Authority in carrying out its activities, and to assist the Local Authority in achieving optimum economy, efficiency and effectiveness.
- 2.5.4. Internal Audit staff shall have full access to schools' assets, Local Authority and School Fund records and transactions. They are entitled to ask for information and explanations to help them complete their research.
- 2.5.5. Any matters which involve, or are thought to involve irregularities affecting cash, stores, other school property or the School Fund, shall be notified by the Headteacher to the Chairman of Governors and to the Head of Finance. The latter will then advise as to the best course of action to be followed.
- 2.5.6. The Governing Body shall ensure that the staff of the Local Authority's external auditors are also granted full access to schools' assets, Local Authority and School Fund records and transactions.
- 2.5.7. When undertaking investigations internal and external audit staff may require access to all financial or other records, staff and explanations that they require to enable them to complete their investigations.
- 2.5.8. The Governing Body may, if it so determines, spend funds from its budget share to obtain an independent external audit certification of its accounts for its own purposes. If undertaken this would be entirely separate from and additional to the Local Authority's internal and external audit arrangements and would not in any way replace them. Any external appointed external auditors by the school should take into account the status of the school as a spender of Local Authority funds.

## **2.6. Whistleblowing**

2.6.1. The Governing Body shall encourage members of staff who have concerns about matters of probity or integrity to report them in the appropriate manner and will ensure that they are protected as required by the Public Interest Disclosure Act 1998.

2.6.2. The Local Authority has issued to schools the procedure to be followed by persons working at a school or school governors who wish to complain about financial management or financial propriety at the school, and how such complaints will be dealt with.

## **2.7. Audit of voluntary and private funds (School Funds)**

2.7.1. A voluntary or private (unofficial) School Fund is defined as any fund established to support school activities but generated by funds which are independent of school's official resources. Schools are required to provide audit certificates in respect of voluntary and private funds held and of the accounts of any trading organisations controlled by the school.

2.7.2. The end of year audited accounts, comprising an income and expenditure account and balance sheet and an audit certificate prepared by the auditor, shall be presented annually to a meeting of the full Governing Body. Further guidance is given in the [Scheme Specific Financial Regulations](#), which will be updated or further guidance given from time to time.

## **2.8. Spending for the purposes of the school**

2.8.1. Although s.50 (3) allows governing bodies to spend budget shares for the purposes of the school, this is subject to regulations made by the Secretary of State and any provisions of the scheme. As well as the various standard provisions LAs may wish to propose their own restrictions on this freedom, arising from local circumstances. By virtue of section 50(3A) (which came into force on 1st April 2011), 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.

2.8.2. Under s.50 (3) (b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. He has done so in the School Budget Shares (Prescribed Purposes)(England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes)(England)(Amendment) Regulations 2010 (SI 2010/190). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools and academies.

## **2.9. Capital spending from budget shares**



2.9.1. A Governing bodies can use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the Governing Body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998. If the Governing Body proposes to undertake capital expenditure from the budget share, the Governing Body must notify the Strategic Director of Children and Families and must take into account any advice from the Strategic Director of Children and Families as to the merits of the proposed expenditure if it exceeds £20,000. If the premises are owned by the Local Authority, or the school has Voluntary Controlled status, then the Governing Body should seek the consent of the Local Authority to the proposed works. Such consent can be withheld only on health and safety grounds.

2.9.2. These requirements do not affect expenditure from any capital allocation made available by the Local Authority outside the delegated budget share.

## **2.10. Notice of Concern**

2.10.1. The Local Authority may issue a notice of concern to the Governing Body of any school it maintains where, in the opinion of the Head of Finance and the Strategic Director of Children and Families, 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.

2.10.2. 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 support packages; 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.

- 2.10.3. The notice will clearly state what these requirements are, 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.

**2.11. Fraud**

- 2.11.1. All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets.
- 2.11.2. The Governing Body and head teacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them; and the consequences of breaching these controls. This information must also be included in induction for new school staff and governors.

### **3. Control of Assets**

#### **3.1. Control of assets**

- 3.1.1. Recording assets, ensuring their safe custody and their proper management, is the responsibility of the Governing Body which should maintain proper security for all furniture, equipment, plant, stores and other assets, including data, held both manually and on computer systems.
- 3.1.2. The Governing Body is also responsible for the security of the school's buildings and land, and should ensure that procedures are operated to control access to the buildings and land at all times. Keys should be held by a nominated officer who should have responsibility to ensure that buildings are securely locked when not in use.
- 3.1.3. The Governing Body is responsible for ensuring that all computer software used is properly licensed.

#### **3.2. Inventory of Assets**

- 3.2.1. An inventory should be maintained of all moveable non-capital assets over £1000 in value, whether purchased, leased or donated. This should include vehicles, visual aid equipment, computer equipment, expensive tools, camping and sports equipment.
- 3.2.2. Schools must determine their own arrangements for assets worth less than £1000, but a register must be kept in some form.
- 3.2.3. Items should be clearly and permanently marked as being Local Authority property and should be included in the inventory as soon as they are received. Whenever an item is disposed of, the inventory entry should be annotated with a reference to the reason or circumstances of the disposal. A copy of the inventory, specifying the source of funding for each item, should also be kept away from the school site. (This requirement will be most easily met if the inventory is in electronic format and saved automatically when the computer system is backed up).
- 3.2.4. The Governing Body should ensure that a person, independent of the school's inventory maintenance, checks the inventory at least annually and certifies it as correct. Any major discrepancies in the inventory should be investigated and reported to the Governing Body and to the Finance Service, Internal Audit Section.
- 3.2.5. No Local Authority property should be removed from the school except in the ordinary course of school business when its removal and return should be fully documented. No items can be used for other than

school business without specific written permission from an authorised member of staff.

### **3.3. Stocks**

- 3.3.1. The Governing Body is responsible for the control of all school stocks (defined as consumable items constantly required for school purposes) and for ensuring that these do not exceed reasonable requirements. The Head of Finance will advise upon the form of the stock records. Where the Governing Body considers the level of stocks held to be significant, they should ensure that full stock records are maintained and that an annual stock take is performed, with any significant discrepancies being reported to the Governing Body.

### **3.4. Cash**

- 3.4.1. The amount of cash held on school premises shall be minimised by at least weekly banking, shall be held securely and shall not exceed the limits of the school's insurance cover.
- 3.4.2. Keys for safes, alarm systems etc. should be held by a nominated officer and must be removed from the school overnight etc. Any loss must be reported immediately to the Headteacher who should take whatever action is felt necessary to ensure that the safe or area remains secure.

## **4. The Delegated Revenue Budget**

### **4.1. Preparation and Planning**

- 4.1.1. Each school will receive notification of its budget for the following financial year, by 31 March each year. The Governing Body must prepare and formally approve both a budget plan and a detailed allocation of its budget. Governing Bodies must not plan a deficit budget, after taking into account carried forward balances. (but see 4.2 below)
- 4.1.2. Depending upon the point in the multi-year budget cycle, the school may also receive indicative budgets for future years.
- 4.1.3. The Local Authority will supply schools with all income and expenditure data that it holds which is necessary for efficient planning by schools. The Local Authority will provide schools with an annual statement showing when this information will be available throughout the year. Schools with online access to their accounts have permanent access to their data.
- 4.1.4. The Governing Body, in considering its budget allocation for the new financial year, should give consideration to the level of carry-forward from the previous year. In particular they should consider whether the amount was as expected, and if not, why not; whether the amount is considered reasonable in comparison to the total school budget, and the level of contingency provision thought necessary. By reference to the School's Improvement Plan they should also consider for what purposes the carry forward balance should be used.
- 4.1.5. If a school with delegated management decides, at the beginning of the financial year, to put aside part of its delegated budget to be spent in a subsequent year (long term deposits), or budget is put aside to be spent later in the current financial year, interest will be paid on these specific amounts, through a scheme and at a rate determined by the Head of Finance. (See also Section 7: Banking Arrangements and Section 8: The Treatment of Surplus and Deficit Balances).

### **4.2. Planning for deficit budgets**

- 4.2.1. Governing Bodies should not plan a deficit budget, after taking into account carried forward balances. Schools with a deficit carry forward are usually able to achieve a balanced budget in the following financial year.
- 4.2.2. However exceptionally, where schools can demonstrate that achieving such a balance within the next financial year will prove to be severely detrimental to the functioning of the school, the Strategic Director of

Children and Families, advised by the Head of Finance, may sanction Governing Body approval of deficit budget plans over a longer period, normally of two or three years. In very exceptional cases, expected to occur very rarely, the Strategic Director of Children and Families may consider a further extension of up to two years where this can be justified.

4.2.3 In such instances the Governing Body must provide in writing to the Strategic Director of Children and Families:

- (i) A full explanation of the situation, demonstrating that attempting to balance the budget in the next financial year would prove to be severely detrimental to the functioning of the school.
- (ii) A detailed action plan with proposed timescales designed to achieve a balanced budget within the shortest acceptable time.

4.2.4 The Governing Body is responsible for ensuring that the action plan, once approved, is fully implemented.

4.2.5 If a school has received approval to set a deficit budget and the school proposes to spend amounts received by it on purposes other than reducing the deficit, the Local Authority must agree to such a proposal unless in its view the proposed expenditure is unreasonable in the school's financial circumstances.

### **4.3. The Budget Plan and detailed allocation of the budget**

4.3.1. The first formal budget plan of each financial year must be approved by the full Governing Body, or by a committee of the Governing Body. The budget plan should state the intention for expenditure and anticipated income during the forthcoming financial year and the assumptions underpinning the plan. The budget plan should be returned to the Finance Service Schools Finance Team by 1st June each year.

4.3.2. The budget plan should facilitate the achievement of the school's educational objectives in line with its School Improvement Plan.

4.3.3. The detailed allocation of the budget which reflects the content of the budget plan shall be prepared in a format specified by the Head of Finance and returned to the Finance Service Schools Finance Team by 1st June each year.

4.3.4. The Governing Body, or a committee of the Governing Body with delegated powers, must formally consider and approve any variations from spending plans, which result from significant policy changes. Where the Governing Body approves such a significant change then

Virement should be used to effect that change to the detailed allocation. (See 4.6 below)

#### **4.4. Submission of financial forecasts**

- 4.4.1. To comply with best practice and the requirements of Schools Financial Value Standard (SFVS), schools are required to prepare three year financial plans to support their annual budget plan. Year two and year three of these plans should be based on best estimates available at the time. These financial plans may be used to; assure the Authority of the school adhering to SFVS, establish the sustainability of the three year School Improvement Plan and to give the Authority early notice of any school that appears to be heading into a period of financial difficulty.

#### **4.5. Efficiency and Value for Money**

- 4.5.1. Schools must seek to achieve efficiencies and value for money, to optimize the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements.
- 4.5.2. Annex C lists the principles of Efficiency and Value for Money.

#### **4.6. Virement**

- 4.6.1. Provided overall spending is contained within the total delegated budget, the Governing Body may approve transfers of budget between budget heads to facilitate a more effective deployment of resources and thereby aid their budget management.
- 4.6.2. Budget virement should not however be undertaken merely to match budgets to actual expenditure and income.
- 4.6.3. The Governing Body should establish and approve a written policy in terms of budget virement. This should state which members of the school's staff have authority to undertake virement and at what financial level, and that the Governing Body's approval is necessary for any virement in excess of a specified amount or which relates to a significant change of policy.

#### **4.7. Budgetary Control**

- 4.7.1. Budgetary responsibility should be defined within the scheme of delegation approved by the Governing Body.
- 4.7.2. The Headteacher is responsible for providing the Governing Body with regular reports, in a suitable format, of the school's financial position. This recommends that the report presents as a minimum the

appropriate level of detail, actual and committed expenditure, comparison with the budget and an explanation of any variances.

#### **4.8. Anticipating future years' budgets**

4.8.1. Governing Bodies may plan to carry resources forward for projects such as the replacement of equipment.

4.8.2. Only after prior agreement with the Head of Finance shall a Governing Body: -

- (i) Enter into a commitment which affects spending in a subsequent year, and then only when the Governing Body is satisfied that any such expenditure can be met from its likely budget for that year;
- (ii) Finance work in the current year by anticipating its budget for the following year.

#### **4.9. Licensed deficits**

4.9.1. This scheme does not permit a school to plan for a deficit budget.

Where in exceptional circumstances deficits cannot be avoided, then such deficits need to operate under license. This requires the school to agree a recovery plan with the Finance Service and the Strategic Director Children and Families.

The plan should establish:

- (i) the reasons for the deficit
- (ii) the amount of the deficit
- (iii) robust and realistic proposals for repaying the deficit
- (iv) the maximum length over which the school will repay the deficit (i.e. reach at least a zero balance). Schools with a deficit balance should plan to repay the deficit over a maximum of three years. In exceptional circumstances with the approval of the LEA, schools may plan to repay the deficit over a five year period.

If a school has a licensed deficit, and the school receives any unexpected income, that income should normally be applied to the deficit, any other use should be agreed in advance with the LA.

#### **4.10. Suspension of a Delegated Budget**



- 4.10.1. If a Governing Body substantially or persistently fails to comply with the requirements of this Scheme, the Local Authority's Standing Orders and Financial Regulations, or fails to manage the resources at its disposal to the satisfaction of the Local Authority, the Strategic Director of Children and Families may suspend the Governing Body's right to operate a delegated budget in accordance with provisions contained in the SSAF Act.

## 5. Purchasing, Tendering and Contracting Requirements

### 5.1. Raising Orders for Goods and Services

5.1.1 The Governing Body is responsible for all orders raised in relation to the school budget. Schools must abide by the Local Authority's Contract Procedure Rules which can be accessed on the Council's website at the following link. Please see Section G4.

<http://www.cheshirewestandchester.gov.uk/default.aspx?page=3436>

5.1.2 Key requirements set out in these Rules include:

- Identifying a clear specification for the goods or services to be purchased.
- Ensuring that goods and services are procured in a competitive manner to achieve best value.
- Carrying out appropriate checks on the financial standing, technical capacity and capability and if relevant health and safety competence of contractors.
- Entering into an appropriate contractual document to set out the terms and conditions agreed by the School and the contractor.
- Further guidance is included in the [Scheme Specific Financial Regulations](#).

5.1.3 The value of the Contract (normally the maximum price payable for the goods or services being purchased over its whole duration) will determine the procurement process which should be followed by the Governing Body. These processes are set out in the Contract Procedure Rules. A formal tendering process should be undertaken in respect of any Contract with a total value in excess of £50,000. Compliance with the Contract Procedure Rules will ensure that the Governing Body does not breach the requirements of the Public Contracts Regulations 2006 or the EU Procurement Directive.

5.1.4 The application of the Contract Procedure Rules in relation to contracts entered into by Schools funded by their delegated budget is limited as follows:

- (a) for any Contracts with a total value of below £60,000, there is no general requirement for the Governing Body to seek the agreement or signature of any Local Authority officer in order to enter into the Contract. The Governing Body however should however comply with all other terms of the Contract Procedure Rules for such Contracts. Contracts with a total value of over

£60,000 must be sealed by the Local Authority in addition to signature by the Governing Body. ;

- (b) in the event of any conflict between the terms of this Scheme and the Contract Procedure Rules, the terms of this Scheme take precedence.

## **5.2. Entering into Contracts**

- 5.2.1. Although Governing Bodies are empowered under Paragraph 3 of Schedule 10 of the School Standards and Framework Act 1998, to enter into contracts, in most cases they do so on behalf of the Local Authority as maintainer of the school and the owner of the funds in the budget share.
- 5.2.2. Contracts referred to in this section mean any agreements entered into for the supply of goods, services or works, but do not include contracts of employment. Examples of such contracts include window cleaning, equipment purchase maintenance and support, and construction work. Other contracts may be made solely on behalf of the Governing Body, when the Governing Body has clear statutory obligations – for example, contracts made by Aided or Foundation schools for the employment of staff.
- 5.2.3. Part of the assessment process for a supplier should include a review in advance, where relevant, of the health and safety competence of contractors, taking account of the Local Authority's policies and procedures.
- 5.2.4. Governing Bodies may opt out of contracts arranged by the Local Authority, with certain exceptions which are detailed below. However, once a Governing Body has opted into a Local Authority contract it cannot opt out until the contract expires. Governing Bodies will need to have regard to the principles of Best Value when making their decision.
- 5.2.5. Governing Bodies shall ensure that all tendering procedures comply with the Public Contracts Regulations 2006, and shall have regard to the requirements of the Local Government Act 1988 in respect of services defined by the Act as subject to competitive tendering.
- 5.2.6. Before entering into a contract for the supply of goods, works or services, the Governing Body is recommended to consult the Local Authority's Procurement Service to consider whether the item can be obtained from an existing central purchase arrangement. If a Governing Body buys work, goods or services through a central purchasing contract, the terms of that contract are binding until the contract expires.

- 5.2.7. A quotation or tender which is not the lowest in financial terms may be accepted, provided that it was disclosed to potential suppliers when quotes or tenders were invited that other non-price factors would be considered in evaluating the quotes or tenders, and that the factors to be considered were clearly identified (e.g. quality of service). The Governing Body must consider quotes or tenders in accordance with these pre-disclosed evaluation criteria, and select the best value provider on this basis.
- 5.2.8. Variations to an existing contract must be approved by the Governing Body and minuted.
- 5.2.9. Any costs incurred by a Governing Body as a result of breaking the terms of a contract, either with an outside contractor or with the Local Authority, will be charged to the school's delegated budget.
- 5.2.10. It is recommended that a Governing Body obtains legal advice before entering into any contract based on a supplier's standard terms and conditions. If the School buys into the Local Authority's legal helpline service, initial advice can be obtained through this helpline.

### **5.3. Declarations of Interest**

- 5.3.1. The Governing body must have a register of interests as detailed in section 1.13 within which governors and staff should declare any links they have with local firms from which the school may wish to buy goods or services.
- 5.3.2. Any Governor, Headteacher or other member of staff who has a direct or indirect personal or financial interest in a contract or other matter, and is present at a Governors' meeting when the issue is to be considered, shall disclose their interest at the start of the meeting when invited to do so by the Chair and should not take part in any associated discussions or vote.
- 5.3.3. The Code of Conduct for employees prohibits staff from receiving gifts, apart from minor promotional material such as diaries and calendars. The appointed external auditors recommend that all authorities establish arrangements for recording the receipt of gifts and hospitality by members and staff.

### **5.4. General**

- 5.4.1. Quotations are not required in respect of contracts negotiated by Procurement or Local Government Consortia, recurring payments such as electricity, water, fuel oil, gas; or contract payments. These prices have been market tested and will be deemed to have met the principles of Best Value.

- 5.4.2. The Governing Body shall ensure that sufficient budgetary provision is available to meet all associated costs, before giving approval to accept a quotation or tender.
- 5.4.3. The Governing Body shall ensure that any contractor employed by them, has full insurance cover to an appropriate level for any claims made against the contractor by a third party, arising from their contract with the Governing Body, and that the Local Authority and/or Governing Body are fully indemnified in respect of any such claims.
- 5.4.4. Technical advice in relation to contracts and tendering procedures should be obtained from the Local Authority's Procurement.
- 5.4.5. All actions in relation to quotations, tendering and contracts should be fully documented and retained by the school for a minimum of 6 years after the Contract end date.
- 5.4.6. Tenders for the provision of goods and services may be received which quote prices in euros or a choice of sterling or euro. The Local Authority Head of Finance shall be consulted before a contract requiring payment in euros is signed.

## **5.5. Lease or Hire Agreements**

- 5.5.1. A Governing Body must not enter into any agreement to lease, rent or hire items or services without first consulting the Finance Service, Schools Finance Team, and verifying that the agreement provides better value than direct purchase. If purchase is the better option, the Governing Body may wish to consult the Finance Service, about financing an item costing between £5,000 and £25,000 by means of a Local Authority Business Finance loan. (The Loan Scheme is currently under review.)
- 5.5.2. A Governing Body must not enter into a lease under which:
- (a) the risks and rewards of ownership rest mainly with the school;
  - (b) the item leased is computer equipment where the maximum possible period under the agreement is longer than three years;
  - (c) a vehicle is to be acquired and the school has not first contacted the Schools Travels Team for advice;
  - (d) is classified as a finance lease. This is a form of borrowing which schools are prohibited from entering into, as schools are treated as having acquired the asset and financed the acquisition by obtaining a loan from the supplier. It involves payment by the School of installments totaling the substantial value of the asset and commonly the school will either acquire ownership of the

asset at the end of the lease or the asset will have no residual value.

- 5.5.3. The Head of Finance reserves the right to refuse permission for a school to enter in to a lease agreement if in his/her opinion, the school would be unable to meet the payments under the agreement, the lease is classified as a finance lease, or, the school could easily fund the capital expenditure from its balance.
- 5.5.4. Closing schools or any schools changing status to leave the Local Authority control will be required to pay all cancellation of outstanding lease charges. This is required for leases taken out on behalf of the school by the Local Authority and for leases taken out by the school in their own right.

## **6. Expenditure on Capital Items**

### **6.1. Definition of Capital Expenditure**

- 6.1.1. Capital expenditure is broadly defined as expenditure in excess of £10,000, on the acquisition of a tangible asset, or expenditure which adds to (rather than merely maintains), the value of an existing asset and/or extends the useful life of an asset and increasing usability, provided that the asset yields benefits to the Council and the services it provides is for a period of more than one year.

### **6.2. Financing Capital Expenditure**

- 6.2.1. A Governing Body considering undertaking a capital scheme can fund such a scheme from its delegated budget, taking into account any carry forward built up for this purpose. This includes expenditure by the Governing Body of a Voluntary Aided school on work, which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998. Alternatively, they may wish to take advantage of the Local Authority's Business Financing Scheme (See paragraph 6.3.1). The Governing Body must ensure that it has sufficient funds available to meet all one-off and on-going costs and must have regard to the requirements concerning tendering procedures detailed in the Scheme Specific Financial Regulations.
- 6.2.2. If the expected capital expenditure from the budget share in any one year will exceed £20,000 the Governing Body must notify the Local Authority and take into account any advice from the Strategic Director of Children and Families, as to the merits of the proposed expenditure. This includes schools seeking to bid for specialist schools status, for national lottery projects, or any other grant aided capital projects.
- 6.2.3. If the premises are owned by the Local Authority, or the school has Voluntary Controlled status, then the Governing Body must seek the consent of the Local Authority to the proposed works. Such consent will not unreasonably be withheld.

### **6.3. Business Financing Scheme** *This Scheme is currently under review.*

- 6.3.1. The Local Authority operates an internal loan scheme that can be used to spread the cost of an asset over 3, 4 or 5 years, provided that period of the loan is no longer than the useful life of the asset. The minimum loan is £5,000 and the maximum loan is £25,000 (exceptional circumstances may be considered). Further details are available from the Finance Service. Approval is at the discretion of Head of Finance who may seek the advice of the Strategic Director of Children and Families. The Scheme cannot be used to finance either budget deficits or items of routine revenue expenditure. In addition,

the Head of Finance reserves the right to refuse to grant a loan if in his/her opinion either the school would be unable to afford to repay the loan, or would easily be able to meet the capital expenditure from its school balances.

#### **6.4. Approval to Incur Capital Expenditure**

- 6.4.1. The Governing Body shall formally approve any proposal to incur capital expenditure having first been presented with a detailed report of the proposal, which clearly states all the one-off and on-going financial implications of the proposal and the method of financing such costs. The report should also relate the proposal to the objectives and action plan contained within the school's development plan.
- 6.4.2. Any additions to or changes from the original proposal shall be approved by the Governing Body before any commitment is entered into.
- 6.4.3. Approval for all capital expenditure shall be considered gross of any income, capital receipts, grant income, donations, reimbursements etc. even if the net cost is nil. A Governing Body may approve gross capital expenditure up to a limit of £100,000. Gross capital expenditure of greater than £100,000 requires the approval of the Local Authority before any commitment may be entered into.
- 6.4.4. The Governing Body must comply with the conditions applied by the DfE and other external bodies to specific types of capital expenditure, e.g. specialist schools or lottery projects. The Governing Body should take account of any additional guidance which the Strategic Director of Children and Families or the Head of Finance may issue on the financial management of particular schemes.

#### **6.5. Purchase or Lease of Land or Buildings**

- 6.5.1. Leases relating to land or property require the approval of the Head of Places Strategy. Only the Monitoring Officer or his/her authorised deputies, or persons specifically authorised by the Service Scheme of Delegation, may sign such agreements.

#### **6.6. Monitoring Capital Expenditure**

- 6.6.1. All capital expenditure must be separately coded in the school's accounts, in order that it can be clearly identified by the Local Authority.
- 6.6.2. Subject to the Governing Body's Scheme of Delegation, each cycle of meetings of the Governors shall receive a report of all capital expenditure, which shall include details of actual expenditure incurred



compared to that originally approved, with reasons for any variance and proposals for financing any projected overspendings.

## **6.7. Voluntary Aided and Special Agreement Schools**

- 6.7.1. The SSAF Act empowers the Governors of Voluntary Aided and Special Agreement Schools, to use their school's budget share to meet the 10% element of the trustees' expenditure on repair and capital works, which is not reimbursed through DfE grant aid. Where Governors choose to use the delegated budget in this way, VAT is recoverable on that contribution, irrespective of who is actually responsible for carrying out the work. However, care must be taken to ensure that VAT is not recovered in relation to any expenditure which is funded by VAT-inclusive grant aid.

## **7. Banking Arrangements**

### **7.1. Responsibilities of the Finance Service**

7.1.1. The Finance Service, on behalf of the Head of Finance, is responsible for the cash flow management of the Authority and for ensuring, in accordance with Section 50(1) of the SSAF Act, that sufficient resources are available to meet the expenditure incurred by schools throughout the year. Banking arrangements, loans and investments made in support of such cash flow management are made by the Head of Finance in accordance with the general Financial Regulations of the Authority, which reflect the CIPFA Code of Practice for Treasury Management in Local Authorities. Linked to these arrangements are facilities for the payment of invoices, salaries, wages and the collection of income. The Local Authority's banking arrangements also include the operation of imprest accounts.

### **7.2. Choice of bank and building society accounts**

7.2.1. All Maintained Schools can choose to either have external bank accounts (referred to as local bank accounts) into which their budget share instalments are paid, or to use the Local Authority's banking facilities. For the purposes of this section, Budget Share includes any place-led funding for special schools or pupil referral units.

7.2.2. New bank account arrangements may only be made with effect from the beginning of each financial year. Any school wishing to opt for its own bank account may only do so after giving a period of notice of at least four months before the start of the financial year.

7.2.3. If a school opens an external bank account the Local Authority will, if the school desires, transfer immediately to the account an amount agreed by both school and the Local Authority as the estimated surplus balance held by the LA in respect of the school's budget share, on the basis that there is then a subsequent correction when accounts for the relevant year are closed. The surplus balance to be transferred would be based on the latest estimate obtained from accounts submitted by the school, and would be subject to audit of the school accounts.

7.2.4. A school may choose to have a Local Bank Account for:

- (a) payment of invoices relating to all non-pay expenditure and for receipt and banking of locally collected income (**Non Pay Local Bank Account**).

**Or**

- (b) payment of salaries and wages and other employee related costs and payment of invoices relating to all non-pay expenditure and for receipt and banking of locally collected income (**Full Local Bank Account**)

7.2.5. If a Non Pay Local Bank Account is chosen, payment of salaries and wages and other employee related costs will be paid through the Local Authority's banking facilities.

7.2.6. If a school decides not to purchase the Employee Service Centre services and/or Payments and Income facilities then it will require a Local Bank Account.

7.2.7. Bank accounts denominated in euro may only be opened with the written agreement of the Head of Finance.

### **7.3. Local Bank Accounts**

7.3.1. A full description of the Local Bank Account Scheme is available from the Finance Service, Schools Finance Team.

7.3.2. The local bank account must be selected from the designated list institutions produced by the Finance Service. No other institutions may be used.

7.3.3. Any school closing an account used to receive its budget share and opening another must select the new bank or building society from the designated list. This applies even if the closed account was with an institution not on the designated list.

7.3.4. A local bank account must be impersonally titled in the name of the school indicating the account is for the purpose of administering the school's official, delegated budget. The title should be sufficiently different from the name of any other bank account operated by the school.

7.3.5. If a school has a local bank account the account mandate should provide that the Local Authority is the owner of the funds in the account; that the Local Authority is entitled to receive statements; and that the Local Authority can take control of the account if the school's right to a delegated budget is suspended by the Local Authority.

7.3.6. Schools can retain all interest payable on the local bank account unless they choose to have an account within a Local Authority contract which makes other provision.

7.3.7. Local bank accounts must not go overdrawn, nor can a school arrange overdraft facilities at any time. Schools in deficit cannot have a local bank account until the deficit balance has been cleared.

7.3.8. Money paid by the Local Authority and held in a local bank account remains Local Authority property until spent (Section 49 (5) of the SSAF Act).

7.3.9. The Local Authority reserves the right to withdraw Local Bank Account facilities from any school which:

- fails to keep adequate records and accounts.
- fails to meet the financial information requirements prescribed by the Local Authority.
- fails to adequately monitor and control the Local Bank Account balances.
- becomes insolvent i.e. falls into deficit
- has delegation withdrawn

#### **7.4. Cash advances**

7.4.1. A school choosing a Local Bank Account will receive its budget share in a series of cash advances from the Local Authority. The school is responsible for managing its own cash flow. For a school NOT choosing a Local Bank account, the budget share is effectively available for the schools to draw on from the start of the financial year.

7.4.2. The cash advances made to a school are net of an abatement which reflects the loss of interest to the Local Authority resulting from the advances profile. The Local Authority is barred from making any deduction, in respect of interest costs to the Local Authority, from payments to schools of devolved specific or special grants. Therefore the Local Authority will not pay interest to schools on devolved, specific or special grants.

7.4.3. The Local Authority will add interest to late payments of budget share instalments, where such late payment is the result of LA error. The interest rate used will be that used for clawback calculations.

7.4.4. Schools choosing to take payroll budgets (**Full Local Bank Accounts**) will receive monthly cash advances of equal weighting.

7.4.5. **Non-pay only bank accounts** receive cash advances three times per year weighted in the following manner:

- first advance 40%
- second advance 35%
- third advance 25%

7.4.6. The first advance each financial year will be based on an initial estimate of the non-pay budget allocation for the school. Subsequent

advances will be based on the schools assessment of its non-pay budget (School Determined Budget).

- 7.4.7. Top up payments for pupils with high needs will be made on a monthly basis unless alternative arrangements have been agreed with the provider.
- 7.4.8. If a school wishes to change the levels of its pay and non-pay budgets then virement must be submitted in order that a cash adjustment can be made with the next advance. Virement between pay and non-pay budgets should be approved by the Governing Body.
- 7.4.9. Year-end carry-forward balances on the pay element of the budget will be advanced to schools as soon as the balance has been agreed. Conversely any overspend on the pay budget at the end of the financial year, the amount having been agreed by the school, will be deducted from the next cash advance. Both under spends and over spends will attract interest payments/charges.

## **7.5. Abatements– Method of Calculation**

- 7.5.1. The cash advances made to a Local Bank Account school are net of an abatement which reflects the loss of interest to the Local Authority resulting from the advances profile.
- 7.5.2. The calculation used to determine the deduction is detailed below.
  - i. The main income components of the Local Authority's budget are given a weighting according to their amounts and the dates of receipt. From this is identified the "average income date" for the financial year, i.e. the date which would be financially equivalent to receiving all the year's income in one amount.
  - ii. The various schemes for making budget advances to schools are subjected to similar calculations in order to arrive at an "average budget advance date" for each.
  - iii. The number of days between the average budget advance date and the average income date is divided by 365 (including leap years).
  - iv. This factor is multiplied by the Local Authority's banker's base rate (at 1 March preceding the budget year) plus 1% to obtain the interest percentage abatement that will be applied to the year's budget advance.
- 7.5.3. The amount of the abatement will be deducted from the actual budget advances made during the year pro rata to the proportion of the budget actually advanced.

## **7.6. Non Pay Local Bank Account**

- 7.6.1. Net interest will be charged on overspent pay budgets where the school has a non-pay local bank account. Net interest may be charged on other budget overspends should the Manager of the LA's Schools' Finance Team find it to be appropriate. The rate of interest payable will be determined by the Head of Finance.

## **7.7. Using Local Authority Banking Facilities**

- 7.7.1. Where schools choose to use the Local Authority's banking services interest will be paid on a "cash flow" basis where schools monthly expenditure is less than the profile determined by the Head of Finance. The scheme for so doing and the rate of interest payable will be determined by the Head of Finance.
- 7.7.2. The Local Authority reserves the right to charge interest on deficit balances.

## **7.8. Imprest Accounts and Purchase Cards**

- 7.8.1. The Head of Finance will provide a range of imprest services (where it is economically cost effective to do so) to schools who choose not to operate their own school bank account, but require a local arrangement to meet certain expenses. These services will usually take the form of an imprest bank account. (Further information is provided in the [Scheme Specific Financial Regulations](#).)
- 7.8.2. The Head of Finance reserves the right to vary the size and type of imprest account made available to a school should it fail to meet the requirements set out in the Financial Regulations.
- 7.8.3. The Head of Finance will make available purchase card facilities to schools that do not operate their own school bank accounts. The Head of Finance reserves the right to withdraw the purchase card facility should a school fail to meet the requirements set out in the financial regulations.

## **7.9. Borrowing by schools**

- 7.9.1. Borrowing of money by Governing Bodies by way of a loan from an organisation other than the Local Authority is not allowable. This is with the exception of certain schemes approved by the Secretary of State. Currently only Salix loans have such approval. Borrowings by a Governing Body will count against the total borrowing limits of the Local Authority and therefore the Local Authority must be notified if a Governing Body wishes to seek the permission of the Secretary of

State to borrow. The term borrowing encompasses finance leases in addition to loans..

- 7.9.2. Borrowing by Trustees and Foundations, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing Bodies do not act as agents of the Local Authority when repaying loans.

#### **7.10. Budget shares for closing schools**

- 7.10.1. Budget shares of schools for which approval for discontinuation has been secured, will be made available until closure on a monthly basis.

#### **7.11. Other provisions**

- 7.11.1. Separate detailed rules and guidance in respect of other aspects of banking arrangements, with which schools will be required to comply, will be issued from time to time.

## **8. The Treatment of Surplus and Deficit Balances**

### **8.1. The right to carry forward surplus balances**

8.1.1. Schools can carry forward from one financial year to the next any shortfall in expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year.

### **8.2. Controls on surplus balances: The Balance Control mechanism**

8.2.1. Surplus balances held by schools as permitted under this scheme are subject to the restrictions of the mechanism. The Balance Control Mechanism has regard for the principle that schools should not be constrained from making early efficiencies to support their medium term budgeting in a tighter financial climate.

- (a) the authority shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework;
- (b) the authority shall deduct from the calculated balance any amounts for which the school has a prior year commitment to pay from the surplus balance
- (c) the Local Authority shall then deduct from the resulting sum any amounts which the Governing Body of the school has declared to be assigned for specific purposes permitted by the authority, and which the authority is satisfied are properly assigned. To count as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the consent of the Local Authority. In considering whether any sums are properly assigned the Local 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.
- (d) if the result of steps a-c is a sum greater than 5% of the current year's budget share for Secondary Schools, 8% for Primary and Special Schools, or £15,500 (where that is greater than either percentage threshold), then the authority shall review these balances where they have been over the threshold for 3 or more years. Each school balance consistently over threshold will be reviewed on an individual basis and on those schools which have built up significant excessive uncommitted balances. Clawback of excess balances may be considered where some level of redistribution would support improved provision across a local area.



### **8.3. Interest on surplus balances**

- 8.3.1. Governing Bodies may request the Finance Service, Schools Finance Team to place monies from their delegated budget, including carried forward balances, on deposit with the Local Authority in accordance with the Deposit Savings Scheme, in order to earn interest. The Head of Finance will decide upon the appropriate interest rate in line with prevailing market rates.

### **8.4. Obligation to carry forward deficit balances**

- 8.4.1. Any overspending on a school's budget at year-end will be the first call on any monies invested in the Deposit Savings Scheme, and any overspending remaining thereafter will be deducted from the school's budget for the following year.

### **8.5. Writing off deficits**

- 8.5.1. The Local Authority cannot write off the deficit balance of any school. If the Local Authority wishes to give assistance towards elimination of a deficit balance this should be through the allocation of a cash sum, from the authority's schools budget (from a centrally held budget specified for the purpose of expenditure on special schools and pupil referral units in financial difficulty or, in respect of mainstream maintained schools, from a de-delegated contingency budget where this has been agreed by Schools Forum).

### **8.6. Balances of closing and replacement schools**

- 8.6.1. When a school closes, any balance (whether surplus or deficit) reverts to the Local Authority. Balances cannot be transferred as a balance to any other school, even where the school is a successor to the closing school except that a surplus transfers to an academy where a school converts to academy status under section 4(1)(a) of the Academies Act 2010. Under S47 of the SSAF Act, new schools may receive the benefit of additional sums which are equal to or less than the balances of relevant closing schools at the Local Authority's discretion.

## **9. Income**

### **9.1. Income from lettings**

- 9.1.1. Income from lettings of the school premises may be retained by schools, unless the income is subject to alternative provisions arising from any PFI or other funding agreements. Schools can cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the delegated budget share and provided the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. Schools are required to have regard to directions issued by the LA as to the use of school premises as permitted under the Act.
- 9.1.2. Income from the lettings of school premises owned by the LA should not be payable into voluntary or private funds held by the school.

### **9.2. Income from fees and charges**

- 9.2.1. Schools can retain income from fees and charges except where a service is provided by the LA from centrally retained funds. Schools must have regard to any policy statement on charging produced by the Local Authority and also have their own charging policy

### **9.3. Income from fund-raising activities**

- 9.3.1. Schools are allowed to retain income from fund-raising activities within the voluntary or school fund where these have been earned at no cost to the school's official budget.

### **9.4. Income from the sale of assets**

- 9.4.1. When selling Local Authority goods or assets the Governing Body must comply with part E.116 of the Local Authority's Contract Procedure Rules. Schools can retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds. In such cases the LA will decide whether or not the school should retain the proceeds. If the asset concerned is land or buildings forming part of the school premises and is owned by the LA then the LA will retain the proceeds. Where schools do retain the proceeds from sale of assets purchased from delegated funds then such income should be spent for the purposes of the school
- 9.4.2. The Finance Service, School Finance Team should be notified of all proceeds of asset sales above £10,000.

9.4.3. Where a school wishes to dispose of any equipment the Governing Body should ensure that procedures are followed which demonstrate probity, accountability and that the best return has been achieved.

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

**9.5. Administrative procedures for the collection of income**

9.5.1. The [Scheme Specific Financial Regulations](#) provide further guidance on the collection of income.

**9.6. VAT on income**

9.6.1. Schools should be aware that VAT can be chargeable on lettings and on the services which lead to fees and charges and also aware of the VAT implications of fund raising activities and sale of assets.

## **10. The Charging of School Budget Shares**

### **10.1. Charging of the budget share**

10.1.1. The budget share of a school may be charged by the Local Authority with the prior consent of the Governing Body where agreement has been reached for this to be done in the interests of efficiency e.g. where all schools are being charged electronically and where the expenditure is of a recurring nature and in line with what is normally to be expected.

Examples include:

- staff salaries and associated on-costs
- electronic billing for certain goods and services (currently public utilities and “buy-back” arrangements).
- cost of work done in respect of teacher pension remittances and records for schools using non-LA payroll contractors, the charge to be the minimum needed to meet the cost of the Local Authority’s compliance with its statutory obligations
- any amount agreed under a PFI/PPP agreement entered into by the Governing Body.

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

10.1.3. When extraordinary amounts are to be charged to adjust errors or omissions in respect of these charges, the Local Authority will provide the school with sufficient details to seek their agreement to the charge and will notify schools when the charge has been made.

10.1.4. The budget share of a school may be charged by the Local Authority without the consent of the Governing Body only in the circumstances detailed in section 10.2 below. The Local Authority will consult schools as to the intention to charge and will notify schools when the charge has been made.

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

10.1.6. In the event of any dispute between the Governing Body and the Local Authority in relation to amounts charged against a school’s budget, the Governing Body will be able to make representations to The Strategic

Director of Children and Families in the first instance and then to the Cabinet Member for Children and Families or their nominee.

## **10.2. Circumstances in which charges may be made**

- 10.2.1. Where premature retirement costs have been incurred without the prior written agreement of the Local Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Local Authority).
- 10.2.2. Other expenditure incurred to secure resignations where the school has not followed the Local Authority's advice.
- 10.2.3. 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.
- 10.2.4. Expenditure by the Local Authority in carrying out health and safety work or capital expenditure for which the Local Authority is liable where funds have been delegated to the Governing Body for such work, but the Governing Body has failed to carry out the required work.
- 10.2.5. Expenditure by the Local Authority incurred in making good defects in building work funded by capital spending from budget shares, where the Local Authority owns the premises, or the school has Voluntary Controlled status.
- 10.2.6. Expenditure incurred by the Local Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Local Authority.
- 10.2.7. 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.
- 10.2.8. Recovery of penalties imposed on the Local Authority by HM Revenue and Customs, Teachers Pensions, the Environment Agency or other regulatory authorities as a result of school negligence.
- 10.2.9. 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.
- 10.2.10. Legal costs that are incurred by the Local Authority because the Governing Body did not accept the advice of the Local Authority.

- 10.2.11. 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 not carried out.
- 10.2.12. 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.
- 10.2.13. Any costs incurred by a Governing Body as a result of breaking the terms of a contract, either with an outside contractor or with the Local Authority.
- 10.2.14. Costs incurred by the authority in securing provision specified in a statement of SEN where the Governing Body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs.
- 10.2.15. Costs incurred by the Local Authority due to submission by the school of incorrect data;
- 10.2.16. Recovery of amounts spent from specific grants on ineligible purposes;
- 10.2.17. Costs incurred by the Local Authority as a result of the Governing Body being in breach of the terms of a contract.
- 10.2.18. Any losses or costs arising in respect of a local bank account, imprest account, or cash held in hand, due to error, negligence or irregularity.
- 10.2.19. Any loss of income to the Local Authority arising from failure to notify the Strategic Director of Children and Families of all pupils attending the school including those who are living outside the Local Authority's boundaries, or are being temporarily fostered or in care within the Local Authority.
- 10.2.20. Any penalty deductions imposed by the HMRC in connection with the CIS scheme (see also Section 11.2).
- 10.2.21. Any "betterment" arising from consequential losses under the Local Authority's insurance provision.
- 10.2.22. Any overspending by schools on earmarked budgets and/or any expenditure which fails to meet the prescribed criteria (see section 2.4).
- 10.2.23. Costs incurred by the Local Authority in arranging provision for pupils with special educational needs, where a school has failed to make provision from the resources delegated by the Local Authority.

- 10.2.24. Where delegation has been suspended at a school, the Local Authority may charge such costs as it considers appropriate to the school budget share in discharging its responsibilities for running the school.
- 10.2.25. Where a school is “at risk” or in “special measures”, the Local Authority may charge such costs as it considers appropriate to the school budget share in discharging its responsibilities for school improvement.
- 10.2.26. Essential capital expenditure incurred by the Local Authority arising from deficiencies in the repair and maintenance programme undertaken by the Governing Body.
- 10.2.27. Costs awarded against the Local Authority caused by a Governing Body operating a local bank account being adjudged in default of the Late Payment of Commercial Debt (Interest) Act.
- 10.2.28. Closing Schools or any Schools changing status to leave the Local Authority control will be required to pay all cancellation of outstanding lease charges. This is required for leases taken out on behalf of the school by the Local Authority and for leases taken out by the school in their own right.
- 10.2.29. For each of these circumstances (except 10.2.10) the Local Authority must be able to demonstrate that it had necessarily incurred the expenditure now charged to the budget share. This means that where the Local Authority cannot incur a liability because the statutory responsibility rests elsewhere, no charging is possible. Therefore the position on charging will vary between categories of school.
- 10.2.30. Any amount agreed under a PFI/PPP agreement entered into by the Governing Body.
- 10.2.31. Correction of LA errors in calculating charges against a budget share e.g. pension deductions, errors in calculating SBSA charges
- 10.2.32. Cost of work done in respect of teacher pension remittance and records for schools using non-authority payroll contractors, the charge to be the minimum needed to meet the cost of the authority’s compliance with its statutory obligations
- 10.2.33. Costs incurred by the authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.

## **11. Taxation**

### **11.1. Value Added Tax**

- 11.1.1. HM Revenue & Customs (HMRC) have agreed that VAT incurred by schools when spending any funding made available by the Local Authority is treated as being incurred by the Local Authority and qualifies for reclaim by the Local Authority. 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. However, VAT is reclaimable on any LA contribution towards the cost of those works.
- 11.1.2. The specific procedures schools should follow in order to be able to utilise the Local Authority's ability to reclaim VAT on expenditure relating to non-business activities is detailed in separate guidance. Amounts so reclaimed will be passed back to the schools. Schools must also ensure that they account correctly for VAT on income received.
- 11.1.3. VAT paid on invoices can be reclaimed via the Local Authority as long as an invoice that complies with HMRC regulations supports the claim. Where a supplier issues a non-VAT invoice for a regular payment e.g. hire of equipment payable monthly on a maintenance contract, then a schedule of VAT will be issued to cover the whole year. This practice is acceptable to HMRC if a copy of the schedule is attached to each invoice paid.
- 11.1.4. Petty cash and purchase card purchases should, wherever possible and appropriate, be supported by a VAT receipt from the supplier so that the VAT element can be reclaimed.
- 11.1.5. The Local Authority is required to charge VAT on certain items of income. Schools must therefore determine whether VAT should be charged on income they generate. Specific guidance on the treatment of different types of income has been issued. As with VAT on expenditure, it is essential that there is adequate supporting documentation. Failure to collect and account for VAT will ultimately result in financial penalty.
- 11.1.6. It is essential that schools appreciate the importance of accurate and also timely VAT returns. HMRC have powers to levy penalties and where these result from errors in school returns they will fall to be met from school budgets.
- 11.1.7. It is a statutory requirement that invoices with VAT paid are retained for subsequent inspection by HMRC Inspectors for a period of six years or such lesser period as HMRC allow.



- 11.1.8. Schools are responsible for their own unofficial funds and these do not fall under the Local Authority's VAT registration. It is essential that such monies are kept separate. It is the responsibility of each school to establish whether a school or unofficial fund has to be registered for VAT in its own right. There are, however, rules where goods and services are paid for with donations from a school fund and also where contributions from a school fund can be made to defray the costs of educational school trips.
- 11.1.9. In order to assist schools in correctly accounting for VAT the Local Authority has made available a Basic VAT Guidance booklet, supplemented by training sessions, which provides specific notes on the treatment of VAT. The Local Authority will issue updated guidance from time to time and will take advice from the local VAT Business Advice Centre where necessary.

## **11.2. CIS (Construction Industry Scheme)**

- 11.2.1. There is a legal obligation placed on Local Authorities to make deductions of income tax from contractors' invoices falling within the scope of the Construction Industry Scheme. This includes any payments made to contractors who carry out any type of building work for the school, as under the scheme they are considered to be sub-contractors to the Local Authority. In addition to actual construction, the scheme also includes such things as painting and decorating, joinery, plumbing, etc. The full scope of the construction operations included within the scheme are listed on the HMRC website, reference CISR14020.
- 11.2.2. Interpreting and complying with the HRMC regulation is quite complex and involves correctly deducting and paying over tax, the submission of various tax vouchers each month, and an annual return listing all payments made under the scheme. To enable these deductions and reports to be processed, details of contractors' certificates and registration cards must be examined and recorded.
- 11.2.3. All schools, as agents of the Local Authority, are responsible for the initial determination of whether the Construction Industry Scheme should apply and for examining and recording details of contractors' certificates and registration cards prior to commissioning the work. Any financial penalties imposed by the HRMC arising from a school's failure to determine that CIS should have applied will be charged to the school concerned
- 11.2.4. Those schools that choose to operate a local bank account and pay their contractors directly become responsible for the whole operation of CIS under their own linked scheme arrangement. This will include responsibility for any financial penalties imposed by the HRMC arising from failure to operate the scheme properly. Any school wishing to

operate a linked scheme arrangement should contact the Finance Office for details of how to register with the HRMC.

- 11.2.5. When considering placing a contract or order for goods and services, the school must determine whether the Construction Industry Scheme applies. Further guidance on CIS is included in the [Scheme Specific Financial Regulations](#).

## **12. Provision of Services and Facilities by the Local Authority**

### **12.1. Provision of services from centrally retained budgets**

12.1.1. The Local Authority will determine the basis on which services from centrally retained funds will be provided to schools.

12.1.2. The Local Authority will not discriminate in its provision of services on the basis of categories of schools except where such discrimination is justified by differences in statutory duties.

12.1.3. When a service is provided for which expenditure is not retainable centrally by the LA under the Regulations made under section 46 of the Act, 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.

### **12.2. Provision of services bought back from the Local Authority using delegated budgets**

12.2.1. The terms of any arrangement with a school starting on or after 1 April 1999 to buy services or facilities from the Local Authority is limited to a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the later. Subsequent agreements relating to the same services will be limited to periods not exceeding five years.

### **12.3. Packaging of Services**

12.3.1. Where funding for a service has been delegated, and the Local Authority is offering the services on a buyback basis, this will be in a way which does not unreasonably restrict schools' freedom of choice among the services available.

### **12.4. Service Level Agreements**

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

12.4.2. Services, if offered by the Local Authority, will be available on an ad hoc basis that is not related to a Service Level Agreement, as well as on the basis of such Agreements if schools wish to commit to the SLA term. The charge for providing a service on an ad hoc basis may be at

a different rate than if provided on the basis of a Service Level Agreement for the full term.

- 12.4.3. The Local Authority offers a number of Service Level Agreements on an academic year basis. These SLA's must be in place by the end of April to be effective for the following academic year. For SLA's offered on a financial year basis, the agreement must be in place by the end of February prior to the start of the financial year. Schools will have at least a month to consider the terms of agreements.

## **12.5. Teachers' Pensions**

- 12.5.1. 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.
- 12.5.2. The conditions only apply to governing bodies of maintained schools that have not entered into an arrangement with the authority to provide payroll services.
- 12.5.3. A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the authority which the authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The authority will advise schools each year of the timing, format and specification of the information required. A governing body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) are passed to the authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.
- 12.5.4. A governing body of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the authority which the authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The authority will advise schools each year of the timing, format and specification of the information required from each school. A governing body shall also ensure that Additional Voluntary Contributions (AVCs) are passed to the authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

## **13. The School Meals Service**

### **13.1. Delegation of the School Meals Service**

- 13.1.1. Funding and responsibility for the school meals service has been delegated to all secondary schools with effect from April 2000, and to all primary and day special schools with effect from April 2002. Schools are required to have regard to the Local Authority's pricing and contents policies.

## **14. Private Finance Initiative (PFI)**

- 14.1.1. The LA may develop proposals for PFI schemes in schools, in which case governing bodies will be required to formally agree to the terms and conditions of the PFI scheme prior to the Local Authority signing binding contracts.
- 14.1.2. The Local Authority has issued provisions relating to PFI projects that form part of the scheme. Schools within an existing PFI scheme will be charged amounts as agreed.

## **15. Insurance**

### **15.1. Insurance cover**

15.1.1. Premises and liability Insurance has been delegated to schools. If a school chooses not to buy back the Local Authority's insurance cover the school will be required to demonstrate that cover relevant to the Local Authority's insurable interests, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover offered by the Local Authority. In operating such a requirement, the Local Authority will have regard to the risks reasonably expected to arise at the school in question.

### **15.2. Fire Reinstatement**

15.2.1. The Local Authority insures its schools for fire damage, including any consequential losses arising from making good the situation, e.g. temporary accommodation. Claims are subject to negotiation and agreement with a loss adjuster who may require savings to be taken into account in arriving at a net position. Such savings could include the running costs that would have been incurred on premises had there not been a fire.

15.2.2. In dealing with the consequences of a fire, each incident is considered on its merits with the Local Authority applying the following principles: -

- any consequential loss not covered by insurance will be set against the savings to the school budget from having accommodation out of use.
- such consequential costs could include meeting any extra costs incurred by another school acting as a temporary host for pupils displaced by fire.

15.2.3. It will further allow any school providing temporary accommodation to be reimbursed with those costs arising from the provision that are not covered by insurance.

15.2.4. When schools replace for example educational equipment and materials any "betterment" will be a charge against the schools budget.

## **16. Miscellaneous**

### **16.1. Special Educational Needs**

16.1.1. Schools are reminded that it is a statutory requirement to use their best endeavours in spending the budget share, to secure the special educational needs of their pupils.

### **16.2. Right of access to information**

16.2.1. The Governing Body is required to supply all financial and other information which might reasonably be required to enable the Local Authority to satisfy itself as to the school's management of its delegated budget share, or the use made of any central expenditure by the Local Authority (e.g. earmarked funds) on the school.

16.2.2. The Governing Body is required to provide all necessary information to enable the Local Authority to respond to statutory surveys, inspections and ad-hoc requests from statutory agencies, and also to provide necessary information for the Local Authority to make the correct returns to the Teachers Pensions Agency and the Cheshire Pensions Fund

### **16.3. Data Protection Act**

16.3.1. The Governing Body shall ensure that the School registers annually with the Data Protection Commissioner and that the management of all relevant data held by the school complies with the requirements of the Data Protection Act 1998.

### **16.4. Purchase of Computer Equipment**

16.4.1. Before any equipment is acquired for financial or administrative purposes, the Governing Body should consult with the Local Authority's ICT Manager, who will advise as to the most suitable equipment and systems available to meet the school's needs. This consultation is essential where the technology proposed may have an effect on the transfer of information between the school and the Local Authority.

### **16.5. Liability of governors**

16.5.1. The Governing Body is a corporate body, and because of the terms of Section 50 (7) of the SSAF Act, Governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.



## **16.6. Governors' expenses**

- 16.6.1. The Local Authority will delegate to the Governing Body of a school yet to receive a delegated budget, funds to meet Governors' expenses. The allowance rates will be determined by the Local Authority.
- 16.6.2. Under Schedule 11 of the School Standards and Framework Act 1998, only allowances in respect of purposes specified in regulations may be paid to Governors from a school's delegated budget share. No payment may be made in respect of any other allowances.
- 16.6.3. If a school is under special measures and the Secretary of State has appointed additional governors, then the Governing Body cannot pay expenses that would duplicate those paid by the Secretary of State.

## **16.7. Responsibility for legal costs**

- 16.7.1. Legal costs incurred by the Governing Body, although the responsibility of the Local Authority as part of the cost of maintaining the school unless they relate to the statutory responsibility of aided school governors for buildings, may be charged to the school's budget share unless the Governing Body acts in accordance with the advice of the Local Authority.
- 16.7.2. Should a Governing Body perceive a conflict of interest between themselves and the Local Authority, and wish to receive legal advice, then arrangements will be made for the Governing Body to receive legal advice from a solicitor who would have no contact with the solicitors acting for the Local Authority in respect of the particular case. The cost of the advice may be chargeable to the school's budget share.

## **16.8. Health and Safety**

- 16.8.1. In expending the school's budget share, the Governing Body must have due regard to duties placed on the Local Authority in relation to health and safety, and the Local Authority's policy on health and safety matters in the management of the budget share. A copy of the Local Authority's Health and Safety policy has been issued to schools.

## **16.9. Right of attendance at Governing Body meetings**

- 16.9.1. The Head of Finance has statutory responsibility to ensure the proper administration of the Local Authority's financial affairs, including those of schools. To ensure this responsibility is met the Governing Body will provide the Head of Finance with all necessary access to information, documents and records. In addition, the Head of Finance or a representative has the right to attend Governors' meetings to give

advice or information on financial matters that may affect these statutory responsibilities.

- 16.9.2. The Head of Finance or a representative's attendance will normally be limited to items that relate to issues of probity or overall financial management and such attendance should not be regarded as routine. Prior notice of such attendance will be given unless this is impracticable.

#### **16.10. Use of Equipment**

- 16.10.1. Equipment, which is the property of the Local Authority, shall not be used for any other purpose than that of the normal activities of the school.

#### **16.11. Charging for shared use of premises**

- 16.11.1. The Local Authority aims to make the fullest use of school premises consistent with the educational and recreational needs of the pupils subject to the direction of the Local Authority under Section 122 of the Education Act 1996.

- 16.11.2. This will include use by a number of organisations who will need to compensate the school for use of premises, fuel and services for example Adult Education classes, community organisations, dual use Libraries, etc.

- 16.11.3. A site by site recharge is agreed for each of the above types of use. The school will pay all the costs concerned and will receive reimbursement according to the agreements reached.

#### **16.12. Schools sharing facilities**

- 16.12.1. An individual site by site agreement disaggregates joint invoices, for example where schools share heating systems. The school receiving the account pays; a recharge then applies.

#### **16.13. Statistical Returns**

- 16.13.1. The Governing Body will be required to submit to the Local Authority School Census returns, and such other statistical or supplementary data returns that the Local Authority requires.

- 16.13.2. The use of School Census and other returns as the basis of the pupil count requires both prompt and accurate completion. As these returns are central to formula funding they are subject to audit. Formula allocations cannot be made for any school until every return has been received.

#### **16.14. Child Protection**

- 16.14.1. Staff should be released to attend child protection case conferences and other related events. No financial payments will be made by the Local Authority.

#### **16.15. Redundancy / early retirement costs**

- 16.15.1. The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. Further guidance can be found at Annex D

#### **16.16. Application of Schemes for Financing Schools to the Community Facilities Power**

- 16.16.1. Schools which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under s.28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult its LA and have regard to advice from the Local Authority. Thirdly, the Secretary of State Issues guidance to Governing Bodies about a range of issues connected with exercise of the power, and a school must have regard to that. See Annex E.

#### **16.17. Schools Financial Value Standard (SFVS)**

- 16.17.1. All local authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in the year they wish to complete their form.
- 16.17.2. 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.
- 16.17.3. All maintained schools with a delegated budget must submit the form to the local authority before 31 March 2013 and annually thereafter.

## **17. Responsibility for Repairs and Maintenance**

### **17.1. Responsibility for maintenance**

17.1.1. The Local Authority has adopted a de minimis limit of £10,000 to define capital and revenue expenditure in relation to building repairs and maintenance. Funding for repairs and maintenance has been delegated to schools.

17.1.2. 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 applied by DfE not the de minimis limit used by the authority.

**The Funding Framework: Main Features**

The funding framework is based on the legislative provisions in sections 45-53 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 a Local Authority must appropriate its entire Dedicated Schools Grant to their Schools Budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools except for capital and certain miscellaneous items. Authorities may deduct funds from their schools budget for purposes specified in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure). The amounts to be retained centrally are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their Schools Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the Schools Budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).

Local Authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the Governing Body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with Section 51 of the Act. The financial controls within which delegation works are set out in a Scheme made by the authority in accordance with Section 48 of the Act and regulations made under that section. 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.

Subject to provisions of the Scheme, Governing Bodies of schools may spend budget shares for the 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 Act. (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 (s50(3A) of the Act.)

The Local Authority may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A

school's right to a delegated budget share may also be suspended for other reasons (Section 17 of the SSAF Act 1998) but in that case there is no right of appeal.

The Local 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 and funding delegated to school. After each financial year the Local Authority must publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.

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

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

**Cheshire West and Chester Schools included on the Scheme as at 1 September 2015**

**Primary Schools**

| DfE Number | School Name                                                   |
|------------|---------------------------------------------------------------|
| 2678       | Acresfield Primary School                                     |
| 2119       | Alvanley Primary School                                       |
| 5204       | Antrobus St Mark's Church of England Primary School           |
| 2275       | Ashton Hayes Primary School                                   |
| 2108       | Aston by Sutton Primary School                                |
| 2730       | Barnton Community Primary School                              |
| 3149       | Barrow CE Primary School                                      |
| 2066       | Belgrave Primary School                                       |
| 2732       | Brookside Primary School                                      |
| 3500       | Burton Bishop Wilson Church of England Primary School         |
| 2189       | Byley Primary School                                          |
| 2235       | Cambridge Road Community Primary and Nursery School           |
| 3150       | Capenhurst Church of England Primary School                   |
| 2186       | Charles Darwin Community Primary School                       |
| 2688       | Cherry Grove Primary School                                   |
| 5205       | Chester BlueCoat CE Primary School                            |
| 2234       | Childer Thornton Primary School                               |
| 2334       | Christleton Primary School                                    |
| 3162       | Clutton Church of England Primary School                      |
| 2339       | Comberbach Primary School                                     |
| 3532       | Crowton Christ Church CE School                               |
| 2196       | Cuddington Primary School                                     |
| 2311       | Darnhall Primary School                                       |
| 3645       | Davenham Church of England Primary School                     |
| 2701       | Dee Point Primary School                                      |
| 3151       | Dodleston Church of England Primary School                    |
| 3163       | Duddon St Peter's Church of England Primary School            |
| 2178       | Eaton Primary School                                          |
| 3550       | Eccleston CE Primary School                                   |
| 3552       | Ellesmere Port Christ Church Church of England Primary School |
| 2708       | Elton Primary School                                          |
| 2273       | Farndon Primary School                                        |
| 3103       | Frodsham Church of England Primary School                     |
| 2719       | Frodsham Manor House Primary School                           |
| 2282       | Frodsham Weaver Vale Primary School                           |
| 2179       | Grange Community Primary School                               |

| DfE Number | School Name                                          |
|------------|------------------------------------------------------|
| 3104       | Great Budworth Church of England Primary School      |
| 3152       | Guilden Sutton Church of England Primary School      |
| 2329       | Hartford Manor Community Primary School              |
| 2288       | Hartford Primary School                              |
| 2123       | Helsby Hillside Primary School                       |
| 2727       | Highfield Community Primary School                   |
| 2012       | Hoole Church of England Primary School               |
| 2301       | Horn's Mill Primary School                           |
| 2247       | Huntington Community Primary School                  |
| 3168       | Huxley Church of England Primary School              |
| 2065       | J H Godwin Primary School                            |
| 2111       | Kingsley Community Primary School & Nursery School   |
| 3507       | Kingsley St John's Church of England Primary School  |
| 3802       | Kingsmead Primary School                             |
| 2729       | Lache Primary School                                 |
| 2316       | Leftwich Community Primary School                    |
| 2182       | Little Leigh Primary School                          |
| 3155       | Little Sutton Church of England Primary School       |
| 3171       | Lostock Gralam Church of England Primary School      |
| 3533       | Lower Peover Church of England Primary School        |
| 3164       | Malpas Alport Endowed Primary School                 |
| 2115       | Manley Village School                                |
| 2718       | Meadow Primary School                                |
| 2233       | Mickle Trafford Village School                       |
| 2183       | Moulton School                                       |
| 2100       | Neston Primary School                                |
| 2055       | Newton Primary School                                |
| 3105       | Norley Church of England Primary School              |
| 2713       | Oldfield Primary School                              |
| 3815       | Our Lady Star of the Sea Catholic Primary School     |
| 3135       | Over St John's CE Primary School                     |
| 3172       | Overleigh St Mary's Church of England Primary School |
| 2298       | Parkgate Primary School                              |
| 2721       | Parklands Community Primary School                   |
| 2725       | Rivacre Valley Primary School                        |
| 2279       | Rossmore School                                      |
| 3551       | Saighton Church of England Primary School            |
| 2181       | Sandiway Primary School                              |
| 2014       | Saughall All Saints Primary School                   |
| 3165       | Shocklach Oviatt Church of England Primary School    |
| 3538       | St Bede's Catholic Primary School                    |
| 3134       | St Chad's C of E Primary School                      |
| 3415       | St Clare's Catholic Primary School                   |



| DfE Number | School Name                                               |
|------------|-----------------------------------------------------------|
| 3643       | St Joseph's Catholic Primary School                       |
| 3633       | St Luke's Catholic Primary School                         |
| 3558       | St Mary of the Angels Catholic Primary School             |
| 1003       | St Mary's Community Nursery School                        |
| 3647       | St Oswald's Church of England Aided Primary School        |
| 3820       | St Saviour's Catholic Primary School                      |
| 3646       | St Theresa's Catholic Primary School                      |
| 3641       | St Werburgh's & St Columba's Catholic Primary School      |
| 5202       | St Wilfrid's Catholic Primary School                      |
| 3501       | St Winefride's Catholic Primary School                    |
| 2268       | Sutton Green Primary School                               |
| 3132       | Tarporley Church of England Primary School                |
| 2276       | Tarvin Primary School                                     |
| 2274       | Tattenhall Park Primary School                            |
| 3803       | The Acorns Primary and Nursery School                     |
| 3804       | The Arches Community Primary School                       |
| 2013       | The Oaks Community Primary School                         |
| 3166       | Tilston Parochial Church of England Primary School        |
| 3167       | Tushingham-with-Grindley Church of England Primary School |
| 3180       | Upton Heath Church of England Primary School              |
| 2260       | Upton Westlea Primary School                              |
| 3133       | Utkinton St Paul's Church of England Primary School       |
| 2709       | Victoria Road Primary School                              |
| 2272       | Waverton Community Primary School                         |
| 2187       | Weaverham Forest Primary School                           |
| 2239       | Westminster Community Primary School                      |
| 3822       | Wharton Church of England Primary School                  |
| 2240       | Whitby Heath Primary School                               |
| 3534       | Whitegate Church of England Primary School                |
| 2113       | Whitley Village School                                    |
| 3101       | Willaston Church of England Primary School                |
| 2237       | William Stockton Community School                         |
| 3817       | Willow Wood Community Primary School                      |
| 2190       | Wimboldsley Community Primary School                      |
| 2350       | Wincham Community Primary School                          |
| 2695       | Winnington Park Community Primary and Nursery School      |
| 2191       | Winsford High Street Community Primary School             |
| 3800       | Witton Church Walk Church of England Primary School       |
| 2242       | Wolverham Primary and Nursery School                      |
| 3807       | Woodfall Primary School                                   |
| 3813       | Woodlands Primary School                                  |

## Secondary Schools

| DfE No | School Name                                  |
|--------|----------------------------------------------|
| 4158   | Bishop Heber High School                     |
| 4006   | Blacon High School Specialist Sports College |
| 4611   | Ellesmere Port Catholic High School          |
| 4001   | Hartford Church of England High School       |
| 4221   | Helsby High School                           |
| 4007   | Queen's Park High School                     |
| 4610   | St Nicholas Catholic High School             |
| 4167   | The Whitby High School                       |
| 4153   | Upton-by-Chester High School                 |
| 4132   | Weaverham High School                        |

## Special Schools and Alternative Provision

| DfE No | School Name                                |
|--------|--------------------------------------------|
| 7208   | Arches Brook SEBD Residential School       |
| 7000   | Dee Banks School                           |
| 7118   | Dorin Park School & Specialist SEN College |
| 7106   | Greenbank School                           |
| 7109   | Hebden Green Community School              |
| 7115   | Hinderton School                           |
| 7108   | Oaklands School                            |
| 7120   | Rosebank School                            |
| 1100   | The Bridge Short Stay School               |
| 1103   | Pine Lodge Young People's Centre           |

## Efficiency and Value for Money and Schools

1. This statement is intended to assist schools in considering the relevance of value for money principles to the expenditure of funds from their delegated budget share.
2. Value for money underpins service delivery to clear standards, covering both cost and quality, the most effective, economic and efficient means available. Schools must seek to achieve efficiencies and value for money.
3. In relation to schools and expenditure from delegated budgets, the main features of efficiency and value for money can be summarised as a need for the Governing Body of a school to ensure:
  - (a) the existence of a programme of performance review which will aim for continual improvement. Existing mechanisms such as school development plans and post-OFSTED inspection plans can be developed to satisfy the requirements for review. The reviews should include:
    - (i) challenging how and why a service is provided (including consideration of alternative providers);
    - (ii) comparison of performance against other schools taking into account the views of parents and pupils;
    - (iii) mechanisms to consult stakeholders, especially parents and pupils;
    - (iv) embracing competition as a means of securing efficient and effective services;
  - (b) the development of a framework of performance indicators and targets which will provide a clear practical expression of a school's performance, taking national requirements into account;
  - (c) that the following are included in school development plans -
    - (i) a summary of objectives and strategy for the future;
    - (ii) forward targets on an annual and longer term basis;
    - (iii) description of the means by which performance targets will be achieved;
    - (iv) a report on current performance
  - (d) that internal and external audit takes place ensuring that performance information is scrutinised. Local Authority oversight of school finances provides external review.

## **Responsibility for Redundancy and Early Retirement Costs**

### **Statutory Guidance**

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

It is important that the local authority discusses its policy with its Schools Forum. Although each case should be considered on its merits, this should be within an agreed framework. It may be reasonable to share costs in some cases, and some authorities operate a panel to adjudicate on applications.

A de-delegated contingency could be provided, if Schools Forum agree, to support individual schools where “a governing body has incurred expenditure which it would be unreasonable to expect them to meet from the school’s budget share”.

### **Cheshire West and Chester arrangements for meeting Redundancy and Early Retirement Costs agreed with Schools Forum September 2013**

#### **1. Current legal position**

##### 1.1 Section 37 of the 2002 Education Act states:

(4) costs incurred by the local education authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the authority agree with the governing body in writing (whether before or after the retirement occurs) that they shall not be so met

(5) costs incurred by the local education authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the authority have good reason for deducting those costs, or any part of those costs, from that share.

(6) The fact that the authority have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).

##### 1.2 The default position therefore, is that premature retirement costs should be charged to the school’s delegated budget, while redundancy costs should be

charged to the local authority's budget. In the former case, the local authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy.

## **2. Proposed arrangements**

2.1 In accordance with the Education 2002 Act (Section 37(4) above) premature retirement costs should be met from the schools' budget share. These costs are currently funded from the Local Authority budget. Whilst existing commitments will continue to be met by the Local Authority, new early retirement costs for members of the Local Government Pension Scheme (LGPS) and Teachers Pension Scheme (TPS) will in future be charged to the schools budget.

2.2 Costs incurred as a result of redundancy will only be covered by the Local Authority where there is no good reason to deduct these costs from the school's budget share. In line with the DfE guidance, the charge for dismissal/resignation costs should be made to the delegated school budget in the following circumstances:

- if a school has decided to offer more generous terms than the authority's policy, then it would be reasonable to charge the excess to the school
- if a school is otherwise acting outside the local authority's policy
- where the school is making staffing reductions which the local authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit
- where staffing reductions arise from a deficit caused by factors within the school's control
- where the school has excess surplus balances and no agreed plan to use these
- where a school has refused to engage with the local authority's redeployment policy

## **3. Costs to be met by the local authority**

3.1 The revision of redundancy/early retirement arrangements will lead to the assumption that schools will meet costs in the first instance. The Local Authority will only meet costs in exceptional circumstances, where there are no eventual benefits to the schools budget, where the Local Authority has been party to the decision and other funding opportunities have been explored. Such exceptions may include:

- Where meeting the costs would make the schools financially unsustainable
- Where member of staff has been employed across several schools and the liability for where those costs should be met is ambiguous

Local authority funding in these circumstances will be agreed on a case by case basis following an evaluation of the application made by the school.

- 3.2 In accordance with the Redundancy Policy, the approach will continue to be to avoid redundancies if at all possible through a rigorous approach to workforce planning and re-deployment of staff. All decisions to terminate employment should continue to be made in conjunction with the HR and Schools Finance teams. The Schools Finance Team will review schools' budget positions to highlight issues which may necessitate staffing reductions in the forthcoming years.

## Application of the Scheme to the Community Facilities Power

### Introduction

1. Schools which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under s.28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult its LA and have regard to advice from the Local Authority. Thirdly, the Secretary of State Issues guidance to Governing Bodies about a range of issues connected with exercise of the power, and a school must have regard to that.
2. However, under s.28(1), the main limitations and restrictions on the power will be those contained in the maintaining authority'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 the powers of Local Authority to provide community facilities.
3. Schools are therefore subject to the prohibitions, restrictions and limitations in the Scheme for Financing Schools.
4. This section of the scheme does not extend to joint-use agreements; transfer of control agreements, or agreements between the Local Authority and schools to secure the provision of adult and community learning.

### New legislation from April 2011

5. Section 4 of the Children, Schools and Families Act 2010, which was passed April 2010, enables schools to use their delegated budgets for community facilities. Schools have had powers to provide community facilities or services since the 2002 Education Act. There were, however, restrictions in place whereby the delegated budget could only fund services which directly supported the curriculum or were of direct educational benefit to pupils at maintained schools. Services outside this definition, such as adult learning or sports activities for the local community, could only be funded by certain grants including the School Standards Grant, charges or other external income.
6. The relevant sub-sections of the Act took effect from 1 April 2011, so schools were able to take into account this power in planning their budgets from 2011-2012 onwards.
7. The Act does allow for regulations to be produced to restrict the scope of spending, but we do not intend to make any at this stage. There is already a prohibition on schools using their community facilities power if this would

interfere with their primary focus of raising standards, therefore existing accountability mechanisms should be sufficient protection. This would be reconsidered if there was evidence that the core functions of the school were suffering as a result.

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

### **Consultation with the Local Authority – Financial Aspects**

9. Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, Governing Bodies must consult the local education authority, and have regard to advice given to them by their authority.
10. Schools are required to inform the Strategic Director of Children and Families at the earliest opportunity if they intend to consider the provision of community facilities, and will be required to submit their proposals in writing to the Director and other departments at the appropriate stage in the process. Further guidance will be issued as to contact details of officers involved, and the timeliness and the amount of information which schools should supply in seeking authority advice.
11. The authority will provide advice at the earliest opportunity, and within 6 weeks of being consulted. Schools must inform the authority of the action that has been taken following the receipt of the advice. The authority may not levy a charge for advice.

### **Funding Agreements – Local Authority Powers**

12. The provision of community facilities in many schools may be dependent on the conclusion of a funding agreement with a third party which will either be supplying funding or supplying funding and taking part in the provision. A very wide range of bodies and organisations are potentially involved.
13. Any proposed funding agreements with third parties (as opposed to funding agreements with the authority itself) should be submitted to the authority for comment at draft stage before any commitment is given. If an agreement is concluded against the wishes of the authority, or has been concluded without informing the authority, which in the view of the authority 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.
14. In certain specific instances of the use of the community power, the Governing Body concerned will be required to make arrangements to 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 risks associated with the project in question, as specified by the authority. This requirement will only be imposed



in circumstances where the authority has good reason to believe that the proposed project carries significant financial risks.

### **Supply of Financial Information**

15. Schools which exercise the community facilities power are required to provide the Local Authority every six months with a summary statement, in a form determined by the Local Authority, showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next six months.
16. If the Local Authority gives 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, then the Local Authority will require such financial statements to be supplied every three months, and will also require the submission of a recovery plan for the activity in question.

### **Audit**

17. Clear and up to date financial records relating to the provision of community facilities must be kept. All relevant records connected with the exercise of the community facilities power, including contractual agreements and other supporting material should be available for inspection by officers and especially Audit officers of the Local Authority.
18. Schools are required, in concluding funding agreements with other persons pursuant to the exercise of the community facilities power, to ensure that such agreements contain adequate provision for access by the Local 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 Local Authority to satisfy itself as to the propriety of expenditure on the facilities in question.
19. Mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

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

20. Schools can retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Local Authority or some other person.
21. Schools can carry such retained net income over from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the Local Authority at the end of each financial year, transfer all or part of it to the budget share balance.

22. If the school is a Community or Community Special School, and the Local Authority ceases to maintain the school, any accumulated retained income obtained from exercise of the community facilities power reverts to the Local Authority unless otherwise agreed with a funding provider.

### **Health and Safety Matters**

23. The health and safety provisions of the main scheme are extended to the community facilities power.
24. The Governing Body is responsible for the costs of securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day. Where a community activity is being organised or delivered by a third party it will be the responsibility of that third party to carry out and pay for any necessary CRB checks or organise their activities in such a way that CRB checks are not required.

### **Insurance**

25. It is the responsibility of the Governing Body to make adequate arrangements for insurance against risks arising from the exercise of the community facilities power. Such insurance should not be funded from the school budget share. The school should seek the Local Authority's advice before finalizing any insurance arrangement for community facilities.
26. The Local Authority is empowered to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. Such costs could not be charged to the school's budget share.

### **Taxation**

27. Schools should seek the advice of the Local Authority and the local VAT office on any issues relating to the possible imposition of Value Added Tax on expenditure in connection with community facilities; including the use of the Local Authority's VAT reclaim facility.
28. Schools are reminded that if any member of staff employed by the school or LA in connection with community facilities at the school is paid from funds held in the school's own bank account (whether a separate account is used for community facilities or not – see paragraphs 28 - 30), the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules.
29. Schools must follow Local Authority advice in relation to the Construction Industry Scheme (CIS) where this is relevant to the exercise of the community facilities power.

## **Banking**

30. The school should either maintain separate bank accounts for budget share and community facilities or have one account with adequate internal accounting controls to maintain separation of funds. Alternatively the school may utilise LA banking arrangements which would permit adequate separation of such funds from the school budget share and other LA funds.
31. The school is required to adhere to the requirements in the Scheme for Financing Schools and the Local Bank Account Scheme that relate to such matters as the choice of bank account, the signing of cheques, the titles of bank accounts, the contents of bank account mandates, and similar matters not specifically listed here, save that, where a bank account is set up specifically for community facilities, the account mandate should not imply that the LA is the owner of the funds in the account, except insofar as those funds have been provided by the LA itself.
32. Schools are reminded that they may not borrow money without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by their maintaining LA.



## The Scheme Specific Financial Regulations

# Scheme Specific Financial Regulations

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# **1. Procuring Goods and Services**

## **1.1. Purchasing**

The Governing Body is responsible for all purchases of goods and services from the school budget. Goods and services may only be procured and paid for in relation to official Local Authority business, which has been properly authorised. Authority to sign orders up to given financial limits should be restricted to a small number of persons named by the Governing Body in their scheme of delegation.

Schools must abide by the Local Authority's Contract Procedure Rules in purchasing, tendering and contracting matters. All actions taken in relation to quotations, tendering and contracts should be fully documented and retained by the school for six years from the date of the last payment under the contract or the order completion.

## **1.2. Scheme of Delegation**

1.2.1 The Governing Body should establish in a scheme of delegation the financial level (which should be substantially less than £10,000), below which the Headteacher may accept quotations and above which the approval of the Governing Body is required.

1.2.2 The Governing Body shall ensure that sufficient budgetary provision is available to meet all associated costs, before giving approval to accept a quotation or tender.

## **1.3. Lease of Hire Agreements**

1.3.1 A Governing Body must not enter into any agreement to lease, rent or hire items or services without first consulting the LA's Schools' Finance Team, and verifying that the agreement provides better value than direct purchase. If purchase is the better option, the Governing Body may wish to consult the Manager of the LA's Schools' Finance Team about financing an item costing over £5,000 by means of a Local Authority Business Finance loan (*currently under review*).

## **1.4. Quotations and Tenders**

### **1.4.1 Quotations**

Where the total value of goods or services to be supplied is £10,000 or more but less than £50,000, quotations must be sought where practicable from at least three parties who meet appropriate standards of technical and financial competence, in addition to any in-house bid.

These quotations may be in electronic form (with a hard copy of the quotation and relevant correspondence kept on file) if a supplier is contacted on the Internet. Further details of the procedure for obtaining quotations are included in the Contract Procedure Rules.

1.4.2 Where a quotation is required, in-house suppliers must be invited to bid, provided they meet appropriate standards of technical competence.

1.4.3 Quotations are not required when: -

- purchasing from a Government Contract
- purchasing from the Local Authority's Supplies Agency
- purchasing from centrally negotiated term contracts
- purchasing from Local Government Consortia Contracts
- purchasing at public auction with the approval of the Head of Finance
- making purchases of a unique nature which the Governing Body is satisfied can only practicably be purchased from a single source
- the Governing Body considers that the purchase of any service or goods is of an emergency nature to preserve the assets of the school, or to enable the service to be maintained. In such cases the approval of the Governing Body must be sought under urgency procedures
- commissioning work by way of a call off under a Framework Agreement.

1.4.4 Tenders

The School must contact the Procurement where the value of the goods or services to be supplied exceeds £50,000 to agree the appropriate procurement process which will ensure value for money and adequate competition. The normal process for such procurements will be a competitive tender procedure, which must be conducted in accordance with the Contract Procedure Rules. A tender is a written offer from a supplier to provide goods or services, usually in response to a written specification of the goods or services required.

## **1.5 Ordering Goods and Services**

1.5.1 Official Orders and Requisitions

For all purchases up to £10,000 in total value, an official order must be raised and authorised by a designated employee of the school in accordance with the school's scheme of delegation. The Governing Body must ensure that wherever possible the separation of duties exists in the procedure for raising orders.

- 1.5.2 The authorised officer shall ensure that before an order is placed, sufficient budgetary provision exists to meet all the costs associated with that order.
- 1.5.3 Orders and requisitions must be made on the appropriate official purchase order forms issued by Manager of the LA's Schools' Finance Team, attaching the conditions of order. Governing Bodies are responsible for the safe custody and proper control over their use within the school. Exceptions to this requirement are orders relating to public utilities, periodic payments, rent, rates, petty cash purchases, and other such exceptions as approved by the Manager of the LA's Schools' Finance Team.
- 1.5.4 Each order must clearly indicate the nature of the work, services or specification of goods, the quantity to be provided, the price or estimated price exclusive of VAT, the delivery address, invoice address, and the date required. Copy orders should be securely retained in numerical order.
- 1.5.5 Only in cases of extreme urgency can an oral order be issued. It must be confirmed by an official order as soon as possible afterwards, marked "Confirmation Only". Faxed and electronically transmitted orders are valid but both sides of the document should be transmitted to ensure that the supplier is in receipt of the Local Authority's terms and conditions. If available a "send receipt" should be kept.
- 1.5.6 Official Local Authority order forms shall not be used to obtain goods and services for individuals.

## **1.6 Contracts**

- 1.6.1 Where purchases of goods or services are for £10,000 or more, a standard form Contract provided by Legal Services must be used, unless none of the standard form Contracts are appropriate (in which circumstances the advice of Legal Services should be sought), Where purchases are for more than £10,000 but less than £60,000, the Contract must be signed on behalf of the Governing Body by a duly authorized signatory. All purchases of £60,000 or more must be the subject of a contract signed on behalf of the Governing Body and executed under seal by the Local Authority.



1.6.2 Any costs incurred by a Governing Body as a result of breaking the terms of a contract, either with an outside contractor or with the Local Authority's Direct Service Organisations, will be charged to the school's delegated budget.

1.6.3 Governing Bodies should ensure that a register is maintained of all contracts entered into by the school.

#### 1.6.4 Contract Variations

Variations to an existing contract must be approved by the Governing Body and agreed in writing by both parties. Where the total value of the purchases under the Contract exceeds £50,000 the advice of Legal Services must be sought prior to any Contract variation.

#### 1.6.5 Extensions of Contract

Contracts may be extended in accordance with the agreed terms, subject to the approval of the Governing Body. Where the extension will result in the total value of the purchases under the Contract exceeding £50,000, the advice of the Procurement must be sought prior to extending the Contract.

### 1.7 Insurance and Health and Safety

1.7.1 The Governing Body shall ensure that any contractor chosen to provide services, has adequate insurance cover for any claims made against the contractor by a third party, or other liabilities which could arise from their contract with the Governing Body. Insurance levels should be in line with the requirements of E14 of the Contract Procedure Rules and where necessary the School should seek advice from the Authority's Audit and Risk team.

1.7.2 The Governing Body should assess in advance, where relevant, the health and safety competence of contractors, taking account of the Local Authority's policies and procedures.

## **2. Payment of Account**

- 2.1 The governing body shall ensure that all claims and invoices are checked and certified by an authorised person as being correct for payment and processed in sufficient time for payment to be made by the due date and for any discount to be claimed.
- 2.2. The names and specimen signatures of all those officers authorised to sign claim forms and invoices, shall be submitted to Finance.
- 2.3. Wherever possible, the person certifying the invoice should be neither the person who signed the order nor the person who checked the receipt of the goods or services.
- 2.4. In certifying an invoice the authorised person shall ensure that:
- (a) the goods and/or services have been received;
  - (b) the price is in accordance with the quotation, tender or contract;
  - (c) due account has been taken of any discounts available;
  - (d) the invoice is arithmetically correct;
  - (e) the invoice is addressed to Cheshire West and Chester Council and therefore legally payable by the Council;
- OR
- (f) the invoice is properly addressed to the school and therefore legally payable by the Council;
  - (g) the invoice has not been previously paid;
  - (h) where, in exceptional cases a photocopy rather than the original supplier's invoice is to be submitted, it has been certified as "not previously passed for payment" to avoid the possibility of duplicate payments;
  - (i) it is a proper detailed invoice rather than a statement of account and is in the correct form for VAT purposes;
  - (j) any VAT amounts have been correctly identified within the coding of the invoice;
  - (k) the expenditure, has been coded to the appropriate, valid, account and centre code combination for the school, and is within the sum available in the appropriate school budget.
  - (l) the order and school records have been updated to record that the invoice has been passed for payment.

- 2.5. Suppliers should be asked to quote on their invoices: the name of the school, the official Council order number, the work and where it was undertaken or the goods delivered, and the delivery note number. They should also be instructed to send any invoices to the address specified on the official order form.
- 2.6. Where a payment is subject to VAT, a VAT invoice shall be obtained, and the VAT element shall be properly identified within the coding of the invoice. Failure to ensure that VAT is properly reclaimed will result in these costs being met out of school budgets.
- 2.7. The Head of Finance may examine all accounts passed for payment, and request any further information or access to related documents as felt necessary.
- 2.8. Where, as a result of a school's decision to opt for a local financial processing option, invoices are retained at the school, they should be clearly marked to indicate that they have been paid, and thereby avoid the risk of making duplicate payments. The governing body shall be responsible for enforcing statutory regulations regarding the retention and access to processed invoices for inspection by HM Customs and Excise. Further advice is available from The Head of Finance.
- 2.9. The Head of Finance will supply a creditors service (where it is economically feasible to do so) to schools who choose not to operate an agreed local financial processing scheme based on their own school bank account. The service will facilitate payment of all invoices, and operate according to the financial controls above. Authorised invoices for payment must be sent to the Finance Manger in sufficient time for payment to be made by the due date and for any due discount to be claimed. The names and specimen signatures of all those officers authorised to sign claim forms and invoices, shall be submitted to Finance along with notification of any changes. Processed invoices shall be retained and made available for inspection by HM Customs and Excise.

### **3. Construction Industry Scheme (CIS)**

#### **3.1 General**

3.1.1 There is a legal obligation placed on local authorities to make deductions of income tax from contractors' invoices falling within the scope of the Construction Industry Scheme. This includes any payments made to contractors who carry out any type of building work for the school, as under the scheme they are considered to be sub-contractors to Cheshire West and Chester Council. In addition to actual construction, the scheme also includes such things as painting and decorating, joinery, plumbing, etc. The full scope of the construction operations included within the scheme are listed on the HRMC website, reference CISR14020.

3.1.2 Interpreting and complying with the Inland Revenue regulation is quite complex and involves correctly deducting and paying over tax, the submission of various tax vouchers each month, and an annual return listing all payments made under the scheme. To enable these deductions and reports to be processed, details of contractors' certificates and registration cards must be examined and recorded.

3.1.3 All schools, as agents of the Local Authority, are responsible for the initial determination of whether the Construction Industry Scheme should apply, and for examining and recording details of contractors' certificates and registration cards prior to commissioning the work. Any financial penalties imposed by the Inland Revenue arising from a school's failure to determine that CIS should have applied will be charged to the school concerned.

3.1.4 Those schools who choose to operate a local bank account and pay their contractors directly, become responsible for the whole operation of CIS under their own linked scheme arrangement. This will include responsibility for any financial penalties imposed by the Inland Revenue arising from failure to operate the scheme properly. Any school wishing to operate a linked scheme arrangement should contact The Head of Finance for details of how to register with the Inland Revenue.

#### **3.2 Applying the Scheme**

3.2.1 When considering placing a contract or order for goods and services, the school must determine whether the Construction Industry Scheme applies. In doing so, the school must consider the works over the full extent of the project, and determine:-

- (a) whether the person(s) to be hired should be treated as self-employed, or as an employee to be taxed through the PAYE system;
- (b) whether the works fall within the scope of construction operations
- (c) whether the total taxable element will exceed the small payments threshold.

Guidance on the scope of CIS is available from HMRC and the Head of Finance.

3.2.2 For works falling within the scope of CIS, the school must require the contractor to produce appropriate CIS documentation, unless this documentation has been previously checked and is known to be still valid.

3.2.3 The school must ensure that the contractor's CIS documentation is valid and record the details for future reference. In particular, the school should check that :-

- (a) the document is genuine
- (b) the person producing it matches any photograph attached
- (c) the contractor name, address, and registration are shown and as expected
- (d) the document will remain in date over the course of the contract
- (e) the document is signed by the appropriate person
- (f) any required supporting information is provided

The local office of HMRC should be consulted where a doubt over the authenticity of CIS documents remains. Further guidance is available from The Head of Finance.

3.2.4 The contract or order must not be awarded to any contractor who does not produce satisfactory valid CIS documentation.

3.2.5 The Head of Property maintains an approved list of contractors whose CIS documentation has already been validated for inclusion on the list. Schools are recommended to use these contractors thereby making further CIS checks unnecessary.

### **3.3 Making Payments**

3.3.1 The school must obtain a fully itemised (VAT) invoice showing the cost of materials, labour, expenses, levies, (and VAT); and ensure wherever possible that the cost of materials reflects the actual cost to the contractor and is not overstated.

3.3.2 Schools who have chosen not to operate their own local bank account must submit the invoice to the Payments and Income department for processing in the normal way. Where the invoice is the first following

validation or re-validation of a contractor's CIS documentation, the school must also submit a photocopy of that CIS documentation.

- 3.3.3 Schools who have chosen to operate their own bank account must determine whether the invoice should be paid NET showing the amount of tax to be deducted, or GROSS. In particular the school must consider: -
- (a) the type and expiry date of CIS documentation submitted by the contractor
  - (b) the nominated payee to receive the payment
  - (c) the amounts liable for tax and the prevailing rate
- 3.3.4 Payment must be in the form of a crossed cheque or automated bank credit (BACS), and full details of the invoice, payment and tax deducted must be recorded.
- 3.3.5 The school must ensure that a CIS Employed or Self – Employed status questionnaire is completed for all new suppliers.
- 3.3.6 The school must pay over the tax that should have been deducted from the contractor to HMRC as specified in the scheme.
- 3.3.7 The school must make the annual return to HMRC as specified in the scheme.
- 3.3.8 The school must ensure that all records relating to payments under the scheme are held securely for at least three years following the tax year to which they relate, and make them available for inspection by HMRC if required.
- 3.3.9 The Head of Finance will provide a Construction Industry Scheme service (where it is economically cost effective to do so) to schools who choose to operate their own bank account, but do not wish to operate their own linked CIS arrangement. Schools will remain responsible for determining whether the scheme applies and for examining contractors' CIS documentation. The school must send the invoice and a cheque from their local bank account made payable to Cheshire West and Chester Council for the gross amount excluding VAT. The Local Authority will make the appropriate deductions and be responsible for the payment to the contractor together with the accounting of such transactions to HMRC. Where the invoice is the first following validation or re-validation of a contractor's CIS documentation, the school must also submit a photocopy of that CIS documentation.

## **4. Payment of Salaries**

### **4.1 General**

- 4.1.1 Governing bodies shall be responsible for making arrangements for the payment of salaries. This could be met by using the Council's payroll service, or by use of an alternative provider. Where the Governing body choose to use an alternative provider, details of the service should be submitted to the Head of Finance for approval. The Head of Finance will have regard to the need for accurate calculation and payment of salaries and expenses, including all statutory deductions; and the paying over and reporting of such allowances and deductions as may be required by the Head of Finance or the appropriate statutory agencies and prevailing legislation. This will include taking proper account of appointments, promotions, re-gradings, resignations, dismissals, retirements, and absences from duty, as well as pay awards, and changes to conditions of service and relevant legislation.
- 4.1.2 Any circumstances affecting the salaries, wages or other payments to any school employee, including appointments, promotions, re-gradings, secondments, suspensions, dismissals, retirements and absences from duty (other than normal leave), shall be notified to the Employee Service Centre in the appropriate manner. Governing bodies are advised to consult Schools HR on any matters relating to conditions of service, salary and wage scales, where they have purchased this service.
- 4.1.3 Time sheets, expenses claim forms and other pay documents used to generate payments shall be in a form approved by the Head of Finance, and shall be checked and certified by an officer authorised by the governing body before being processed for payment.
- 4.1.4 The authorised officer should be a different person to the one who has completed the documents. The names and specimen signatures of all authorised officers shall be recorded and held securely for inspection and verification purposes.
- 4.1.5 In authorising pay documents, authorised officers should ensure that:-
- (a) the claim has necessarily been incurred;
  - (b) the claim complies with the appropriate conditions of service and prevailing NI and tax legislation;
  - (c) the claim has been coded to the correct account and centre codes;
  - (d) sufficient funds are available in the appropriate school budget;
  - (e) the school's records have been updated to show that the document has been passed for payment.

- 4.1.6 Governing bodies should ensure that the duties of authorising or terminating the appointment of staff, are performed by different staff to those responsible for undertaking the processing of salaries, wages, travelling and other employee related payments.
- 4.1.7 All payments to school staff for work done and travelling and subsistence claims (see below) shall be paid through a formal payroll system, either the Council's or the school's to ensure that the school complies with income tax regulations. No employee related payments shall be processed through the central payments system, local bank account, imprest account or school fund.
- 4.1.8 Processed pay documents should be clearly marked to avoid the risk of making duplicate payments. The governing body shall be responsible for enforcing statutory regulations regarding the retention and access to processed pay documents for inspection purposes. Further advice is available from Finance Manager.

## **4.2 The Council's Payroll Service**

- 4.2.1 The Council will provide a payroll service (where it is economically feasible to do so) to schools who choose not to operate local payroll arrangements. The service will make payments from the Council (bank account), will operate according to the Council's financial controls and will provide full support for the responsibilities outlined above.
- 4.2.2 Certified pay documents containing accurate and appropriate instructions shall be submitted to the Employee Service Centre in accordance with the specified timetable. The names and specimen signatures of all authorised officers shall be submitted to the Employee Service Centre, along with notification of any changes.
- 4.2.3 Where appropriate, governing bodies who have chosen to hold the school staffing budget in a local bank account shall ensure that funds are reimbursed to the Council (bank account) as notified by the Employee Service Centre, and shall be responsible for any interest charges arising from failure so to do.

## **4.3 Travelling and Subsistence Allowances**

- 4.3.1 School staff shall conform to the terms and conditions for the use of a car on official business as issued by the Head of Finance.
- 4.3.2 The governing body are responsible for ensuring that school staff who use their cars for official business are properly insured to indemnify the Council against any loss which may arise. School staff should be reimbursed for expenditure actually and necessarily incurred in using their cars for official business, in accordance with the appropriate



conditions of service, by using the appropriate claim form. Subsistence allowances, provided they are properly incurred, may be payable according to the allowances under the appropriate Conditions of Service. Any VAT charged in respect of subsistence can be reclaimed where there is re-imbusement of actual travel or subsistence costs incurred supported by a VAT receipt or invoice. VAT is not reclaimable where an allowance is paid.

- 4.3.3 Under the Education (Governors' Allowance) (England) Regulations 2003, governing bodies may only pay themselves for expenditure necessarily incurred by that person for the purpose of enabling them to perform any duty required as a Governor.

## **5. Imprest Accounts**

- 5.1 The Head of Finance will provide a range of imprest services (where it is economically cost effective to do so) to schools who choose not to operate their own school bank account, but require a local arrangement to meet certain expenses. These services will usually take the form of an imprest bank account.
- 5.2. Imprest bank accounts may not be used for payments in respect of salaries, wages, travelling or any other employee related expenses; or for work carried out under the Construction Industry Scheme.
- 5.3. The governing body should ensure that the amount of the imprest account provided is appropriate for the expenses envisaged, and should determine the maximum value of any single transaction.
- 5.4. Imprest accounts must not go overdrawn at any time.
- 5.5. Access to the imprest account should be restricted by the governing body to one or two authorised members of staff. These shall be the only persons authorised to make purchases using the imprest account, having first ensured there are sufficient funds available in the account.
- 5.6. The governing body should submit the names and specimen signatures of all authorised officers to Payments and Income, along with any notifications of changes and temporary arrangements required.
- 5.7. All payments made out of the imprest account must be properly authorised by the appropriate budget holder, who should first ensure that there is sufficient budget available to meet the expenditure. All payments shall be supported where appropriate by a proper VAT receipt or VAT invoice, which should clearly identify any VAT paid in order for the Council to reclaim the VAT from Customs and Excise. Under no circumstances must funds be used for unofficial or unauthorised purposes.
- 5.8. Proper records of payments, VAT and non-VAT receipts, and reimbursements shall be maintained as required by The Head of Finance.
- 5.9. A reconciled claim for reimbursement from the Council shall be certified by a person approved by the governing body and submitted to Payments and Income on a regular basis. The frequency of reimbursement should be at least monthly, and must be such that the imprest account is never overdrawn.

- 5.10. The governing body should ensure that at any time the authorised imprest account holder can provide the Head of Finance with a detailed and balanced financial position statement for the account.
- 5.11. The governing body should ensure that the imprest account is independently checked and balanced at least once per academic term.
- 5.12. Under no circumstances must income be paid into an imprest account or used to meet items of expenditure, but shall be paid into the Council's bank account.
- 5.13. Regular payments to suppliers should be made through the normal creditor payments service. Personal cheques must not be cashed from the imprest account, or any other fund or income held at the school.
- 5.14. Governing bodies are responsible for any losses on the imprest account arising through negligence or fraud, and these shall be met from the school budget.
- 5.15. Imprest account holders who leave the Council's employment or cease to be entitled to hold an account for other reasons, shall account to the governing body for the funds advanced to them.

## **6. Income**

### **6.1 General**

- 6.1.1 The governing body shall ensure procedures are operated within the school for the safe and efficient collection, receipt and accounting of all money due to the Council. This will include banking all official income in the Council bank account or an approved local bank account as appropriate. Other income, such as from fundraising, may be banked in the unofficial or school fund bank account.
- 6.1.2 The level of charge to be levied for each activity where the school generates income, should be reviewed and approved annually by the governing body.
- 6.1.3 Wherever possible either payment should be obtained in advance (particularly for amounts of less than £25), or an official invoice should be raised for income due, in order that the debt is formally established and to enable debt collection procedures to be instigated if necessary.
- 6.1.4 Invoices for income due in respect of charges for work done, goods supplied or services rendered should be raised promptly using a method approved by the Head of Finance. All payments in settlement of an account should be paid in to the Council bank account or approved local bank account as appropriate.
- 6.1.5 The correct accounting analysis, including the separate analysis of VAT, should be made on the appropriate part of the bank paying-in slip and provided by the appropriate means for inclusion in the Council's accounts. As a general rule, income should not be coded to expenditure codes but to an income code.
- 6.1.6 The collection of all income should be immediately acknowledged by the issue of an official, pre-numbered receipt, in a form approved by the Head of Finance and a record should be made immediately in the accounting system, of the income received, including an analysis of VAT where appropriate.
- 6.1.7 All income received by the school on behalf of the Council should be paid into the Council bank account or an approved local bank account, as appropriate without delay and at least weekly. No deductions may be made from the sum received. Officers paying money into the bank account should record the full particulars of each receipt, including the amount, a detailed description of the income, and a reference, on the bank paying-in slip or counterfoil.
- 6.1.8 The governing body should ensure that as full a separation of duties, as possible, between different members of staff, exists in the school's procedures for the collection, receipt and banking of income and that

there are regular independent checks by a senior member of staff on the completeness and promptness of bankings.

- 6.1.9 In order to ensure compliance with the 1992 Cheques Act all cheques which represent official Council income must be made payable to "Cheshire West and Chester Council" and not the individual school.
- 6.1.10 Personal cheques must not be cashed from money held on behalf of the Council.
- 6.1.11 Goods or materials sold for cash or paid for by cheque cannot be released until the cash has been received by the school or the cheque cleared into the Council bank account or approved local bank account. Cheques offered with a valid guarantee card may be treated as cash, subject to the conditions under which the card has been issued.
- 6.1.12 The Governing Body should ensure that cash and cheques are placed in a locked safe if the school has one or a locked drawer, as soon as possible after receipt, and that access to safes and locked drawers is strictly controlled. The Governing Body should ensure that insurance cover is sufficient in respect of the amounts of cash and cheques held in the school.
- 6.1.13 All documentation and records in relation to income due to, or received by the school, shall be retained securely for six years after the end of the financial year to which they relate.
- 6.1.14 The governing body should establish which named members of the school's staff are authorised to cancel, replace or write-off a debtor's account. The write-off of bad debts should be reported to the governing body with full explanation of the reasons for the write-off. The written-off amount will be debited against the school's budget to offset the original credit received when the account was first raised. Advice with regard to official Council debtor accounts may be obtained from the Head of Finance.
- 6.1.15 Monthly reconciliation should be performed of local income records with the amounts shown in the school accounts as per the finance system. Any discrepancies should be investigated promptly.

## **6.2 Purposes for which income may be used**

- 6.2.1 Income from the sale of assets purchased with delegated funds may only be spent for the purposes of the school.
- 6.2.2 The Head of Finance will provide an income service (where it is economically cost effective to do so) for schools who choose not to operate their own school bank account. The service will provide facilities for the paying in and recording of income received to the

Council bank account and the raising and processing of debtors invoices. The service will operate according to the financial controls above.

## **7. Audit of Voluntary and Private Funds**

- 7.1 A voluntary or private (unofficial) school fund is defined as any fund established to support school activities but generated by funds which are independent of school's official resources. It is controlled partly or wholly by a person appointed by the governors, and therefore parents, students and supporters of such funds are entitled to expect that they will be managed and controlled as if they are public funds. The common example of such a fund is the School Fund.
- 7.2. This section does not apply to private funds administered by persons not approved by the Governors, such as PTA Funds. The Governing Body shall notify the Head of Finance of the existence, title and purpose of all unofficial funds and ensure that they are administered to the same standards of probity and stewardship as official funds.
- 7.3. The governing body should be made fully aware of all such funds and shall nominate a responsible officer to administer each fund. They shall also appoint a suitably qualified, independent Auditor i.e. not a governor or member of the school staff so as to avoid any conflicts of interest, to perform an annual audit of the fund. The Auditor need not be a qualified accountant, but should have some financial knowledge and experience.
- 7.4. The end of year audited accounts, comprising an income and expenditure account and balance sheet and an audit certificate prepared by the auditor, shall be presented annually to a meeting of the full governing body. A copy of the audit certificate shall be sent to the Head of Finance. Separate guidance and detailed instructions will be issued to schools on the audit certificate and the operation of the Fund.
- 7.5. The governing body shall ensure that essential controls such as separation of duties, maintaining proper documentation and accounting records e.g. a cash book, performing regular bank reconciliations which are independently checked, payment authorisation procedures, and income receipting procedures, all of which apply to the management of the school's budget share, are also applied in respect of all transactions relating to unofficial funds. All transactions must also be appropriate with the purpose of the unofficial school fund.
- 7.6 At least two signatories should be required for all cheques drawn on an unofficial fund account.
- 7.7 The unofficial fund monies shall at all times be kept completely separate from Council monies. Council payment or income transactions shall not be made via unofficial funds, and vice versa.

Under no circumstances shall payments in respect of salaries, wages, travelling or other employee related expenses, be made out of an unofficial fund.

- 7.8 A statement of intent for each unofficial fund should be presented to the governing body for approval at the beginning of each financial year, as a statement of the income anticipated to be received by the fund and how it is intended to be spent.
- 7.9 The governing body should formally approve the financial authorisation limits of the member(s) of staff responsible for administering the unofficial funds.
- 7.10 The governing body should ensure that the school's insurance cover is sufficient, with regard to the amount of unofficial fund cash being held on the premises at any time. There must be a sufficient process for the safekeeping of income in line with its value and any insurance requirements.
- 7.11 Should any member of the school's staff suspect there is an irregularity by any person in the operation of the fund, they should immediately report it to the Headteacher or exceptionally to the Head of Finance. The Headteacher when informed of an irregularity should immediately report it to the Chair of Governors and the Head of Finance. The latter will then advise as to the best course of action to be followed.
- 7.12 School Funds are outside the Council's VAT registration. Therefore VAT charged for goods and services cannot be reclaimed. Conversely, VAT does not have to be accounted for on any sales or general income. However, Governing Bodies may have to register school funds for VAT if their taxable turnover exceeds a certain limit.