

# Scheme for the Financing of Schools

**IL0: Unclassified**

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## Section 1: Introduction

### 1. Introduction and background

#### 1.1 The funding framework

The funding framework which replaces Local Management of Schools is set out in the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998 (the Act).

Under this legislation, local authorities determine for themselves the size of their schools budget and non-schools education budget – although at a minimum an authority must appropriate its entire Dedicated Schools Grant to their schools budget. The categories of expenditure 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.

The authority may retain funding from the schools budget for certain purposes specified in regulations made by the Secretary of State under s. 45A of the Act. The amounts to be retained centrally are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their Schools Forum or the Secretary of State in certain instances) 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 S. 51 of the Act.

The Act requires the financial controls within which delegation works to be 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 any provisions made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school\* and for any additional purposes prescribed by the Secretary of State<sup>1</sup> in regulations 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).

An 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. A school's right to a delegated budget share may also be suspended for other reasons (Schedule 17 of the Act).

The authority is obliged to publish each year a statement setting out details of its planned Schools Budget and other expenditure on children's services, showing the amounts to be centrally retained and funding delegated schools. After each financial year the authority must publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.

The detailed publication requirements for financial statements are set out in directions 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 an authority to publish their scheme and any amendments to it on a website accessible to the general public, by the date that any revisions come into force, together

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<sup>1</sup>In regulations made under S.50 of the School Standards and Framework Act 1998.

with a statement that the revised scheme comes into force on that date.

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

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

### **1.2.1 Application of the scheme to the authority and maintained schools**

This scheme applies to all community, nursery, voluntary, foundation, community special and foundation special schools and pupil referral units (PRUs) maintained by Sandwell MBC (Please refer to the Schools Strategic Finance Unit to confirm if your school has to comply with these regulations).

## **1.3 Publication of the scheme**

A copy of the scheme will be available on the main council website and the Schools Strategic Finance Virtual Office. This revised scheme came into force on 1 April 2016.

## **1.4 Revision of the scheme**

Any proposed revisions to the schemes will be the subject of consultation with the governing body and the head teacher of every school maintained by the authority before they are submitted to the Schools Forum for their approval.

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.

## 1.5 **Delegation of powers to the head teacher**

Each governing body is asked to consider the extent to which it wishes to delegate its financial powers to the head teacher, and to record its decision (and any revisions) in the minutes of the governing body.

The full governing body (or a committee of the governing body) must approve the school's first formal budget plan and agree the responsibilities of the head teacher and governing body in respect of the annual budget plan. Where a committee approves the full budget this must be ratified by the full governing body as soon as possible after. This includes any major decisions on virements between budget heads during the year. In practice decision-making often needs to be at short notice and the governors may wish to delegate the day-to-day management of a school's budget to the head teacher. The authority advises that the governors approve a virement limit for the head teacher of £20,000. All virements should be reported to the next available finance committee of the governors. The head teacher is responsible for ensuring that the correct financial practice and procedures are followed.

## 1.6 **Maintenance of schools**

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

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## Section 2: Financial requirements - audit

### 2.1 General Procedures

#### 2.1.1 Application of financial controls to schools

In managing their delegated budgets, schools must abide by the authority's requirements on financial controls and monitoring.

Certain of these are directly referred to in this scheme while others are included in the following: -

- Financial Regulations and Procedures
- Contract and Procurement Procedure Rules
- School Bank Account Scheme (**Appendix A** to this scheme).

#### 2.1.2 Provision of financial information and reports

Schools are required to provide the authority with details of expected and actual expenditure and income, in a form and at times determined by the authority. However, the authority may not require submission of such details more often than once every three months except for those connected with tax or banking reconciliation unless the 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.

Schools are required to submit monitoring information on a termly basis in the Consistent Financial Reporting Format (**Appendix D**). See **Appendix G** for a description of the information required.

The Schools Strategic Finance Unit now has the ability to remotely access school's financial systems. Schools must allow the Finance Unit to access this information when it is considered necessary by the Chief Finance Officer.

#### 2.1.3 Payment of salaries: payment of bills

The procedures for these will vary according to the choices schools make about the holding of bank accounts and the buying back of the authority's payroll system.

The procedures that apply to the different choices made by schools are set out in **Appendix A**.

#### 2.1.4 **Control of assets**

Each school must maintain an inventory of its moveable non-capital assets in a form determined by the authority.

Schools should make use of the inventory module of their Financial Management Systems to record assets above £1,000 in value. The basic authorisation a procedure for disposal of assets is set out in the authority's Financial Regulations.

Schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000. However, they must keep a register in some form.

#### 2.1.5 **Accounting policies (including year-end procedures)**

Schools must abide by procedures issued by the authority in relation to accounting policies and year-end procedures.

These procedures are as set out in the following document in closedown guidance published each year.

#### 2.1.6 **Writing off of debts**

Governing bodies are only authorised to write off debts following consultation with the Chief Finance Officer.

#### 2.2 **Basis of accounting**

Reports and accounts furnished to the authority must be in accordance with the procedures laid down by the Chief Finance Officer.

#### 2.3 **Submission of budget plans**

Each school is required to submit a budget plan to the authority by 15<sup>th</sup> May each year.

The budget plan must show the school's intentions for expenditure in the current financial year. This must show a detailed breakdown of planned expenditure and income for the year and the assumptions underpinning the plan. Schools may take full account of estimated deficits/surpluses at the previous 31<sup>st</sup> March in their budget plan.

The format of the budget plan shall be in a form as determined by the Chief Finance Officer and information will need to be reported on the Consistent Financial Reporting Format. (See **Appendix F** for further details on the information required to be submitted in support of budget plans).

The school's formal annual budget plan must be approved by the governing body or a committee of the governing body. Where it is approved by a committee, it must be ratified by the full governing body as soon as possible after.

The authority may also require the submission of revised plans where the authority deems it necessary. Such revised plans shall not be required at intervals of less than 3 months.

### 2.3.1 **Submission of financial forecasts**

The authority may require schools to submit a financial forecast covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year.

## 2.4 **Efficiency and Value for Money**

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

It is for head teachers and governors to determine at school level how to secure better value for money.

There are significant variations in efficiency between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements.

## 2.5 **Virement**

Schools are free to vire between budget heads in the expenditure of their budget shares but governors are advised to establish criteria for virement and financial limits, above which the approval of the governors is required. The authority recommends that this is set at £20,000.

## 2.6 **Audit: general**

Schools are required to co-operate both with auditors employed by the authority (internal audit) and auditors appointed by the Public Sector Audit Appointments Limited to audit the authority itself (external audit). This includes allowing access to the school's records for both internal and external auditors.

In regard to internal audit, all schools come within the audit regime determined by the authority. Details of this are set out in the authority's Financial Regulations).

In relation to external audit, all schools come within the authority's external audit regime as determined by the National Audit Office and Financial Reporting Council.

## 2.7 **Separate external audits**

In instances where a school wishes to seek an additional source of assurance at its own expense, a governing body is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any authority internal or external audit process. Where a school chooses to seek such an additional audit, it does not remove the requirement that the school must also co-operate with the authority's internal and external auditors.

## **2.8 Audit of voluntary and private funds**

In addition to the normal internal and external audits, schools must provide audit certificates in respect of any voluntary and private funds they hold (e.g. school fund) and the accounts of any trading organisations controlled by the school.

## **2.9 Register of business interests**

The governing body of each school is required to have a register which lists for each member of the governing body and the head teacher: -

- 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,

This register must be kept up to date with notification of changes and through annual review of entries and available for inspection by governors, staff and parents and by the authority.

## **2.10 Purchasing, tendering and contracting requirements**

Schools are required to abide by the authority's Financial Regulations and Contract and Procurement Procedure Rules in purchasing, tendering and contracting matters. Governing bodies/head teachers must assess in advance, where relevant, the health and safety competence of contractors taking into account the authority policies and procedures.

However, any section of these documents may be disapplied if they would require schools to:

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

## 2.11 **Application of contracts to schools**

Schools have the right to opt out of authority arranged contracts **without exception**.

Although governing bodies are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the authority as maintainer of the school and the owner of the funds in the budget share. This is why the authority may require authority counter-signatures of contracts exceeding a certain value.

Any charges payable under commercial contracts so entered into by a governing body on behalf of the authority will be paid from the governing body's school's budget share.

## 2.12 **Central funds and earmarking**

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

Such earmarked funding from centrally retained funds is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and it not to be vired into the school's budget share.

The authority may require earmarked funds to be returned to the authority if it is not spent within the period stipulated by the authority over which schools are allowed to use the funding. The authority may not make any deduction, in respect of interest costs to the authority, from payments to schools of devolved specific or special grant.

The method of distribution of such funding will reflect its nature and purpose. Details of distribution and accounting procedures will accompany the announcement of each grant.

## **2.13 Spending for the purposes of the school**

Governing bodies are free in accordance with S.50 (3) of the School Standards and Framework Act 1998 to spend budget shares 'for the purposes of the school', subject to regulations made by the Secretary of State and any provisions of this scheme. By virtue of Section 50 (3A) (which came into force on 1 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. Schools may also spend their budgets on pupils who are on the roll of other maintained schools or academies.

## **2.14 Capital spending from budget shares**

Governing bodies are permitted to 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 Act. Any capital expenditure of this nature must be notified to the authority.

When the authority owns the premises, or the school has voluntary controlled status, then the governing body shall seek the consent of the authority to the proposed works, but such consent can be withheld only on health and safety grounds.

## 2.15 **Notice of Concern**

The authority may issue a Notice of Concern to the governing body of any school it maintains where, in the opinion of the Chief Finance Officer and the Director of Children's Services, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the authority or the school.

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

These may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;
- placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the authority;
- insisting on regular financial monitoring meetings at the school attended by authority officers;
- requiring a governing body to buy into a authority's financial management systems; and

- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

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

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

All local authority maintained schools (including nursery schools and pupil referral units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in the year they wish to complete the form.

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

All maintained schools with a delegated budget must submit the form to the local authority annually.

## 2.17 **Fraud**

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

The governing body and 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.

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## **Section 3: Instalments of the budget share: banking arrangements**

For the purposes of this section, Budget Share includes any place-led funding for special schools or pupil referral units.

### **3.1 Frequency of instalments**

The budget share will be made available to governing bodies monthly. Top up payments for pupils with high needs should be made on a monthly basis unless alternative arrangements have been agreed with the provider.

### **3.2 Proportion of budget share payable at each instalment**

The proportion of the budget share to be made available to schools will be set out in the advance notifications sent to schools each month.

### **3.3 Interest clawback**

The authority will make a deduction from budget share instalments to cover the estimated interest lost by the authority in making available the budget share in advance. Interest will be calculated at the Bank of England base rate in force at the time of making the advance.

Where the late payment of a budget share instalment is the result of an error by the authority, the authority is required to add interest to late budget share instalment payments. The interest rate used will be the current Bank of England base rate.

### **3.4 Budget shares for closing schools**

Budget shares of schools for which approval for discontinuation has been secured, will be made available until closure on a monthly basis, net of estimated pay costs, even where some different basis was previously used.

### **3.5 Bank and building society accounts**

All schools may have an external bank account into which their budget share instalments (as determined by other provisions) are paid. Where schools have such accounts they shall be allowed to retain all interest payable on the account unless they choose to have an account within an authority contract that makes other provision.

New bank account arrangements may only be made with effect from the beginning of each financial year.

Schools with a deficit budget are not eligible to have a bank account until the deficit is cleared.

If a school opens an external bank account, the authority must, if the school desires, transfer immediately to the account an amount agreed by both the school and the authority as the estimated surplus balance held by the authority 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.

Any school wishing to opt for its own bank account for the first time may only do so after giving a period of notice of four months before the beginning of the financial year that they wish to opt to a bank account i.e. by 30 November at the latest.

### 3.5.1 **Restrictions on accounts**

Accounts may only be held for the purpose of receiving budget share payments, at the banks or building societies as indicated under **Appendix A1**. However, schools with bank accounts with other banks prior to 1 April 2001 must be allowed to retain those accounts.

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

Schools are allowed to have accounts for budget share purposes that are in the name of the school rather than the authority<sup>2</sup>. However, if a school has such an account, the account mandate must provide that the authority is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the authority.

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<sup>2</sup>Money paid by the authority and held in such accounts remains authority property until spent (s49 (5) of the Act).

### 3.6 **Borrowing by schools**

Schools fall within the overall borrowing controls of the authority and are governed by the Local Government and Housing Act 1989. Governing bodies may borrow money only with the written permission of the Secretary of State. The Secretary of State's general position is that schools will only be granted permission for borrowing in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. Schools are able to use any scheme that the Secretary of State has said is available to schools without specific approval, currently including the Salix scheme, which is designed to support energy saving. Schools should contact Phil Kingston on [phil.kingston@sandwell.gov.uk](mailto:phil.kingston@sandwell.gov.uk) or 0121 569 4507 for further information on taking part in the Salix scheme. As part of this, schools will be required to provide a financial forecast which shows that the repayment of the Salix loan is affordable. The forecast should clearly show the assumed energy savings and loan repayments expected by the school.

The restrictions on borrowing do not apply to Trustees and Foundations, whose borrowing, 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 authority when repaying loans.

### 3.7 **Other provisions**

The authority has formulated separate detailed rules and guidance in respect of other aspects of banking arrangements which are as set out in the **Appendix A**.

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## **Section 4: The treatment of surplus and deficit balances arising in relation to budget shares**

### **4.1 The right to carry forward surplus balances**

Schools may carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the schools budget share for the year plus/minus any balance brought forward from the previous year. A schools opening surplus balance at 1 April is equal to the closing balance at 31 March.

### **4.2 Controls on surplus balances**

In order to allow the authority to monitor excessive balances, governing bodies are required to report to the authority on the use which the school intends to make of surplus balances - after taking account of any retrospective adjustments - in cases where the total balance exceeds (8% primary and special schools) (5% secondary schools) of the schools budget share for the relevant year.

Surplus budget share balances held by schools as permitted under the scheme are subject to the following restrictions with effect from 1 April 2007.

4.2.1 The authority shall calculate by the 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.

4.2.2 The authority shall deduct from the calculated balance any amounts for which the school already has a prior year commitment to pay from the surplus balance.

4.2.3 The authority shall then deduct from the resulting sum any amounts that the governing body of the school declares to be assigned for specific purposes as permitted by the authority (a list approved by the Schools Forum) 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 authority. In considering whether any sums are properly assigned the authority may also take into account any previously declared assignment of such sums but may not take any change in planned assignments to be the sole reason for considering that a sum is not properly assigned.

4.2.4 The suggestion in (4.2.3) above assigned for the specific purposes as permitted by the authority and which the authority is satisfied are properly assigned have been endorsed by the schools forum and are as follows:

- Contribution towards capital developments
- Contribution towards curriculum developments
- Reserve to balance following year's budget
- Provision for the impact of single status
- Provision for the impact of equal value
- Funds from private sources for specific projects
- Funds held on behalf of partnerships of schools.
- Costs to be incurred as part of BSF
- Remaining intervention fund balance

Schools will be asked to analyse budget share surpluses across these headings. A pro forma will be provided for this purpose which must be approved by governors.

4.2.5 If the result of steps 4.2.1 to 4.2.3 is a sum greater than 8% (for primary and special schools) and 5% (for secondary schools) of the current budget share, then the authority shall deduct, from the current year's budget share, an amount equal to the excess.

- 4.2.6 Funds deriving from sources other than the authority will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise.
- 4.2.7 Funds held in relation to a school's exercise of powers under Section 27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the authority.
- 4.2.8 The total of any amounts deducted from schools' budget shares by the authority under this provision are to be applied to the schools budget of the authority.

#### 4.3 **Interest on surplus balances**

Balances held by the authority on behalf of schools will attract interest at the Bank of England base rate of interest received by the council. The interest will be applied to a simple average of opening and closing balances of each individual school at the start and end of each year.

#### 4.4 **Obligation to carry forward deficit balances**

Deficit balances will be carried forward by the deduction of the relevant amounts from the following year's budget share. A schools deficit balance at 1 April is equal to that at 31 March.

#### 4.5 **Planning for deficit budgets**

Schools are required to manage within their budget limits and may not **normally** plan for a deficit budget. Any overspending will be deducted from a school's budget share in the following year. The authority may investigate any deficit incurred by a school.

In certain circumstances arrangements may be entered into which allows a school to plan for a deficit. Examples of these circumstances may be:

- Schools can demonstrate that it cannot operate within its total resources (including any balances) and meet the requirements of the national curriculum.

- Where schools wish to pre-empt part of the following year's budget, in order to undertake a major project. The approval of the Chief Finance Officer will be necessary.
- Where there is a significant short-term pupil number shortfall due to known local circumstances.

Any arrangements will need the approval of the authority and will be the subject of a formal agreement signed by the chair of the school governing body, the head teacher and the Chief Finance Officer.

Before approving any arrangements the Chief Finance Officer will require the governing body of the school to produce a financial and operational plan which takes into account all known factors and results in a balanced budget, normally within three years from the start of the plan.

The school will be supported in this procedure by a team of officers from the authority, including the school's adviser budget officer (except where the school has an external financial adviser). This will normally take place between the notification of the school's budget share at the end of February each year and the requirement to submit a financial plan by 15 May each year.

The maximum deficit that will be agreed will be **no greater than 30%** of a school's budget share.

Detailed administrative procedures which will be required before approving any agreement can be found in **Appendix H**.

#### 4.6 **Charging of interest on deficit balances**

The authority may charge interest on any deficit balance but the Chief Finance Officer may waive these charges where agreed budget recovery plans are in place.

The authority will charge interest on deficit budgets in circumstances where the size of the deficit rises above the level of any deficit agreed in a financial plan between the authority or the governing body or where there is an unplanned deficit.

The basis of the calculation of interest will be to a simple average of opening and closing balances of each individual school. The interest charged would be the Bank of England base rate of interest paid on surplus balances.

#### 4.7 **Writing off deficits**

The authority has no power to write off the deficit balance of any school.

#### 4.8 **Balances of closing and amalgamating schools**

When a school closes any balance (whether surplus or deficit) shall revert to the authority; it cannot be transferred as a balance to any other school, even where a school is a successor to the closing school.

The allocation regulations made under section 47 of the School Standards and Framework Act 1998 make provision for authorities, if they wish, to make allocations to schools which have the effect of giving them the benefit of additional sums which are more than less than the balances of relevant closing schools. The regulations also provide for the amount of extra funding for new schools to recognise the deficit of a preceding school by being reduced; but they do not allow a sum equal to the deficit to be set against any normal funding of the new school – that is the elements of funding it would receive anyway if it was not new.

Surplus balances of schools converting to academy status under section 4(1)(a) of the Academies Act 2010 transfer to the academy. Deficit balances of schools converting to academy status under Section 4(1)(a) of the Academies Act 2010 will be notified to the EFA (or replacement body) who will deduct this from the academy's funding and repay the authority.

#### 4.9 **Licensed deficits**

See 4.5 above and **Appendix H**.

#### 4.10 **Loan scheme**

The authority operates a loan scheme for schools experiencing significant cash flow difficulties. This is detailed further in section 9 of **Appendix A**.

#### 4.11 **Credit union approach**

Schools may wish to group together to utilise externally held balances for a credit union approach to loans. Where schools choose to borrow money through such a scheme the authority will require audit certification of the running of the scheme, unless the authority itself acts as administrator of the arrangement.

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## Section 5: Income

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

### 5.1 **Income from lettings**

Schools may retain income from lettings of the school premises that would otherwise accrue to the authority, subject to alternative provisions arising from any joint use or PFI agreements. Schools are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, 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. However, schools should be required to have regard to directions issued by the authority as to the use of school premises, as permitted under the Act for various categories of schools.

Schools whose premises are owned by the authority shall be required to have regard to directions issued by the authority, as permitted under the School Standards and Framework Act 1998, as to the use of school premises. The authority have issued directions requiring governors to give priority to the use of school premises outside school hours for adult education, youth, mother tongue teaching (e.g. mother tongue teaching project) and other needs concerned with the education and welfare of young people. Schools will be reimbursed for these lettings.

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

### 5.2 **Income from fees and charges**

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

### 5.3 **Income from fund-raising activities**

Schools may retain income from fund-raising activities.

### 5.4 **Income from the sale of assets**

Schools may retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds (in which case it should be for the authority to decide whether the school should retain the proceeds), or the asset concerned is land or buildings forming part of the school premises and is owned by the authority.

### 5.5 **Administrative procedures for the collection of income**

Because of the potential VAT implications of providing services that lead to fees and charges, fund-raising activities and the sale of assets, the authority has established administrative procedures for the collection of income that are set out in **Appendix A**.

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

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

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## Section 6: The charging of school budget shares

### 6.1 General provision

The authority must charge the salaries of school based staff to the budget share of a school at actual cost otherwise the budget share of a school may be charged by the authority without the consent of the governing body only in circumstances set out in 6.2 below.

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

Schools are reminded that the authority cannot act unreasonably in the exercise of any power given by this scheme, or it may be the subject of a direction under s.496 of the Education Act 1996.

The authority shall make arrangements for a disputes procedure for such charges.

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 representative of the Schools Forum.

### 6.2 Circumstances where charges may be made

- 6.2.1 When premature retirement costs have been incurred without the prior written agreement of the authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the authority).
- 6.2.2 Other expenditure incurred to secure resignations where the school had not followed authority advice.
- 6.2.3 Awards by courts and industrial tribunals against the authority, or out of court settlements, arising from action or inaction by the governing body contrary to authority advice.
- 6.2.4 Expenditure by the authority in carrying out health and safety work or capital expenditure for which the authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.

- 6.2.5 Expenditure by the authority incurred in making good defects in building work funded by capital spending from budget shares, where the authority owns the premises, or the school has voluntary controlled status.
- 6.2.6 Expenditure incurred by the authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the authority.
- 6.2.7 Recovery of monies due from a school for services provided to the school (including the provision of authority advice), where a dispute over the monies due has been referred to a dispute procedure set out in a service level agreement, and the result is that monies are owed by the school to the authority.
- 6.2.8 Recovery of penalties imposed on the authority by the Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, Teachers' Pensions, the Environment Agency or regulatory authorities as a result of school negligence.
- 6.2.9 Correction of authority errors in calculating charges to a budget share (e.g. pension deductions).
- 6.2.10 Additional transport costs incurred by the authority arising from decisions by the governing body on the length of the school day, and failure to notify the authority of non-pupil days resulting in unnecessary transport costs.
- 6.2.11 Legal costs that the authority incurs because the governing body did not obtain and follow authority Advice (see also Section 11).
- 6.2.12 Costs of necessary health and safety training for staff employed by the authority, where funding for training has been delegated, but the necessary training not carried out.
- 6.2.13 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 6.2.14 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.

- 6.2.15 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 incidents SEN and/or specific funding for a pupil with high needs.
- 6.2.16 Costs incurred by the authority due to submission by the school of incorrect data. Under the scheme for financing schools, schools will be the prime source for data about pupils entering, attending and leaving their school and their performance. If schools fail to maintain adequate records or provide the authority with incorrect data, the authority reserves the right to ensure that adequate records required by the authority are available to the authority and to charge schools the actual cost of putting that right. Additionally, the authority reserves the right to charge schools for the actual cost incurred by the authority of correcting any incorrect data provided by the school.
- 6.2.17 Recovery of amounts spent from specific grants on ineligible purposes.
- 6.2.18 Costs incurred by the authority as a result of the governing body being in breach of terms of contract including costs or charges incurred by the authority as a result of the governing body entering into a contract on behalf of the authority. (See 2.11B of this scheme)
- 6.2.19 Costs incurred by the authority as a result of any breach or non-compliance by any governing body of a maintained school with any of the terms of this Scheme.
- 6.2.20 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.
- 6.2.21 Costs incurred by the authority in administering appeals, where the local authority is the admissions authority and the funding for admission appeals has been delegated to schools as part of their formula allocation.

## 6.3 Equal pay claims

### 6.3.1 Historical background and context

Claims for back pay relate to the 1987 national job evaluation scheme for manual employees in which bonus payments were retained for male staff. Equal pay claims are from female job groups using a male bonus earner as a comparator. The settlement of equal pay claims represents a council wide issue, however, within schools the main job groups affected are learning support assistants, learning support practitioners and lunchtime supervisory staff.

The council has followed best practice guidance issued by the DcSF<sup>3</sup>

A collective solution has been reached with the council and schools which represents a culmination of extensive discussion and consultation with schools and key stakeholder groups.

As a result of the collective solution reached, schools will contribute £10m towards the total settlement for the council (estimated in excess of £40m including settlements for school-based staff in excess of £22m).

Borrowing approval has been obtained from Central Government which will allow authorities to treat such amounts as capital. The council has received specific approval to borrow which includes the element for schools. Schools would effectively make an annual contribution equal to a repayment period of 15 years.<sup>4</sup>

### 6.3.2 Outcome

At the meeting of the schools forum on 8 December 2008, members agreed a final cost apportionment model that was based on the “collective principle”. The total liability to schools was £10m.

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<sup>3</sup> DcSF Guidance on back pay for education staff - Issued March 2008.

<sup>4</sup> Interest rate 5%, with a PV annuity factor of 10.37966

The final decision of the forum was backed by an assurance from the council that there will be no surcharges to schools over the lifetime of the agreement as a result of any future school reorganisations, or the creation of new academies, foundation or trust schools. In addition the council has given a commitment to schools that the £10m total schools liability will be fixed, and they will be protected against the outcome of any future claims or grievances.

The final decision of the forum was based on a balanced view. The forum's imperative was to see this as a collective response to a collective problem, protecting individual schools from any excessive financial burdens arising from their individual circumstances particularly from SEN and other specialist provision.

Schools contributions to equal pay settlements are shown in **“Appendix I”**.

- Column A: The annual contribution payable for 15 years for those schools that have chosen this option. Annual contributions will be shown as a charge against a schools' individual budget share each year with effect from 1 April 2009, for a 15-year period.
- Column B: The total financial liability over a 15-year repayment period for those schools that have chosen this option.
- Column C<sup>5</sup>: The total liability based on a “one-off” single payment from school reserves for those schools that have chosen this option. This will be a one-off charge against a schools' individual budget share on 1 April 2009

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<sup>5</sup> This is the cheaper option in the long-term for schools as it excludes the interest element that is associated with the annual repayment option.

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## Section 7: Taxation

### 7.1 Value Added Tax (VAT)

The authority has established procedures to enable schools to utilise the authority's ability to reclaim VAT on expenditure relating to non-business activity.

Schools covered by the scope of this scheme are part of the authority for VAT purposes and must not attempt to register for VAT in connection with activities involving the use of delegated budgets.

Schools without bank accounts will be covered by the procedures for VAT contained in the authority's Financial Regulations.

For schools that have bank accounts the conditions that apply are set out in **Appendix A**.

Amounts reclaimed through these procedures will be passed back to the school.

### 7.2 Construction Industry Taxation Scheme (CIS)

Schools are required to abide by procedures issued by the authority in connection with CIS.

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## Section 8: The provision of services and facilities by the authority

### 8.1 Provision of services from centrally retained budgets

The authority shall determine on what basis services from centrally retained funds will be provided to schools, but the authority is debarred from discriminating in its provision of services<sup>6</sup> on the basis of categories of schools except where such discrimination is justified by differences in statutory duties.

### 8.2 Provision of services bought back from the authority using delegated budgets

The terms of any arrangement with a school to buy services or facilities from the authority shall be limited to a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the later, and periods not exceeding five years for any subsequent agreement relating to the same services.

However, this can be extended to five and seven years respectively for contracts for the supply of catering services.

When a service is provided for which expenditure is not retained centrally by the authority under Regulations made under section 45A of the Act, it must be offered at prices that are intended to generate income that 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. Whilst it is recognised that absolute break-even or profit is not always achievable over fixed financial years, it is for the authority to show that the charging policy can reasonably be expected to avoid central subsidy of services.

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<sup>6</sup>The term services in this paragraph includes existing PRC and redundancy payments but excludes centrally funded premises and liability insurance.

### 8.2.1 **Packaging**

The authority may provide any services for which funding has been delegated but where the authority is offering the service on a buyback basis it will do so in a way that does not unreasonably restrict schools' freedom of choice among the services available.

### 8.3 **Service level agreements**

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.

Services, if offered at all by the authority, shall be available on a basis that is not related to an extended agreement, as well as on the basis of such agreements.

Where services are provided on an ad hoc basis, they may be charged for at a different rate than if provided on the basis of an extended agreement.

Service level agreements must be in place by 31 March to be effective for the next financial year. Schools must have at least a month to consider the terms of the agreement.

The above guidance excludes centrally arranged premises and liability insurance.

### 8.4 **Teachers' pensions**

In order to ensure that the performance of the duty on the authority to supply teachers pensions with information under the Teachers' Pensions Regulations 1997, and non teachers pensions under the local government pension scheme, the following conditions are imposed on the authority and governing bodies of all maintained schools covered by this scheme in relation to their budget shares.

The conditions only apply to governing bodies of maintained schools that have **not** entered into an arrangement with the authority to provide payroll services.

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

A governing body of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the authority which the authority requires to submit its annual return of salary and service to Teachers' Pensions and non 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.

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## **Section 9: Private Finance Initiative (PFI)/Public Private Partnership (PPP)**

- 9.1 The authority shall have the power to issue regulations from time to time relating to PFI/PPP projects. Amongst other issues these may deal with the reaching of agreements with the governing bodies of schools as to the basis of charges relating to such schemes; and the treatment of monies withheld from contractors due to poor performance.

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## Section 10: Insurance

### 10.1 Insurance cover

The authority currently arranges the insurance cover for all maintained schools. However, if a school decides to opt out of this service and arrange separate cover it must be able to demonstrate that the cover is equivalent to the level that would have been arranged by the authority.

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## Section 11: Miscellaneous

### 11.1 **Right of access to information**

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

### 11.2 **Liability of governors**

Because the governing body is a corporate body, and because of the terms of s.50(7) of the 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.

An example of behaviour which is not in good faith is the carrying out of fraudulent acts.

### 11.3 **Governors' expenses**

The authority shall have the power to delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses.

Only allowances in respect of purposes specified in regulations set out in section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget share. Schools are expressly forbidden from paying any other allowances to governors.

Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

### 11.4 **Responsibility for legal costs**

Any costs of legal actions, incurred by the governing body or costs awarded against the authority, although the responsibility of the authority as part of the cost of maintaining the school (unless they relate to the statutory responsibility of aided school governors for buildings) may be charged to the school's budget share unless the governing body acts in accordance with the advice of the authority.

In the case of a conflict between the governing body and the authority schools should take advice from an external body such as national association of governors and managers; the institute of school and college governors; the national governors' council or any appropriate independent legal body.

#### **11.5 Health and safety**

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

#### **11.6 Right of attendance of Chief Finance Officer**

Governing bodies are required to permit the Chief Finance Officer of the authority or any officer nominated by the Chief Finance Officer to attend meetings of the governing body at which any agenda items are relevant to the exercise of her or his responsibilities.

The Chief Finance Officer attendance shall normally be limited to items that relate to issues of probity or overall financial management and shall not be regarded as routine.

The authority will give prior notice of such attendance unless this is impracticable.

#### **11.7 Special educational needs**

Schools are required to use their best endeavours in spending their budget share, to secure the special educational needs of their pupils. Failure to do so, if serious enough, would be a reason for suspending delegation to a school.

#### 11.8 **'Whistleblowing'**

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 is set out in **Appendix B**.

#### 11.9 **Child protection**

Schools must release staff to attend child protection case conferences and other related events. The cost of these will be borne from the school budget share.

#### 11.10 **Redundancy/retirement costs**

**Appendix K** provides guidance 2002 Education Act requirements about how premature retirement and redundancy costs should normally be funded.

Section 37 of the Education Act 2002 states that: -

- The cost of premature retirements will be met by the schools' budget share unless the local authority agrees to meet the cost.
- The cost of redundancy will be met by the local authority unless there is good reason for the costs to be charged to the school's budget share.

The authority will consider requests to fund all or part of the redundancy costs due to be incurred on a case by case basis. Schools are required to make a business case to Children's Services Divisional Management Team (DMT) if they wish to request financial support. DMT will consult officers from Finance, HR and Learning Services as part of this consideration.

DMT will judge every case on its merits but consider the following to be good reasons for redundancy costs to be met by the school and not the local authority:

1. The school has not received an 'in principle' agreement from the authority to fund the redundancy costs at the start of the process.
2. The school has not followed LA advice which could have avoided the need to make redundancies e.g. making use of short term contracts where possible.
3. The LA procedures regarding Redundancy and Redeployment of staff have not been followed.
4. The LA does not agree that the redundancies are necessary to set a balanced budget or address the requirements of a licensed deficit.
5. The proposed redundancy payments are higher than the LA would expect.
6. The school holds balances which could be reasonably used to fund the redundancy costs.

## 11.11 **Leasing**

The Chief Finance Officer has, on behalf of Sandwell schools, approved a leasing framework with Unilink Finance for the lease of school equipment. (See **Appendix N** for framework agreement).

Governing bodies and head teachers should ensure that: -

- No leasing contract exceeds a period of 3 years.
- Quotes for leases are obtained in accordance with the authority's Contract and Procurement Procedure Rules.
- Leasing arrangements are not entered into without the prior agreement of the Chief Finance Officer,

## 11.12 Information for Maintained schools involved in outsourcing

The authority is aware that schools are examining different service delivery models, which could entail the outsourcing of services.

Where the outsourcing of services involves TUPE transfer of any council employees who are members or are entitled to be members of the Local Government Pension Scheme (LGPS), there will be pension implications which should be considered as part of the tender process.

There is a responsibility for schools to be fully aware of pension procedures and protocols early on in any tendering process

Schools considering outsourcing a service should contact the following bodies/teams at the earliest opportunity to ensure any pension implications are understood and considered at the outset of any tendering process.

- Schools Strategic Finance Unit (SSFU)
- Local authority HR Team
- Local authority Legal team

Once all the relevant information has been received, the authority will contact the West Midlands Pension Scheme.

This will help to ensure that the proper processes are followed and the school can factor in any pension issues and costs in their tender documents and potential contractors can price these costs accurately into their bids. This will avoid potential and unnecessary delays and complications at the latter stages of the tender process or after the contract has been awarded.

## Section 12: Responsibility for repairs and maintenance

- 12.1 The authority delegates all funding for repairs and maintenance to schools<sup>7</sup>.
- 12.2 The authority, when defining Capital and Revenue as far as repairs and maintenance is concerned, does not use a *de minimis* level.
- 12.3 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, and no separate list of responsibilities is necessary for such schools. However, eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de-minimus limit applied by the DfE to categorise such work, not the de-minimus limit used by the authority.

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<sup>7</sup> For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting. The actual interpretation of the Code is a matter for the local authority.

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## Section 13: The community facilities power

- 13.1 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 authority and have regard to advice from the 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.
- 13.2 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 as amended by paragraph 2 of schedule 3 to the Education Act 2002. This amendment extended the coverage of schemes to include the exercise of the powers of governing bodies to provide community facilities.
- 13.3 Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools.

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

An appendix to the scheme for financing of maintained schools, covering financial issues from the prospective use by school governing bodies of the community facilities power contained in sections 27 and 28 of the Education Act are specified in **Appendix C** of this scheme.

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Scheme for the financing of schools

# Appendix A

## School Bank Account Scheme

**IL0: Unclassified**

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## Appendix A

### Banking Regulations

#### 1. Admission to the scheme

- 1.1 All Sandwell schools with a credit balance are eligible for the scheme. However, schools' forecast balances over the next two financial years will also be taken into consideration when determining eligibility for the scheme. Schools with a deficit balance are not eligible for the scheme until any deficit is cleared.
- 1.2 Schools opting for their own bank account must submit an application form to the finance unit by **30 November**, to operate a bank account from 1 April in the following year. The application must be approved at a meeting of the governing body of the school and signed by both the head teacher and chair of the governing body. This approval must be recorded in the minutes of the relevant meeting.
- 1.3 The governing body of the school must review its participation in the scheme on an annual basis.
- 1.4 Schools entering the scheme must undertake to comply with the rules and conditions of the authority's scheme.
- 1.5 All staff who are required to administer the bank account system must receive the appropriate training.
- 1.6 All account transactions must comply with the relevant Contract and Procurement Rules and/or Financial Regulations as issued by the Chief Finance Officer.
- 1.7 All schools entering the scheme must undertake to comply with the Chief Finance Officer requirements in relation to statutory financial accounting and year-end procedures.

- 1.8 The authority will suspend local banking arrangements with immediate effect, where in the opinion of the Chief Finance Officer there is evidence of financial mismanagement or significant non-compliance with the scheme.
- 1.9 Where a school wishes to exit from the scheme this can only normally be at the end of a financial year and the authority must be notified in writing by **30 November**. An earlier exit date may be specifically agreed by the Chief Finance Officer. Schools exiting from the scheme (or where the authority suspends banking arrangements under 1.8) will not be eligible for new banking arrangements for a period of two years.
- 1.10 All responsibility for maintaining the bank account will lie with the school and any associated costs which may arise where errors are made, must be met in full from the delegated budget of the school. It is essential that where governors accept the additional responsibility of operating a local bank account, this is fully and clearly understood.
- 1.11 Where schools use the SIMS system, all financial transactions **must** be recorded using the FMS module of the SIMS system.

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## 2. Selection of banking organisation

- 2.1 The institutions which can be used for schools bank accounts are determined by their credit rating. Schools can **only** open bank accounts/carry out investments with the institutions outlined in **Appendix A1**.
- 2.2 The school must notify the Chief Finance Officer in writing, of the name of the institutions and which accounts have been opened, together with the account details. The detail must include:
- branch address
  - sort code
  - account name (must include Sandwell MBC)
  - account numbers
  - account advance should be made into
  - signatories
  - evidence of the schools agreement for the Chief Finance Officer to have access to the account
- 2.3 Money paid in to the school by the authority and held in any account remains authority property until spent. Provision must be made for the Chief Finance Officer to be able to obtain information directly from the school's selected banking organisation concerning account transactions. Schools must submit the account mandate to the Chief Finance Officer prior to the account being opened for signatures to be entered which will enable the Chief Finance Officer or his representatives to obtain statements and other details of account transactions.

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### 3. Advances from Sandwell MBC

- 3.1 Governors must ensure they have sufficient resources to meet the school's commitments for the financial year ahead, taking necessary action to ensure any deficit is financed or spending is reduced to accommodate the available income. The authority must be kept fully informed.
- 3.2 The budget for the new financial year must be agreed with the authority within the prescribed timescale.
- 3.3 Each school will receive 1/12 of their total budget allocation on the 26th day of each month commencing on the 26 April. Schools that are new to the scheme will receive 1/36 of their total budget allocation on the 1 April.
- 3.4 Where schools wish to arrange for the payment of staff other than through the services offered by the Chief Finance Officer, or where a school has opted out of the authority accounting services prior to April 1999 (foundation schools), the advance will be calculated on the gross expenditure of the school.
- 3.5 Where schools purchase the council's payroll services the advances will be calculated net of estimated payroll costs.
- 3.6 In the first year the school will receive any surplus from the previous year as a lump sum in the second advance (usually at the end of April). This will be based on an estimated year-end balance as agreed with the authority. The June or July advance will be adjusted to reflect the actual balance carried forward once it is known. The interest payable/due on the final balance carried forward will also be adjusted accordingly.
- 3.7 Advances will be made into the school's bank account. Schools will be responsible for ascertaining that the account has been credited prior to making expenditure commitments. Any charge made by the authority's banker for this transaction will be deducted from the schools advance.

- 3.8 Advances will also be adjusted in year by the authority to reflect payments to the council, where it has been agreed after arbitration that the school should incur the cost, but the school have failed to make payment.
- 3.9 The head teacher of the school will be informed in writing of the adjustments and the advance to be amended.

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## 4. Interest/account charges

- 4.1 As outlined in 3.3 the authority will fund school bank account in advance of anticipated expenditure. Interest will be deducted from each advance to compensate the authority for interest lost as a result of making the payment in advance. Interest calculations will be undertaken by a combination of methods.
- Where schools are receiving payroll services from the council and the advance is made net of payroll costs, interest on the advance will be calculated assuming a standard expenditure payment profile and using the base rate applicable at the time of the advance.
  - Where a school chooses a payroll provider other than the council's and the advance received is therefore gross, interest on none payroll expenditure will be calculated on the number of days between the advance being made and payments being required to statutory bodies (i.e. advance made on 26th of the month, tax and NI is payable to the Inland Revenue by 19th of the following month) again using the base rate applicable at the time of the advance.
- 4.2 Schools may retain any interest earned on their accounts and will be responsible for any account charge levied by the chosen banking institution.
- 4.3 The tax situation of the authority entitles schools to receive **gross** interest (without the deduction of income tax). Schools should obtain and complete an Inland Revenue form R85 from their bank/building society.

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## 5. Investments

- 5.1 Investment of local authority (authority) funds is determined by the authority (approved investments) regulations 1990 and the internal policy document regarding treasury management. These documents limit the methods and institutions in which authority monies can be placed. The financial institutions in which funds can be placed are determined with reference to the credit rating of those organisations. Only where the credit rating is sufficient to guarantee the monies invested can the institution be used. Investments are only to be placed with the institutions outlined in **Appendix A1**.
- 5.2 Schools must ensure that they have ready access to their investment and should therefore ensure that the **maximum** notice period, for withdrawals from accounts in which investments are placed is limited to 3 months.
- 5.3 Any investment made by the school must **not** result in the school having a deficit balance.
- 5.4 Under no circumstances is a school to offer any security to any financial institution.
- 5.5 Investments must provide **no** risk to the capital sum invested.

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## 6. Items to be met from the bank account

- 6.1 The following items are to be met from the school's bank account:
- All expenditure included in the schools delegated budget and any devolved grant funding as agreed with the authority.
  - Payments relating to excepted/earmarked items will also be included where a school has been informed.
- With the exception of:**
- payments to salaried and waged employees including casual supply, car allowances, travelling and subsistence expenses, where a school has chosen to purchase the service from the council's payroll services.
- 6.2 A schools bank account **must not** be used for:
- any earmarked funding allocated to a school, not specified as subject to local bank arrangements
  - any non-authority approved school trips
  - any expenditure relating to unofficial fund transactions
- 6.3 Income should **only** be paid into the account for:
- advances and VAT reimbursements from Sandwell MBC
  - income generated by the school (e.g. school lettings, supply cover)
  - donations and contributions from parent associations, school fund
  - school meals
- 6.4 The following income **must not** be paid into a school bank account:
- Musical instrument loan repayments.
  - Voluntary contributions to music lessons payable directly to SIPS Music Service.

- 6.5 Where a school credits authority income to its own bank account in error, the authority reserves the right to charge the school interest on the incorrectly credited amount and any other costs associated with the identification/correction of the error.

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## 7. VAT Regulations

- 7.1 Schools cannot be separately registered for VAT, as they are deemed to be part of the authority for VAT purposes.
- 7.2 All VAT on purchases and sales must be identified separately and by the agreed categories.
- 7.3 Individual schools will be liable for any penalties imposed from Customs and Excise resulting from underpayment of VAT based on the schools financial returns submitted to the Chief Finance Officer. This charge must be met in full from the school's delegated budget.
- 7.4 Invoices/receipts relating to a VAT claim must be held in the school for at least 6 years. These should be stored in an accessible storage cabinet, to enable Customs and Excise officials to inspect these if they so wish.
- 7.5 Advice on any VAT issue should be sought from the Chief Finance Officer.

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## 8. VAT Reimbursement

- 8.1 Schools are responsible for maintaining all financial records and recording VAT correctly. Customs and Excise offices will only accept VAT returns from the authority therefore VAT **must** be claimed back by the authority.
- 8.2 Schools must send into the authority a VAT claim in accordance with the annual schedule produced. This will be submitted to the Chief Finance Officer who will then reimburse the school the appropriate amount when it is recovered from Customs and Excise.
- 8.3 VAT legislation requires all VAT on expenditure (inputs) and income (outputs) to be accounted for within the correct VAT accounting period. Failure to submit timely VAT returns will lead to penalty interest being charged by Customs and Excise.

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## 9. Financing a deficit

9.1 Schools should not make arrangements for overdrafts, loans or deferred purchases. Schools should inform their bank in writing that, cheques which would result in the account becoming overdrawn, should not be processed.

9.2 Where a school foresees a difficulty the authority will consider the following options:

- Bringing forward part of an advance (an additional charge will be made for this transaction).
- Lending the school funds on a short-term basis at an agreed rate of interest and agreed repayment schedule.

If a school is anticipating a cash flow problem and is requesting assistance from the authority then a written request is required from the governing body detailing the following information:

- An explanation of the reason why the school is experiencing cash flow problems.
- A detailed cash flow statement for the next six months that clearly identifies the amount of advance funding that is required and the proposed repayment terms.
- An up-to-date copy of all relevant bank statements.
- An explanation of how the school is proposing to address any underlying financial problems at the school.

**NB:** The maximum loan period is three years and interest will be charged at the prevailing Bank of England base rate +1%.

The request will then be considered by the authority in order to assess its deliverability. If approved, the details of the arrangement will be put into an agreement to be signed by the governing body and the agreed amount will be added to the next monthly advance.

The school will then be required to submit monthly cash flow reports that will be used to monitor performance against the agreement.

No more than one such arrangement will be agreed in any two year period and failure to meet the repayment profile will automatically result in the removal of the bank account facility for the school.

If a school bank account facility is removed then delegated powers will remain in place, although the 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.

This process is designed to assist schools experiencing short-term cash flow difficulties. It is designed to complement the arrangements already in place for those schools planning to set a deficit budget, as contained in section 4.5 of the fair funding scheme.

- 9.3 Where a school is experiencing continued difficulties it will be seen as not meeting the requirements of the scheme and the bank account facility will be withdrawn.

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## 10. Sandwell MBC invoices/income

- 10.1. Schools will be treated as external clients therefore an external invoice will be issued for services purchased from the council. Schools will need to pay the invoice within 30 days of its receipt, unless the charge is in dispute. The invoice should be returned to the cashiers section with a cheque attached as with normal creditors. It will become the relevant department's responsibility to ensure all income is received and any disputes are resolved quickly.
- 10.2. Where a school is classed as a shared site school it is the responsibility of the school to ensure that where another establishment should share any cost, an invoice is raised and the payment is made.
- 10.3. Where a school has chosen to **make payments to staff from their own bank account** it will become the school's responsibility to invoice the authority for any monies owed. This would cover maternity/paternity payments.

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## 12. Reporting Requirements

- 12.1 The in-year reporting requirements of the scheme are detailed in the timetable issued by the Schools Strategic Finance Unit (SSFU). Where the returns are detailing expenditure and income these items need to be reported using consistent financial reporting headings. These headings can be found on a specimen monitoring schedule at **Appendix D**.
- 12.2 Where schools are using the authority's payroll service and the costs are being recorded on the authority's ledger a monthly schedule of expenditure at ledger code level will be provided. Schools are required to reconcile this schedule to their own system payroll figures and provide details of any differences to the authority for resolution. The deadline for the submission of this information will be detailed in the timetable to be issued by SSFU.
- 12.3 All schools operating a local bank account are required to provide details of the expenditure and income transacted through their bank account so this can be consolidated within the schools statutory financial accounts. This information is required to be submitted to the authority in a prescribed form and within a prescribed timescale.
- 12.4 All schools operating a local bank account will be required to comply with the council's standard accounting principles and practices. Certain supplementary information will be required at year end in order to complete the schools statutory accounts. These will include creditor and debtor accruals, payments and receipts in advance and stock valuations.
- 12.5 Where goods or services have been received by **31 March**, but no payment has been made a creditor accrual must be recorded. The school will need to identify the cost of these items and reflect this in the cash flow projection to ensure the school has sufficient funds in the local bank account to meet the commitment.

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## 13. Credit Cards and BACS Facility, Chip & Pin Machines

- 13.1 The ability to pay invoices by BACS is now available to all bank account schools. Schools that would like to make use of these facilities should contact the SSFU for further information.
- 13.2 Chip and Pin Machines
- 13.3 An increasing number of schools have asked whether they can have chip and pin machines. The main reason cited relates to allow schools to receive payment for day care services.
- 13.4 After seeking advice from Internal Audit it has been agreed that schools may have a machine if they wish, but this has to be agreed at a full governing body meeting and the minutes submitted to SSFU, which should outline the controls that will be put in place to safeguard sensitive information.
- 13.5 The school need to ensure they are compliant with the Payment Card Industry Security Standard, especially with regard to security of card details, etc.

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## 14. Changing bank account

- 14.1 Schools that wish to change their bank account should ensure that the reasons for this and the choice of new banking organisation are approved by the governing body. This should be minuted.
- 14.2 A formal letter should then be forwarded to SSFU with the governors minutes attached stating when the change will be made. Schools should allow at least a month for the appropriate paperwork to be sent to SSFU and for details to be amended on the authority financial system.
- 14.3 A bank account signature form will need to be completed and forwarded to SSFU (this can be done at the same time as the letter). This details the following:
- Date account is required
  - Branch address
  - Account Name
  - Sort code
  - Account number
  - Signatories and their designation
- This form is available on the SSFU Virtual Office under the procedure and training notes section.
- 14.4 The school must ensure that it writes to its current banking organisation to inform them of the closure. A copy of the bank statement showing the closure of the bank account should be forwarded to SSFU.
- 14.5 If the new account is to be with RBS the Strategic Finance section should be notified (Joanne Charley on 0121 569 3563).
- 14.6 If the new account is with another banking organisation a bank mandate will need to be completed and a copy forwarded to SSFU prior to submission to the bank.

- 14.7 The schools will also need to write to the new banking organisation to ensure that agreement is given for the Chief Finance Officer to have access to the bank account when necessary.
- 14.8 Schools should be reminded that all signatories should be employed directly by the school and be part of the senior management team.

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## Banking Controls

### 1. Format and control of cheques

- 1.1 Schools will need to order their own cheques directly with their chosen banking organisation.
- 1.2 All cheques must be pre-printed “Account Payee” crossing.
- 1.3 Unused cheque books and blank cheques must be kept in a safe.
- 1.4 Blank cheques must not be signed.
- 1.5 Schools must keep a record of all cheques received. Each month the school must reconcile the stock of unused cheques to this record. The reconciliation must be undertaken by a member of staff who is not a signatory to the account. This record must be kept in a separate location from the unused cheques.
- 1.6 If any cheques are found to be missing, the school must inform their banking organisation in writing requesting a “stop” to be placed on the cheques. The Chief Finance Officer must also be informed.
- 1.7 Accounts must be controlled by two signatures being required on each cheque. Signatories to the account may **only** be from the following staff:
- head teacher
  - deputy head teacher
  - bursar
  - business manager
- A senior teacher may be a signatory where there would be insufficient signatories if signatories were restricted to the above categories of staff. Any signatory **must** be an employee of the authority or governing body. Members of the governing body who are not employed at the school may not sign cheques.

- 1.8 Names of signatories, specimen signatures and any changes to the account **must** be notified to the Chief Finance Officer.
- 1.9 Cheques must be signed in manuscript. The number of the cheque used and the number recorded on the school's accounting system must match for the relevant transaction.
- 1.10 Any cheque spoilt or replaced must be clearly marked as **cancelled** and retained in the school. The record retained in school of cheques received, identified in 1.5 must be updated with details of any spoilt/replaced cheques.
- 1.11 Credit/debit and cash dispenser cards must not be used on the account.
- 1.12 Direct debits, standing orders (other than those for Sandwell MBC charges or traded services) BACS or other electronic means of payment must not be applied to the account, without obtaining the written authorisation of the Chief Finance Officer.
- 1.13 The school must arrange with their banking organisation that it provides them with written notification of any direct debit or any other instruction that has been applied to the account. The authenticity must then be confirmed.
- 1.14 Cheques may **only** be drawn for cash to reimburse the school's petty cash imprest.

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## 2. Payments into the bank account

- 2.1 Paying-in books personalised to the account must be used. The school needs to organise this with their chosen bank.
- 2.2 Where relevant, copy paying-in slips must detail a reference to the related debt (i.e. name of debtor, receipt or account number) in respect of cheques paid in.
- 2.3 The name of the school must be recorded on the back of the cheque.
- 2.4 Schools need to arrange with their banks, individual banking income arrangements, taking into account the security of staff.

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### 3. Emergency payments

- 3.1 Where there is a failure/loss of the schools computer system, it is permissible for urgent payments to be made manually. However, appropriate records must be maintained in order that the system may be updated as soon as it is available. Any such instances must be reported to the authority as soon as they occur.

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## 4. Petty cash imprest

- 4.1 Schools operating local bank accounts will be required to repay to the Chief Finance Officer any imprest held by the school. This will be deducted from the schools first advance, unless repaid at the end of the financial year.
- 4.2 Schools may draw a cheque for cash from their bank account to use as a petty cash imprest. Transactions must be recorded using the petty cash facility of SIMS, where operated.
- 4.3 The size of the imprest is a decision for each school, but the amount of cash held should not exceed the insurance cover available for the storage facility used.
- 4.4 Under **no** circumstances should personal cheques or IOU's be cashed from the school's imprest account.

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## 5. Bank account reconciliation

- 5.1 Schools **must** reconcile **monthly** each account. This should be completed by a date specified by SSFU.
- 5.2 Each school **must** receive from their chosen bank a monthly statement for each account they operate.
- 5.3 A copy of the reconciliation statement together with supporting documentation, as required by the Chief Finance Officer, should be forwarded to the schools strategic finance unit within the prescribed timescale.
- 5.4 The reconciliation must be performed by an officer, who is not a signatory on the account.
- 5.5 If a school is unable to reconcile their accounts' bank statement, SSFU must be informed immediately.

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## 6. What records should be kept in the school

- 6.1 The following records **must** be kept for the current financial year and the previous six years:
- copy orders
  - signed delivery notes
  - certified paid invoices
  - copy remittance advices
  - petty cash receipts
  - copy paying-in slips
  - copy receipts for all income
  - bank statements
  - bank reconciliation statements
  - FMS/computer records
  - cheque counterfoils/cancelled cheques
- 6.2 For each transaction, the paid invoice, credit note, delivery note(s) and associated copy order must be retained. Where a school does not use the FMS module of SIMS or Sandwell Business System the relevant copy order must be annotated with the cheque number, date of payment and the amount paid. Invoices should be marked as paid.
- 6.3 Paid invoices must be marked with the date the invoice was received from the supplier to enable the school to respond to interest claims under the late payment legislation.
- 6.4 If paid cheques are returned by the schools financial institution, they should be filed in numerical order and held, together with the cheque counterfoils for the period stated in 1.1.

- 6.5 Backups of the schools financial system must be taken at the end of each day it is used. Alternating sets of discs or tapes used must be stored overnight in a secure purpose designed protection cabinet. If this is not available, one set should be removed from the premises overnight by a senior member of staff.
- 6.6 Complete end of year accounts must be held on a disc or tape for each year. When data has been archived from the hard drive, an additional copy must be held on disc or tape and stored separately. The accounting system used by the school, whether manual or computerised, must record all transactions in sufficient detail to enable documentation to be traced. This is commonly referred to as an audit trail.

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## Appendix A1: Approved banks and building societies

- Bank of Scotland PLC
- HSBC Bank PLC
- Lloyds Bank PLC
- Santander UK PLC
- National Westminster Bank PLC
- Royal Bank of Scotland PLC
- Coventry Building Society
- Leeds Building Society
- Nationwide Building Society

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# **Appendix B**

## **Whistle-Blowing: Confidential Reporting Code**

**Final version: July 2013**

**IL0: Unclassified**

## Appendix B

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## Whistle-blowing: confidential reporting code

### 1. Preamble

- 1.1 The code applies to all employees working with or **assisting in community and voluntary controlled schools** maintained by Sandwell Metropolitan Borough Council who have major concerns over any wrongdoing within such schools relating to unlawful conduct, financial malpractice or dangers to the public or the environment. The code will be recommended by the council to voluntary aided foundation and trust schools.
- 1.2 The staff and governors of schools seek to run all aspects of school business and activity with full regard for high standards of conduct and integrity. In the event that members of school staff, parents, governors or the school community at large become aware of activities which give cause for concern, this confidential reporting code acts as a framework to allow concerns to be raised confidentially and provides for a thorough and appropriate investigation of the matter to bring it to a satisfactory conclusion.
- 1.3 The governing body of schools and the council are committed to tackling fraud and other forms of malpractice and treats these issues seriously. Some examples of malpractice are set out in paragraph 2.4. Schools recognise that some concerns may be extremely sensitive and have therefore developed a system which allows for the confidential raising of concerns within the school environment but also has recourse to an external party outside the management structure of the school as set out in paragraph 8.7.
- 1.4 The provisions of this code apply to matters of suspected fraud and impropriety and not matters of more general grievance which would be dealt with under the schools grievance policies.
- 1.5 The governing body of schools and the council are committed to creating a climate of trust and openness so that a person who has a genuine concern or suspicion can raise the matter with full confidence that the matter will be appropriately considered and resolved.

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- 1.6 This code sets out a framework within which you can raise concerns without fear of victimisation, subsequent discrimination or disadvantage. The code is intended to encourage and enable serious concerns to be raised rather than overlooking a problem. You may wish to seek support and advice from your trade union about this code.
- 1.7 This code has been adopted by the school governing body and has been the subject of consultation with recognised trade unions, on 25 May 2010 and approved by elected members.<sup>1</sup>

## 2. Aims and scope of this code

2.1 This code aims to:

- encourage you to feel confident in raising serious concerns and to question and act upon concerns about practice;
- provide avenues for you to raise those concerns and receive feedback on any action taken;
- ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied;
- reassure you that you will be protected from possible reprisals or victimisation if you have a reasonable belief that you have made any disclosure in good faith.

2.2 This code is not intended to be used where other, more appropriate, procedures are available, for example:

- grievances (see grievance policies);
- harassment (see anti-harassment policy and procedure);
- complaints of misconduct against Governors (for further information, please contact Sandwell Council's School Support Section);
- complaints of misconduct against councillors (for further information please contact Neeraj Sharma, Head of Legal Services and Monitoring Officer);
- child protection (see child protection procedures);
- complaints (see school complaints procedure).

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<sup>1</sup> Yet to go to members

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- 2.3 Whilst complaints of the nature described in 2.2 may be initially received under the confidential reporting code, they may be progressed under other more suitable procedures as indicated above.
- 2.4 The confidential reporting code is intended to cover major concerns that fall outside the scope of other procedures. These include:
- conduct which is an offence or a breach of law, e.g. negligence in service delivery or breach of contractual requirements such as those in the employee code of conduct;
  - disclosures related to miscarriages of justice, e.g. false reporting or perjury;
  - health and safety risks, including risks to the public as well as other employees, e.g. failure to carry out risk assessments or mishandling of hazardous materials such as asbestos;
  - the unauthorised use of public funds, e.g. serious breaches of school procedures which may advantage a particular party, tampering with tender documentation, manipulation of accounting records and finances, inappropriate use of school assets or funds;
  - possible fraud and corruption, e.g. false claims for overtime payments;
  - sexual or physical abuse of any employee;
  - other unethical conduct, e.g. inappropriate receipts of gifts and hospitalities, breach of school governance arrangement.

### **3. Who is covered by the schools confidential reporting code?**

- 3.1 All employees in or working with or assisting Sandwell Schools may use this code. This includes permanent and temporary employees, and employees seconded to a third party. It is also applicable to:
- Contractors working for the school on school premises, for example, agency staff, builders, drivers;

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- Suppliers and those providing services under a contract with the school in their own premises.

Any concerns relating to the third party, if relevant to the employees secondment, can also be raised under this code.

## 4. Safeguards

- 4.1 Head teachers, schools governing bodies and the council are committed to good practice and high standards and want to be supportive of employees.
- 4.2 Head teachers, schools governing bodies and the council recognise that the decision to report a concern can be a difficult one to make. If you are acting in good faith, you should have nothing to fear because you will be doing your duty to your employer and those for whom you are providing a service.
- 4.3 Head teachers, schools governing bodies and the council will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect you when you raise a concern in good faith.
- 4.4 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary, redundancy or other procedures that you may be involved in.
- 4.5 If you do raise a concern in good faith under this code, you will not be at risk of losing your job or suffering any form of retribution as a result. Provided you are acting in good faith, it does not matter if you are mistaken. Of course, this assurance is not extended to someone who maliciously raises a matter that s/he knows to be untrue.

## 5. Confidentiality

- 5.1 All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, however, you may need to come forward as a witness in which case you will be informed beforehand.

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## 6. Anonymous allegations

- 6.1 This code encourages you to put your name to your allegation whenever possible.
- 6.2 Concerns expressed anonymously are much less powerful but may be considered at the discretion of the school governing body or the council.
- 6.3 In exercising this discretion the factors to be taken into account would include:
- the seriousness of the issues raised;
  - the credibility of the concern;
  - the likelihood of confirming the allegation from attributable sources; and
  - whether the allegations are likely to have been made in good faith.

## 7. Untrue allegations

- 7.1 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you.

## 8. How to raise a concern

- 8.1 As a first step, you should normally raise concerns with your head teacher who will report the matter to the school governing body. However if s/he is the potential transgressor you should raise your concern with the chair of governors but if s/he is a potential transgressor you should contact the Service Director – Learning and Culture. Clearly the role of the Service Director – Learning and Culture will only be relevant under this code in relation to community schools and voluntary controlled schools maintained by the council. You can also contact the council’s Monitoring Officer, Neeraj Sharma, who is also the Head of Legal Services on 0121 569 3172 . Contact can also be made with the Deputy Monitoring Officer, Stewart Wright on 0121 569 3267. Not every concern raised will be treated as a confidential disclosure under this code. Some concerns will be investigated and dealt with under alternative policies and procedures e.g. disciplinary matters will be dealt with under the disciplinary procedure.

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- 8.2 You may wish to contact your trade union for advice and guidance.
- 8.3 Concerns may be raised verbally or in writing. Employees who wish to make a written report are invited to use the following format:
- the background and history of the concern (giving relevant dates);
  - the reason why you are particularly concerned about the situation.
- You should also, as far as possible, provide evidence to support your concern.
- 8.4 The earlier you express the concern the easier it is to take action.
- 8.5 Although you are not expected to prove beyond doubt the truth of an allegation, you must act in good faith and you will need to demonstrate to the person contacted that there are reasonable grounds for your concern.
- 8.6 Advice and guidance on how matters of concern may be pursued can be obtained from either the head teacher, the chair of governors of the relevant school or your trade union.
- 8.7 If you feel unable or do not wish to discuss your concerns with the head teacher, the school governing body or a council officer, you can contact the Audit Commission on 0844 798 1212 or 020 7828 1212 regarding information on fraud and corruption within the school. There is also a charity called “Public Concern at Work” which can provide free confidential advice on how an issue should be dealt with. Their telephone number is 0207 404 6609.
- 8.8 You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.
- 8.9 You can be accompanied by your trade union, professional association representative or a friend during any meetings or interviews in connection with the concerns you have raised.

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## 9. How will the governing body or the council respond?

- 9.1 If you have informed the head teacher or governing body of your concern, the governing body will look into it to assess initially what action should be taken. This may involve an internal inquiry or a more formal investigation. You will be told who will be handling the matter, how you can contact him/her and whether your further assistance may be needed.
- 9.2 While the purpose of this code is to enable the schools governing body to investigate possible malpractice and take appropriate steps to deal with it, the schools governing body will give you as much feedback as it properly can.
- 9.3 Concerns or allegations which fall within the scope of specific procedures (for example grievance) will normally be referred for consideration under that relevant procedure. Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required, this will be taken before any investigation is conducted.
- 9.4 Where appropriate, the matters raised may:
- be investigated by the school governing body, the head teacher, internal audit, the Service Director – Learning and Culture, the Monitoring Officer or through the disciplinary process;
  - be referred to the police;
  - be referred to the external auditor;
  - form the subject of an independent inquiry.
- 9.5 Usually within 10 working days of a concern being raised, the person looking into the concern will write to the person raising the concern:
- acknowledging that the concern has been received and provide a summary of your concerns ;
  - indicating how the matter will be dealt with and how you will be kept informed;

- giving an estimate of how long it will take to provide a full response;
- saying whether any initial enquiries have been made;
- supplying information on support available to you; and
- saying whether further investigations will take place and if not, why not.

- 9.6 Where any meeting is arranged, off-site if you so wish, you can be accompanied by a union or professional association representative or a friend.
- 9.7 The school governing body and the council will take steps to minimise any difficulties that you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the council will arrange for you to receive advice about the procedure.
- 9.8 The school governing body and the council accept that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints and duties of confidentiality, you will be informed of the broad outcome of any investigation.
- 9.9 At the end of the investigation process a questionnaire will be forwarded to you to ask for feedback on the process and your role in the same. You are asked to complete the same in order to enable future revisions of the code to be carried out effectively.
- 9.10 If you are still not satisfied as to how your concern has been dealt with, you should refer to section 11.

## 10 The responsible officer

- 10.1 The Service Director – Learning and Culture has overall responsibility for the maintenance and operation of this code. That officer maintains a record of concerns raised and the outcomes. The record is maintained in a form, which does not endanger the confidentiality of the person raising the concern or indeed that of any person against whom action is taken as a result of the concern being raised or relevant regulators. The Service Director – Learning and Culture will report as necessary to the monitoring officer and the council in accordance with these principles on confidentiality.

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- 10.2 The Service Director – Learning and Culture will maintain a schools whistle-blowing register containing all concerns and outcomes that are brought to his attention. All head teachers and/or officer(s) allocated to look into the concern arising from or related to a school must ensure the Service Director – Learning and Culture is provided with sufficient details of the concern and outcomes for Sandwell Council’s Corporate Register, which is maintained by the Head of Legal Services.
- 10.3 As soon as a complaint is received by the head teacher/ governing body, advice will be sought from the schools human resources provider. The governing body will ensure it has sufficient internal arrangements to address the requirements of this code, including appropriate support for the head teacher in implementing the code and the Service Director – Learning and Culture shall ensure that Human Resources are sufficiently trained to support schools in implementing this code and offer training to head teachers.

## 11. How the matter can be taken further

- 11.1 This code is intended to provide you with an avenue within the school to raise concerns. The school governing body hopes you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the school, the following are possible contact points:

- the designated independent organisation (Public Concern at Work on 020 7404 6609);
- the external auditor;
- your trade union;
- your local Citizens Advice Bureau;
- relevant professional bodies or regulatory organisations;
- a relevant voluntary organisation;
- the Police and/or Health and Safety Executive.
- the Service Director – Learning and Culture.
- the Head of Legal Services.
- the council’s Internal Audit.
- Ofsted

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11.2 Employees who are concerned about wrongdoing or failures can make disclosures to a person or body, which has been prescribed by the Secretary of State for the purpose of receiving disclosures about the matters concerned. An employee making such a disclosure should ensure that he or she:

- makes the disclosure in good faith;
- reasonably believes that the information, and any allegation it contains, are substantially true; and
- reasonably believes that the matter falls within the description of matters for which the person or body has been prescribed (for example, breaches of health and safety regulations can be brought to the attention of the Health and Safety Executive or appropriate local authority (LA), or environmental dangers can be notified to the Environment Agency). Again Public Concern at Work will be able to assist with details of the prescribed organisations and provide appropriate advice.

11.3 An employee who makes a disclosure about a relevant failure which is exceptionally serious will be protected if the employee:

- makes the disclosure in good faith;
- reasonably believes that the information disclosed, and any allegation contained in it, are substantially true; and
- does not act for personal gain.

It must be reasonable for the employee to make the disclosure in view of all the circumstances, having regard, in particular, to the identity of the person to whom the disclosure is made.

Before making disclosures externally the employee must reasonably believe that the information shows one or more of the following matters is either happening now, took place in the past, or is likely to happen in the future:

- a criminal offence;
- the breach of a legal obligation;
- a miscarriage of justice;
- a danger to the health or safety of any individual;
- damage to the environment;

- deliberate covering up of information tending to show any of the above five matters.

11.4 If you do take the matter outside of the school governing body or the council, you should ensure that you do not disclose confidential information. If necessary seek advice on this aspect.

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# Appendix C

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

IL0: Unclassified

## Appendix C

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# Application of schemes for financing schools to the community facilities power

## Section 1: Introduction

- 1.1 Schools which choose to exercise the power conferred by s.27 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 local authority (authority) and have regard to advice from the authority. Thirdly, the Secretary of State issued guidance to governing bodies about a range of issues connected with exercise of the power, and a school must have regard to that. However, under s.28(1), the main limitations and restrictions on the power will be:
- Those contained in schools' own instruments of government, if any; and 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 governing bodies to provide community facilities.
  - Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools.
- 1.2 This section of the scheme does not extend to joint-use agreements; transfer of control agreements, or agreements between the authority and schools to secure the provision of adult and community learning.
- 1.3 The mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.
- 1.4 Schools that offer day care provision should treat these as community facilities and adhere to the guidance in this appendix.

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## Section 2: Consultation with the authority – financial aspects

- 2.1 Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the authority, and have regard to advice given to them by their authority.
- 2.2 Schools are required to provide the authority with proposed business plans, which clearly state the financial forecasts over the lifetime of the projects. Schools must submit their business plans to the Schools Strategic Finance Unit. The unit will acknowledge electronically, the receipt of the business plan within one working day.
- 2.3 The authority will appraise the project and notify the governing body of its opinion within six weeks from the date of receipt of the proposed business plan. It will offer advice and guidance during the appraisal period and may require additional information to be submitted. The governing body must provide this information within the timescale given in the relevant communication in order for the appraisal to be completed within six weeks.
- 2.4 The authority will not be able to levy a charge for this service, which may include further advice and guidance to schools wishing to exercise the new community facilities power.
- 2.5 Schools needing advice and guidance in developing and producing business plans prior to submission to the authority for appraisal and approval will need to consider trading arrangements if required.
- 2.6 Where an appraisal identifies action to be taken before the authority can approve the project, the governing body must supply evidence of that action. If this action is not taken or no evidence is supplied, the project will not be approved. If it is proceeded with, then this may constitute grounds for suspension of the schools delegated budget.

## 2.7 Accounting policies (including year-end procedures)

Schools must abide by procedures issued by the authority in relation to accounting policies and year-end procedures. These procedures are as set out in the authority's Financial Regulations and Contract and Procurement Procedure Rules.

## 2.8 Banking Arrangements

If a school wishes to open a separate bank account for day care provision the procedures set out in Appendix A Bank Account Scheme must be adhered to. The following criteria must also be met: -

### **The school must: -**

- Apply to open a separate bank account by the end of November of the preceding year in which the bank account will become active.
- Be projecting a surplus across all years in 3 year projections and the current year projected surplus must be above 6%.
- Provide a report showing the closedown, in-year and projected budget position for the day care facility only. This must show that the costs of running the provision have been fairly apportioned and that the facility is not being subsidised by the school budget.
- Prove that its bank balance has not fallen below £30,000 in the last 12 months.
- Have been audited in the last two years and been judged as providing Good/Outstanding assurance about the framework of controls in operation. If the school has not been audited within the last two years' internal audit will be required to carry out a review prior to a second bank account being approved.

## Section 3: Funding agreements – authority powers

- 3.1 The provision of community facilities in many schools may be dependent on the conclusion of a funding agreement with a third party which will either be supplying funding or supplying funding and taking part on the provision. A very wide range of bodies and organisations are potentially involved. Governing bodies need to take into consideration that when entering into external funding agreements the authority is the accountable body. Authorisation is required by the Chief Finance Officer for approval of the external funding agreement.
- 3.2 Schools are required to provide the authority with details of **all** proposals and specifically funding agreements with third parties, for comment before entering into such an agreement. The authority will respond within six weeks, however if it is necessary to obtain advice from other council services and/or professional bodies, this period may be extended to a maximum of 10 weeks.
- 3.3 The Secretary of State does not consider that it is appropriate for local authorities to have a general power of veto for these agreements. However, schools are reminded that if an agreement has been or is to be 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, then this will constitute grounds for suspension of the right to a delegated budget.

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## Section 4: Other prohibitions, restrictions and limitations

- 4.1 The scheme does not give a right of veto either to funding agreements with third parties, or for other proposed uses of the community facilities power.
- 4.2 Where the authority has good reason to believe that the proposed use of the community facilities power by a governing body carries significant financial risks, the governing body concerned shall 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.
- 4.3 The use of schools for the education of pupils of the appropriate age range must be paramount. Schools should **not** take teaching or potential teaching spaces out of use to provide community facilities. If the governing body of an under subscribed school which enters into agreements to provide community facilities using teaching space during the school day and the number of pupils subsequently rises, the needs of the pupils will take precedence. This would then have implications for contractual arrangements relating to the use of accommodation during the school day.
- 4.4 If a school premises has been enhanced or has been newly built from funds obtained by a specific external grant, then governing bodies need to be aware of the potential claw back implications of this grant if the site or accommodation is proposed to be used for a different purpose. The governing body should seek advice from the Chief Finance Officer under these circumstances.

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## Section 5: Supply of financial information

- 5.1 Schools which exercise the community facilities power are to provide the authority with a summary statement, in the Consistent Financial Reporting (CFR) format as detailed in Appendix D. This will show the income and expenditure for the school arising from the facilities in question for the period elapsed and an estimate, for the remaining period of the financial year. Details of the estimated following two financial year's outturn are also required.
- 5.2 The statements in the CFR format are to be sent in every term in line with the Termly Monitoring deadlines set out in Appendix G. Governing bodies need to consider the potential cost implications of further financial advice and support.
- 5.3 The authority will give notice to the school where 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, to require such financial statements to be supplied every month. If the authority sees fit the Chief Finance Officer will require the governing body of the school to produce a financial and operation plan which takes account of all known factors and results in a balanced budget.
- 5.4 Schedule 3 of the Education Act 2002 inserts a new provision into Schedule 15 of the Act that will allow the authority to make mismanagement of funds received for community facilities a basis for suspension of the right to delegation of the budget share.

## Section 6: Audit

- 6.1 The school must:
- ensure that the systems for the maintaining of financial records in connection with the exercise of this power and any subsequent changes to such systems are discussed and agreed with the Chief Finance Officer prior to implementation;
  - arrange access to the school premises at reasonable times to enable the auditor to undertake any work required;

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- provide access for the auditor and other appropriate officers to all assets, records, documents, correspondence and control systems relating to the management of the facility/service;
- provide, or arrange for the provision by the relevant staff, any information and explanation considered necessary by the auditors in the course of their work;
- where the governing body enters into an agreement with any third party in connection with the exercise of this power it must ensure that the agreement contains a provision enabling access by the auditors to the records and property of the third party held on the school premises, or held elsewhere insofar as they relate to the activity in question, required in order to verify the expenditure on the relevant facilities;
- respond to audit recommendations, unless otherwise requested, within four weeks of the date of any audit report;
- ensure agreed audit recommendations are implemented, including the identification of a person responsible for the implementation;
- notify the Chief Finance Officer, immediately of any suspected fraud, theft, irregularity or misappropriation of the authority's property or resources.

## Section 7: Treatment of income and surpluses

- 7.1 Schools may carry forward from one financial year to the next any surplus/deficit derived from community facilities except where otherwise agreed with a funding provider, whether that is the authority or some other person.

The school may carry such retained net income over from one financial year to the next as a separate community facilities surplus. This should be shown under OB02 and B06 on the school's CFR return.

- 7.2 The authority has no power to write off a deficit balance of a school exercising the use of the community facilities power.

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## Section 8: Health and safety matters

- 8.1 Governing bodies are required to have due regard to duties placed on the authority in relation to health and safety and the authority's policy on health and safety matters in the management of the community facilities power.
- 8.2 Governing bodies are responsible for the costs of securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day. Governing bodies are free to pass on such costs to a funding partner as part of an agreement with that partner.
- 8.3 Governing bodies need to take into consideration the Policy and Procedures for Offsite and Out of Hours Educational Activities (2014) which is available on the EVOLVE visit planning and management tool.

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## Section 9: Insurance

- 9.1 Governing bodies are responsible for ascertaining the level of risk involved from the exercise of the community facilities power, taking professional advice as necessary and to ensure adequate arrangements are made for insurance against risks arising. Such insurance should not be funded from the school budget share. Schools are required to seek the advice of the authority's Risk Manager before finalising any insurance arrangement for community facilities. Governing bodies are responsible for ensuring that adequate insurance is in place.
- 9.2 The authority will undertake its own assessment of the insurance arrangements made by a school in respect of providing community facilities/services, 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.

## Section 10: Taxation

### 10.1 Value Added Tax

The authority has established procedures to enable schools to utilise the authority's ability to reclaim VAT on expenditure relating to the non-business activities of education of pupils.

Schools covered by the scope of this scheme are required to seek advice from the authority before commencement. This is to ensure a consistent approach is obtained for all schools participating in the scheme from the authority and the local VAT office.

- 10.2 Schools who do not opt for cheque book will be covered by the procedures for VAT contained in the authority's Financial Regulations.

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10.3 For schools who opt for cheque books the conditions which apply are set out in **Appendix A - Schools Bank Account Scheme**, contained within the existing Fair Funding Scheme for Financing of Schools.

Amounts reclaimed through these procedures will be passed back to the school.

10.4 **Income Tax and National Insurance**

If any member of staff employed by the school or authority in connection with community facilities at the school is paid from funds held in a school's own bank account, the school is likely to be held liable for payment of Income Tax and National Insurance, in line with the Inland Revenue rules.

10.5 **CITS (Construction and Industry Taxation Scheme)**

Schools are required to abide by procedures issued by the authority in connection with CITS.

## Section 11: Access, Child Protection and Planning Arrangements

- 11.1 In addition to the proposals suggested by the DfE, schools will need to give due consideration to access, child protection and planning arrangements. Additional services operating during a school day will need to be carefully managed and child protection issues given full consideration. There may be issues for local residents in relation to access arrangements. Schools will need to consider the impact of wider community service provision operating during holidays and beyond the school day. Planning issues will also need to be considered.

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**Scheme for the financing of schools**

# **Appendix D**

## **CFR Report: Closedown**

**IL0: Unclassified**

## Appendix D

## CFR report - closedown

Opening balances		£
OB01	Opening pupil focused revenue balance	
OB02	Opening community focused revenue balance	
OB03	Opening capital balance	
	<b>Total Balances B/F</b>	
Revenue income		£
101	Funds delegated by the local authority (LA)	
102	Funding for sixth form students	
103	SEN funding	
104	Funding for minority ethnic pupils	
105	Pupil premium grant	
106	Other government grants	
107	Other grants and payments	
108	Income from facilities and services	
109	Income from catering	
110	Receipts from supply teacher insurance claims	
111	Receipts from other insurance claims	
112	Income from contributions to visits etc.	
113	Donations and/or voluntary funds	
<b>114</b>	<b>Blank – nothing should be recorded here</b>	
115	Pupil focused extended school funding	
116	Community school funding and/or grants	
117	Community focused school facilities income	
118	Additional grant for schools	
	<b>Total revenue income</b>	

<b>Revenue expenditure</b>		<b>£</b>
E01	Teaching staff	
E02	Supply teaching staff	
E03	Education support staff	
E04	Premises staff	
E05	Administrative and clerical staff	
E06	Catering staff	
E07	Cost of other staff	
E08	Indirect employee expenses	
E09	Development and training	
E10	Supply teacher insurance	
E11	Staff related insurance	
E12	Building maintenance and improvement	
E13	Grounds maintenance and improvement	
E14	Cleaning and caretaking	
E15	Water and sewerage	
E16	Energy	
E17	Rates	
E18	Other occupation costs	
E19	Learning resources (not ICT equipment)	
E20	ICT learning resources	
E21	Exam fees	
E22	Administrative supplies	
E23	Other insurance premiums	
E24	Special facilities	
E25	Catering supplies	
E26	Agency supply teaching staff	
E27	Bought in professional services - curriculum	
E28	Bought in professional services - other	
E29	Loan interest	
E30	Direct revenue financing (revenue cont to cap)	
E31	Community focused school staff	
E32	Community focused school costs	
<b>Total revenue expenditure</b>		

<b>Capital income</b>		<b>£</b>
C101	Capital income	
C102	<b>Blank – nothing should be recorded here</b>	
C103	Voluntary or private income	
C104	Direct revenue financing (revenue contributions to capital)	
	<b>Total capital income</b>	

<b>Capital expenditure</b>		<b>£</b>
CE01	Acquisition of land and existing buildings	
CE02	New construction conversion and renovation	
CE03	Vehicles, plant, equipment and machinery	
CE04	Information and communication technology	
	<b>Total capital expenditure</b>	

<b>Closing balances</b>		<b>£</b>
B01	Committed revenue balances	
B02	Uncommitted revenue balances	
B03	Devolved formula capital balance	
<b>B04</b>	<b>Blank – nothing should be recorded here</b>	
B05	Other capital balances	
B06	Community focused school revenue balances	
	<b>Total balances C/F</b>	
	Net Revenue Spend	
	Net Capital Spend	
	<b>Rev C/F</b>	

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# **Appendix E**

## **Notice of Concern Protocol**

**IL0: Unclassified**

## Appendix E

### Notice of Concern Protocol

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## Appendix E

### Notice of concern protocol

1. Section 2.15 of the scheme for financing schools allows the local authority to issue a notice of concern to a school's governing body where it is deemed necessary in order to safeguard the financial position of the authority or school.
2. This protocol explains:
  - in what circumstances a notice of concern may be issued to a school
  - the format and contents of a notice of concern
  - when and how a notice of concern will be withdrawn.
3. The scheme for financing schools allows the authority to introduce the following requirements as part of a notice of concern:
  - 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 authority.
  - Insisting on regular financial monitoring meetings at the school attended by authority officers.
  - Requiring a governing body to buy into the authority's financial management systems.
  - 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.

4. A notice of concern will be issued to a school in the following circumstances:
- Where a school is projecting a deficit balance at the current year-end which is expected to continue in the next 2 financial years and the school does not have or has not applied for a licensed deficit.
  - Where a school has a licensed deficit but is persistently not following the deficit recovery plan agreed as part of this.
  - Where there is evidence of potential financial mismanagement at the school. This includes (for bank account schools) persistent missing of deadlines for returns required as part of the bank account scheme.
  - Where a school persistently fails to submit statutory returns to the authority on time.

This list is not exhaustive and there may be other circumstances under which the authority may decide that a notice of concern should be issued.

5. A notice of concern will include the following information:
- The date at which the notice of concern was issued.
  - The reasons why the notice of concern was issued.
  - The requirements that the school must meet in order to address the concerns.
  - The date by which these requirements must be completed (if not ongoing).
  - The conditions that must be met in order for the notice of concern to be withdrawn.

**Appendix E1** shows the format of the notice of concern.

6. The decision to issue a notice of concern will be made jointly between the Director of Children's Services and Chief Finance Officer.

7. The notice of concern will be withdrawn when:
  - 7.1.1 In the case of schools with deficit budgets:
    - the school has been granted a licensed deficit including an approved deficit recovery plan.
    - the school has balanced its budget and this is sustainable.
  - 7.1.2 In the case of schools with licensed deficits not following deficit recovery plans:
    - the school has consistently followed the deficit recovery plan for a period of at least 6 months.
    - the school has agreed a revised deficit recovery plan and has had a new licensed deficit issued.
  - 7.1.3 In the case of potential financial mismanagement:
    - the school has addressed any issues raised as part of an internal audit report.
    - the school has satisfied the Chief Finance Officer that any financial management issues have been addressed. This includes submitting all outstanding returns and continuing to submit returns on time for a period of at least 6 months.
  - 7.1.5 In the case of schools not submitting statutory returns and other returns (such as those required as part of the bank account scheme) on time to the authority:
    - the school has submitted all outstanding returns and has continued to submit returns on time for a period of at least 6 months.
8. The decision to withdraw the notice of concern will again be made jointly by the Director of Children’s Services and Chief Finance Officer.
9. If the school refuses to follow the conditions included within the notice of concern the authority will take action to remove the delegated powers for that school.

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**Scheme for the financing of schools**

# **Appendix E1**

## **Notice of Concern**

**IL0: Unclassified**

## Appendix E1

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	Notice of concern	1

## Appendix E1

### Notice of concern

This notice of concern is issued to XXXXXXXX School on “**date**”.

#### Reasons for notice:

Example:

1. The school was in deficit at the end of financial year 20XX/XX and this deficit is currently projected to increase over the next 2 years.
2. The school has not applied for a licensed deficit and has no deficit recovery plan.

#### Requirements of notice:

Example:

1. An initial meeting will be arranged between finance and the head teacher and chair of governors. This is to discuss the process of applying for a licensed deficit.
2. The school will work closely with its budget officer to apply for a licensed deficit including putting together a deficit recovery plan. This must be completed by “**date**”.
3. The school will be required to submit half-termly monitoring to the LA showing how the deficit recovery plan is being followed.

**Note:** This list is only an example and is not exhaustive.

#### Conditions for notice to be withdrawn:

Example:

1. This notice will be withdrawn at the point when the school has achieved a sustainable balanced budget.

Signed:

*Chief Finance Officer*

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# **Appendix F**

## **Budget-Setting Procedures**

**IL0: Unclassified**

## Appendix F

**Budget-setting procedures**

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3.	Staffing structure	1
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## Executive summary

Information about individual School Budgets are made available at the end of February each year. As with previous budget plans are required to be submitted to the Schools Strategic Finance Unit (SSFU) by 15<sup>th</sup> May. The following documents should also be supplied:

- Full spending plan
- Three year forecast
- Staffing Structure

### 1. Full spending plan

- 1.1 The summary budget should be accompanied by a complete code by code breakdown or a detailed spending plan in a consistent financial reporting (CFR) format.

### 2. Three year forecast

- 2.1 Some schools choose the option given by SSFU not to send in three year forecast/projections as part of the February monitoring. This is on the understanding that they are to be completed as part of the budget setting process. Three year projections must therefore be submitted with all budget plans.

### 3. Staffing structure

- 3.1 To complement the above information a brief staffing structure should be included containing details of how many full time equivalent teaching and non teaching staff are employed by the school. This information does not have to include costs and names of individual staff.

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## 4. Setting a deficit budget

- 4.1** Schools are advised to formally contact SSFU as early as possible in the budget setting process to alert the authority to any difficulties in setting a balanced budget. The authority will review the budget with school staff and where agreement is reached that a balanced budget can not be set then a Licensed Deficit will be approved once school staff have submitted a three year deficit recovery plan. **Appendix H** contains more details about the Licensed Deficit procedures.

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# Appendix G

## Termly Budget Monitoring Procedures

**IL0: Unclassified**

## Appendix G

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## Executive summary

Updated budgetary information known as termly monitoring or school budget monitoring should be sent in to the Schools Strategic Finance Unit (SSFU), 3 times a year on 15 July, 30 November and 15 February.

Termly budget monitoring consists of the following documents:

1. Budget monitoring report
2. Cumulative expense analysis report
3. Three year forecast/updated carry forward figures
4. A short written report

A summary of when each of these documents have to be submitted to the Schools Strategic Finance Unit can be found on the table below:

July	November	February
A budget monitoring report	A budget monitoring report	A budget monitoring report
A cumulative expense analysis report	A cumulative expense analysis report	A cumulative expense analysis report
A three year forecast	A three year forecast	Updated carry forward figures split appropriately
A short written report	A short written report	A short written report
Monitoring report – School Daycare Facility	Monitoring report – School Daycare Facility	Monitoring report – School Daycare Facility
		Optional 3 year forecast

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## 1. A budget monitoring report

Required: July, November and February

The following data should be contained as a minimum on a report submitted to SSFU:

- school name and budget officers name
- title
- term
- date
- period the data has been reconciled up to
- original budget
- current budget
- actual/invoiced data
- commitments
- anticipated spend
- variances
- action required/recommended/reference to notes

The report should be set out on a consistent financial reporting (CFR) spending plan ledger code by ledger code basis.

It should be clear for an independent person to identify the following streams:

- **all** local authority (LA) funding
- **all** non LA/school income
- **all** expenditure
- balances and reserves (see below)
- % of balances and reserves (see below)
- earmarked funding/properly assigned resources (see below)

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## Balances and reserves

This represents the amount of funding a school has left after all expenditure has been deducted from all the funding.

**February only:** In order to maintain consistency school by school and the reporting structure at closedown these balances should be broken down into between capital and revenue balances.

## % of balances and reserves

In accordance with advice received from the DfE the % carry forward is calculated using the following funding:

- Schools budget share
- Sixth Form funding
- Private and voluntary funds

## Earmarked funding/properly assigned resources

Where a school has more than 5% (secondary) and 8% (primary and special) in balances/reserves then it is recommended that plans for this funding are stated in the written part of the report (see section 4).

## 2. A cumulative expense analysis report

Required: July, November and February

To accompany the budget monitoring report schools are expected to submit a cumulative expense analysis report or similar from their stand alone SIMS/CMIS systems. This computer generated report should support the figures submitted.

### 3. A three year forecast

Required: July and November only

As a minimum requirement the three year forecast/termly projections should be in a summary consistent financial reporting (CFR) format detailing the following information:

- **all** LA funding
- **all** non LA/school income
- **all** expenditure
- balances and reserves (as above)
- % of balances and reserves (as above)

For the February termly monitoring then schools have the option not to submit a 3 year forecast at this time but to include these projections as part of the budget setting process. Regardless of whether submitted as part of the February monitoring, 3 year projections must be submitted with the Budget Plan.

### 4. A short written report

Required: July, November and February

With each budget monitoring report a short written report should be included with the following details as a minimum:

- the % funding growth used to prepare the projection figures, including the salary/fixed cost % uplift used in the expenditure
- pupil numbers and forecast pupil numbers
- explanations for variances and any action taken/requested
- where school has more than 5% (secondary) and 8% (primary and special) in balances/reserves then it is **recommended that plans for this are clearly stated.**

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## 5. Monitoring report – Community Facilities (including Day Care Provisions)

Where a school operates a community facility, a monitoring report showing the financial position of this facility should also be submitted. This monitoring report should include a statement of the current debt outstanding to the facility. Although it is now possible to use school budget share to fund these facilities this should not be at detriment to the rest of the school therefore it is important that these facilities are largely self-financing.

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# **Appendix H**

## **Licensed Deficit Procedures**

## Appendix H

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Expiration of licensed deficits	3

## Appendix H

### Licensed deficit procedures

1. The deadline for submitting budget plans each year is the 15th May. The Scheme for Financing of Schools states:

“Schools are required to manage within their budget limits and may not normally plan for a deficit budget. Any overspending will be deducted from a school’s budget share in the following year. The Authority may investigate any deficit incurred by a school.”

In certain circumstances arrangements may be entered into which allows a school to plan for a deficit. Examples of these circumstances may be:

- A school can demonstrate that it cannot operate within its total resources (including any balances) and meet the requirements of the National Curriculum.
  - Where a school wish to pre-empt part of the following year’s budget, in order to undertake a major project. The approval of the Director of Children’s Services and Chief Finance Officer will be necessary.
  - Where there is a significant short-term pupil number shortfall due to known local circumstances (e.g. housing estate action plans).”
2. Schools are advised to formally contact Schools Strategic Finance Unit (SSFU) as early as possible to alert the authority to any difficulties in setting a balanced budget. As soon as it is confirmed that the school will be unable to produce a balanced budget the Head Teacher and Chair of Governors should write to the Chief Finance Officer to formally apply for a licensed deficit.
  3. A licensed deficit is an agreement between the school and the local authority (authority) which details the conditions that the school must follow in order to achieve a sustainable balanced budget within the maximum time limit of three years.

4. The application for a licensed deficit should include:
- A full description of the reasons for the forecast deficit.
  - A draft deficit recovery plan.

The deficit recovery plan is a medium to long term financial plan which shows how the school will achieve a sustainable balanced budget within a maximum of three years.

5. The deficit recovery plan should include:
- A budget plan for each of the years until the deficit is recovered. This should be in full CFR format and show for each year:
    - Funding and expenditure
    - In-year surplus/deficit
    - Cumulative surplus/deficit
  - Details of areas of expenditure the school is planning to reduce/proposed actions that will recover the deficit.
  - Any assumptions included as part of the plan i.e.
    - Funding Levels and Increases
    - Pupil Numbers
    - Income Generation
  - Risks that are inherent in the proposed actions/assumptions.
  - Staffing structure for the current year and proposed staffing structure for years two and three (these should include costings).
  - Final budget position for each year until the deficit is recovered.
6. When a school applies for a licensed deficit an initial meeting will be arranged between:
- head teacher
  - chair of governors
  - school budget officer
  - member(s) of authority finance
  - school improvement adviser
  - HR adviser (if necessary)

The purpose of this meeting will be to discuss the reasons for the projected deficit and to approve the deficit Recovery Plan.

7. The application will then be considered by SSFU and the school improvement adviser for the school and, if agreed, a licensed deficit agreement will be issued (Appendix H1). This should be signed by the Director of Children's Services and Chief Finance Officer and the Chair of Governors at the school.

## Monitoring of licensed deficits/deficit recovery plans

8. The authority will monitor the progress of all licensed deficits and deficit recovery plans. If the school does not follow the actions agreed in the licensed deficit and deficit recovery plan or it appears that the recovery plan is no longer achievable a notice of concern will be issued to the school.
9. The notice of concern will require that the school produce a revised deficit recovery plan in order to apply for a new licensed deficit.
10. If the school continues to deviate from the new deficit recovery plan the authority may remove delegated powers from the school. SSFU may also request that internal audit undertake an audit at the school if there are concerns around financial management.
11. Regular meetings will be arranged with member(s) of SSFU to monitor the progress against the deficit recovery plan.

## Expiration of licensed deficits

12. When it is considered that the school has achieved the outcomes of the deficit recovery plan and has a sustainable surplus budget the licensed deficit will be deemed to have expired. The authority will formally write to the school to confirm this.

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# **Appendix H1**

## **Licensed Deficit Agreement**

**IL0: Unclassified**

## Appendix H1

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## Appendix H1

### Licensed deficit agreement

The following terms and conditions apply to this Agreement:

#### General Conditions

1. The above school has been granted a licensed deficit for a period of 3 years from “financial year” to “financial year”.
2. By the end of “financial year” the school will have achieved a sustainable balanced budget as per the deficit recovery plan submitted to the authority.
3. The school will follow all actions outlined in the deficit recovery plan (attached) until the sustainable balanced budget is achieved.
4. The school will follow the authority’s termly monitoring procedures unless more frequent monitoring conditions are outlined below.

#### Specific Conditions

Signed:

Director of Children’s Services

Signed:

Chief Finance Officer

Signed:

Chair of Governors

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**Scheme for the financing of schools**

# **Appendix I**

## **Equal Value Contributions**

**IL0: Unclassified**

## Appendix I

### Equal Value Contributions

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	Special Schools Block	6

## Appendix I

## Equal value contributions

## Primary Schools Block

School	[A]	[B] [B x 15 Yrs]	[C]
	Pro rata based on collective (budget shares ) within each block	Total contribution payable over 15 years	Total one-off contribution payable
	£	£	£
Abbey Infant	7,116	106,736	
Abbey Junior	8,368	125,527	
Albert Pritchard Infant	5,512	82,677	
Annie Lennard Infant	3,859	57,892	
Bearwood Primary	11,581	173,718	
Blackheath Primary			104,276
Bleakhouse Junior	6,076	91,133	
Brandhall Primary	7,441	111,617	
Brickhouse Primary	5,186	77,784	
Burnt Tree Primary	5,595	83,924	
Cape Primary	12,352	185,282	
Causeway Green Primary	9,603	144,040	
Corngreaves Primary	4,876	73,134	
Crocketts Lane Primary	7,325	109,875	
Cronehills Primary	7,774	116,610	
Devonshire Infant	8,859	132,881	
Devonshire Junior	9,087	136,312	
Ferndale Primary	11,509	172,639	
Galton Valley Primary			137,150
George Betts Primary	10,032	150,473	

School	[A]	[B]	[B x 15 Yrs]	[C]
	Pro rata based on collective (budget shares ) within each block	Total contribution payable over 15 years		Total one-off contribution payable
	£	£		£
Glebefields Primary	8,845	132,668		
Grace Mary Primary	7,205	108,069		
Great Bridge Primary	10,929	163,929		
Grove Vale Primary	8,632	129,474		
Guns Village Primary	11,357	170,355		
Hall Green Primary				118,991
Hamstead Infant	5,318	79,776		
Hamstead Junior	5,852	87,781		
Hargate Primary	6,488	97,316		
Harvills Hawthorn Primary	9,350	140,251		
Hateley Heath Primary	9,118	136,768		
Highfields Primary	10,071	151,058		
Holy Trinity CE Primary	9,037	135,548		
Holyhead Primary	4,911	73,667		
Joseph Turner Primary	8,525	127,874		
Jubilee Park Primary	6,312	94,673		
King George V Primary	5,396	80,936		
Langley Primary	8,695	130,418		
Lightwoods Primary	5,021	75,319		
Lodge Primary	7,609	114,138		
Lyng Primary	7,829	117,436		
Mesty Croft Primary	8,287	124,307		
Moat Farm Infant	7,344	110,158		
Moat Farm Junior	10,580	158,693		
Moorlands Primary	5,069	76,034		

School	[A]	[B]	[B x 15 Yrs]	[C]
	Pro rata based on collective (budget shares ) within each block	Total contribution payable over 15 years		Total one-off contribution payable
	£	£		£
Newtown Primary	5,924	88,861		
Oakham Primary	10,563	158,450		
Ocker Hill Infant	5,395	80,927		
Ocker Hill Junior	5,972	89,577		
Old Hill Primary	5,470	82,057		
Old Park Primary	10,648	159,726		
Park Hill Primary	5,795	86,926		
Pennyhill Primary	14,903	223,548		
Perryfields Primary	5,151	77,259		
Reddal Hill Primary	4,934	74,012		
Rood End Primary	8,667	130,012		
Rounds Green Primary	9,039	135,584		
Rowley Hall Primary	9,939	149,087		
Ryders Green Primary	9,793	146,893		
Sacred Heart Primary	4,195	62,930		
Shireland Hall Primary	9,584	143,759		
Springfield Primary	10,459	156,882		
St James' CE Primary	9,882	148,234		
St Martin's CE Primary	5,505	82,571		
St Mary Magdalene CE Primary	5,776	86,635		
St Pauls Primary	5,851	87,763		
Summerhill Primary	8,068	121,014		
Tameside Primary	11,559	173,386		
Temple Meadow Primary	8,766	131,488		
The Priory Primary	7,282	109,234		

School	[A]	[B] [B x 15 Yrs]	[C]
	Pro rata based on collective (budget shares ) within each block	Total contribution payable over 15 years	Total one-off contribution payable
	£	£	£
Timbertree Primary	4,819	72,280	
Tipton Green Junior	7,377	110,656	
Tividale Community Primary	10,391	155,867	
Tividale Hall Primary	9,857	147,854	
Uplands Manor Primary	16,982	254,737	
Victoria Infant			76,860
Victoria Park Primary	12,560	188,407	
Warley Infant	5,261	78,921	
Wednesbury Oak Primary	10,180	152,702	
Whitecrest Primary	4,829	72,435	
Wood Green Junior	6,415	96,218	
Yew Tree Primary	12,258	183,877	
<b>Total Primary Block</b>	<b>637,910</b>	<b>9,568,657</b>	<b>437,277</b>

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## Secondary Schools Block

School	[A]	[B] [B x 15 Yrs]	[C]
	Pro rata based on collective (budget shares) within each block	Total contribution payable over 15 years	Total one-off contribution paid
	£	£	£
Alexandra High	28,863	432,939	
Bristnall Technology College	19,147	287,210	
Holly Lodge High	26,156	392,334	
Menzies High	29,668	445,018	
Oldbury College of Sport			457,945
Perryfields High	18,272	274,082	
St Michael's CE High	21,730	325,947	
Tividale High School and Community College	18,421	276,314	
Wodensborough Community Technology College	23,043	345,641	
Wood Green High	28,872	433,084	
<b>Total Secondary Block</b>	<b>244,701</b>	<b>3,670,513</b>	<b>457,945</b>

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## Special Schools Block

School	[A]	[B]	[B x 15 Yrs]	[C]
	Pro rata based on collective (budget shares) within each block	Total contribution payable over 15 years		Total one-off contribution payable
	£	£		£
Meadows School College of Sport	22,143	332,141		
Orchard School	15,841	237,621		
Shenstone Lodge School				78,317
Westminster School (West Bromwich)	12,466	186,992		
<b>Total Special Block</b>	<b>50,450</b>	<b>756,754</b>		<b>78,317</b>
<b>Total All Schools</b>	<b>933,061</b>	<b>13,995,924</b>		<b>396,603</b>
<b>Total Borrowing Requirement</b>		<b>9,603,397</b>		
<b>Schools Excluded:</b> Voluntary Aided: All Saints, Christ Church, Holy Name, St Francis Xavier, St Gregory's, St Hubert's, St John Bosco, St John's, St Margaret's, St Mary's, St Matthew's, St Philip's, Stuart Bathurst				
Foundation: Heathfield, Manor				
All Academy Schools as at December 2008.				

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**Scheme for the financing of schools**

# **Appendix J**

## **Schools Guide to Leasing Equipment**

## Appendix J

### SCHOOLS GUIDE TO LEASING EQUIPMENT

On behalf of Sandwell schools, a leasing framework agreement has been approved with Unilink Finance for the lease of school equipment.

Utilising the approved framework agreement will ensure that value for money is achieved when leasing equipment such as photocopiers, ICT equipment etc.

Unilink also offer free advice and guidance on both existing and new leases. Please feel free to contact them for a 'health check' on your current leases.

Please follow the steps below to ensure your school obtains value for money when entering into new leasing agreements:

(1) If a quote has already been obtained for the lease of equipment, forward the details to Unilink for an alternative quote and free advice

(2) If Unilink agree that the quote is competitive, please send a copy to Joanne Wrotchford in Corporate Finance for approval by the Chief Finance Officer (in accordance with Fair Funding Scheme). No agreement should be signed until approval has been received.

(3) If Unilink can offer a better deal on the lease of the equipment, please take the following action:

- Obtain quotes to identify the best price for the **purchase** of equipment
- Raise order to supplier for the purchase of equipment
- Forward the invoice to Unilink for payment by the leasing company
- Sign leasing contract with Unilink's approved leasing company
- Cancel original order off SIMS (as payment of invoice will NOT be paid by school)

If a school doesn't yet have a quote for the lease of equipment, please go direct to Unilink in the first instance.

#### Useful Contact Details

Unilink:  
Andrew Moss or Philip Harrison; Telephone: 0844 887 5549  
Email: [andrew@unilinkfinance.co.uk](mailto:andrew@unilinkfinance.co.uk)

Corporate Finance:  
Joanne Wrotchford; Telephone: 0121 569 3458  
Email: [joanne\\_wrotchford@sandwell.gov.uk](mailto:joanne_wrotchford@sandwell.gov.uk)

#### Please note:

The Fair Funding Scheme (FFS), Appendix D contains the requirements for procurement by schools and states the following:

#### Responsibilities of Governing Bodies through Headteachers:

2.50 To ensure that credit arrangements, such as leasing agreements are NOT entered into without the prior approval of the Chief Financial Officer and, if applicable, approval of the scheme through the capital programme.

#### It also states:

4.78 To ensure that loans, leasing or rental agreements are not entered into without the prior agreement from the Chief Financial Officer. This is because of the potential impact on the authority's borrowing powers, to protect the governing body against entering into unapproved credit arrangements and to ensure that value for money is being obtained.

# Appendix K

## Responsibility for redundancy and early retirement costs

**IL0: Unclassified**

## Appendix K

1. This guidance note summarises the position relating to the charging of voluntary early retirement and redundancy costs. It sets out what is specified in legislation and provides some examples of when it might be appropriate to charge an individual school's budget, the central Schools Budget or the local authority's non-schools budget.
2. Section 37 of the 2002 Education Act says:
  - (4) costs incurred by the local education authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the authority agree with the governing body in writing (whether before or after the retirement occurs) that they shall not be so met.
  - (5) costs incurred by the local education authority in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school shall not be met from the school's budget share for any financial year except in so far as the authority have good reason for deducting those costs, or any part of those costs, from that share.
  - (6) The fact that the authority have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).
3. The default position, therefore, is that premature retirement costs must be charged to the school's delegated budget, while redundancy costs must be charged to the local authority's budget. In the former case, the local authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy. Ultimately, it would be for the courts to decide what was a good reason, but the examples set out below indicate the situations in which exceptions to the default position might be taken.

4. Charge of dismissal/resignation costs to delegated school budget:

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

5. Charge of premature retirement costs to local authority non-schools budget:

- Where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact on standards
- Where a school is closing, does not have sufficient balances to cover the costs and where the central Schools Budget does not have capacity to absorb the deficit
- Where charging such costs to the school's budget would prevent the school from complying with a requirement to recover a licensed deficit within the agreed timescale
- Where a school is in special measures, does not have excess balances and employment of the relevant staff is being/has been terminated as a result of local authority or government intervention to improve standards

6. 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.

7. 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.
8. 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”.
9. For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, and can be funded from the school’s delegated budget if the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. Section 37 now states:
10. Where a local education authority incur costs—
  - (a) in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or
  - (b) in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes, they shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.

(7A) Any amount payable by virtue of subsection (7) by the governing body of a maintained school in England to the local authority may be met by the governing body out of the school’s budget share for any funding period if and to the extent that the condition in subsection 7(B) is met.

(7B) The condition is that the governing body are satisfied that meeting the amount out of the school’s budget share will not to a significant

extent interfere with the performance of any duty imposed on them by section 21(2) or by any other provision of the education Acts.

11. Where a person is employed partly for community purposes and partly for other purposes, any payment or costs in respect of that person is to be apportioned between the two purposes; and the preceding provisions of this section shall apply separately to each part of the payment or costs.

# School Contract and Procurement rules

**IL0: Unclassified**

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# Standing orders for procurement contracts

## 1. Introduction

- 1.1 The purpose of these standing orders is to:
- ensure that each school, when spending public resources, continues to promote the probity and integrity of the procurement process
  - provide school staff involved in the procurement process a framework within which to work
  - achieve value for money on behalf of the council
  - promote public accountability
  - protect school staff from allegations of corruption and/or collusion with suppliers/contractors

**These rules must be read in conjunction with the [Financial Regulations and Procedures](#)**

- 1.2 School staff should be reminded that non-compliance with standing orders **could result in a legal challenge to the award of a contract by the school and also constitute a disciplinary offence.**
- 1.3 **The rules set procedures to ensure value for money is obtained, statutory requirements are met in terms of UK and EU law, and the school's affairs are managed prudently and properly controlled.**

## 2. Scope

- 2.1 The document applies to the procurement process for the supply of goods, materials, provision of services and all work of a construction, engineering and landscaping nature to be funded from any funds delegated to the school. It is deemed that any consultant (whether directly or indirectly) employed by the school whether engineer, architect, contract administrator, quantity surveyor or other will abide by these standing orders and this is to be a condition of their employment.
- 2.2 These rules **do not** apply to:
- expenditure made from European structural fund grants (i.e. ERDF or ESF) or the associated match funding. Procurement procedures must comply with European procurement rules. Where use of the council's centrally arranged contracts is made then compliance with European procurement rules will be achieved.
- 2.3 These standing orders only apply to contracts let by locally managed schools.
- 2.4 These standing orders do not apply to purchases made by schools from contracts let on behalf of a consortium of which the local authority (LA) is a member. In such cases the rules of that body shall be followed.
- 2.5 All references to monetary limits included in these standing orders shall be deemed to exclude any value added tax applicable to the contract, levied by the Government, for the time being in force.
- 2.6 All monetary limits shown in these standing orders shall be reviewed annually by the Chief Financial Officer and any resulting amendment shall be reported to the relevant Cabinet Member.
- 2.7 Values (or estimated values) used in the operation of these standing orders will normally be the total value of the goods and services supplied. However, where a series of purchases is made for the same or similar purposes, then the value will be the aggregate value (or estimated value) of purchases made within any single contract or period of 12 consecutive months.

- 2.8 The term governing body in these standing orders is used to mean the full governing body or any of its committees where responsibility can be delegated to a committee.
- 2.9 The term head teacher in these standing orders is used to mean the head teacher or other members of the school's staff to whom responsibility has been delegated by the head teacher.
- 2.10 Orders should not be artificially divided to make two or more orders of a lower value to avoid the requirement to obtain quotations or tenders.
- 2.11 Where it is considered advantageous to make use of the contracts provided by other organisations e.g. Black Country Purchasing Consortium, Office of Government Commerce, Primary Care Trusts, or similar bodies, head teachers must ensure that they offer value for money. Advice from the procurement strategy officer should be sought before using any such contracts.
- 2.12 As part of the procurement process head teachers should ensure that the requirements of the council's corporate procurement strategy in relation to sustainable procurement are complied with. This requires that:
- the council will ensure that its procurement activity takes account of environmental and fair-trade issues
  - it will use its purchasing power to positively influence the local economy using local suppliers wherever practicable and ensure that opportunities to promote the social and economic well being of the community are maximised in a manner consistent with the EU procurement regulatory framework
  - the council will actively engage with its suppliers to promote and specify sustainable goods and services wherever practicable
- For full details see [Corporate procurement strategy](#)**
- 2.13 Every contract shall comply with these rules unless a chief officer has given a specific dispensation to depart from them.

For all contracts with an estimated value of £10,001 and above, a report for information must be submitted to the relevant Cabinet Member at his/her next public decision making session (Cabinet Advisory Team) outlining the reasons for any such departure. The report to the Cabinet Member shall specify the nature of the dispensation and the circumstances under which the departure has been justified.

Where any failure to comply with the requirements of these rules is identified it shall be:

- notified to the Chief Executive, Chief Financial Officer and Head of Legal Services
- reported to the Cabinet for information as soon as possible and any such report shall identify the circumstances

Where evidence is found that non-compliance is the responsibility of an individual officer or officers disciplinary action may be taken.

These rules shall be subject to any relevant directives of the European Union for the time being in force in the United Kingdom.

These rules shall apply where a partner or consultant has been instructed to invite tenders on behalf of the council for any contract

- 2.14 Every member of the governing body or staff shall declare any personal or prejudicial interest in any contract in accordance with the provisions of the Local Government Act 2000 and any regulations issued thereunder.

**Such interest should also be recorded in the governors' and employees register of interest.**

No member of the council shall enter into any contract on behalf of the council.

- 2.15 All invitations shall be in writing and specify whether a contract is to be awarded on the basis of an offer which:

- offers the lowest price, or
- is the most advantageous whether by reference to criteria which could include price, period for completion or delivery, running costs, profitability, technical merit, aesthetic and functional characteristics, after sales services, technical assistance, outcomes for service users or otherwise and shall set out the relevant criteria in descending order of importance

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## 3. Exceptions

### General

- 3.1 Permission is required for one or more standing order to be accepted for a defined circumstance only, e.g. for one job, item of work or purchase.
- 3.2 All exceptions must be given in advance, unless indicated otherwise in these standing orders.
- 3.3 General exceptions may only be granted by the Cabinet or the Cabinet Member for children and families at a CAT meeting. The request for the exception must be made in writing and should detail the circumstances, which justify it. Approval of the Cabinet Member is to be given in writing.

### Special

- 3.4 In the following special circumstances, the purchase can be approved by the school's governing body:
  - 3.4.1 Purchases or sales by auction.
  - 3.4.2 Purchase of a work of art or museum item.
  - 3.4.3 Works of a specialised nature which are carried out by one contractor.
  - 3.4.4 Purchase of goods or materials which are proprietary articles and which are obtainable from one supplier and no reasonable alternative is available.
  - 3.4.5 Where work is required urgently in an emergency in accordance with standing order 15.
- 3.5 The request for the special exception must be made in writing and should detail the circumstances which justify it. The approval of the school's governing body is to be minuted.
- 3.6 An exemption cannot be granted where a breach of any UK or EU legislation would be incurred.

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## 4. Estimates

- 4.1 An estimate of the cost of the goods, materials, services and works is required to determine whether quotations or tenders are required. **Details of how estimated figures are calculated must be kept on the relevant contract file.**

In addition for **construction** contracts:

- 4.2 In order to prepare revenue budgets, budget estimates should have been prepared in accordance with the requirements of financial regulations and procedures on budgeting.
- 4.3 Estimates are required for every item of work although the level of detail may vary. They should reasonably reflect the value of the work to be undertaken as far as is possible in the circumstances. Production of the estimate should be arranged by the head teacher and submitted in writing to the governing body in accordance with the requirements of the school's scheme of financial delegation.

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## 5. Select list procedure

- 5.1 Construction and engineering contracts, valued below the EU threshold, must make use of “Constructionline, CHAS and West Midlands Forum Common Standard Databases.” Instructions on how to access the lists of contractors contained within these databases should be obtained from the purchasing services unit.

For goods or services other than construction related, contracts shall be advertised in accordance with rule **E5 of the Procurement and Contract Procedure Rules 2011-12** inviting interested parties to apply for inclusion on a select list by a specified date. All contractors who request inclusion within the timescale and who complete any prescribed application form shall be considered for inclusion on the select list.

Tenders shall be invited from a minimum of three to a maximum of six contractors on the select or “ConstructionLine, CHAS or West Midlands Forum Common Standard” lists. The minimum number for a select list is three, unless less than that number responds to the advertisement or meets the requirements for inclusion on the list as specified by the relevant chief officer.

## 6. Freedom of Information Act 2000

- 6.1 No tender shall be invited for a contract under the open, restricted or select list procedure unless such tender document sets out the council's statement, in a form approved by the **Chief Legal Officer**, concerning the confidentiality of the tender and the contractor's participation in the tender process and the council's intention to comply with the Freedom of Information Act 2000.

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## 7. Competition procedures: financial limits

### 7.1 Minimum requirements for obtaining competitive offers.

#### C6 thresholds and advertising requirements

Estimated Value of Goods, Services or Works	Number of Quotations/ Tenders Required	Method of Obtaining Quotations/ Tenders	Advertising Requirements	Records and Approval Required
£0-£1,000	To be treated as one-off non-recurring requirement. Purchaser to ensure that council is obtaining value for money	Verbal enquiries can be made but must be confirmed via email from supplier	None	Copy of email from supplier(s) to be kept
£1001-£10,000	Three to be obtained	Verbal enquiries can be made but must be confirmed via email from supplier	Use of "Find it in Sandwell" to identify relevant suppliers for quotation	Copies of emails from suppliers to be kept
£10,001-£50,000	Minimum of four to be obtained	Formal written quotation (can be in email format)	"Find it in Sandwell"	Copies of quotations to be kept on relevant contract file
£50,001 – EU Procurement Threshold	Minimum of six tenders to be invited	Sealed or electronic tenders (as per C3)	"Find it in Sandwell" and if required alternative specialist publications	Tender schedules and documents Formal contract where value exceeds £100,000

#### \*European Public Procurement Thresholds:

For the procurement of goods and services the expenditure threshold value is **193,000 Euros or £156,442.**

For construction the expenditure threshold value is **4,845,000 Euros or £3,927,260.**

These limits are applicable for the period **1 January 2010 to 31 December 2011.**

- 7.2 No initial contract for the supply of goods, materials or services shall exceed a period of three years **with the option to extend for an additional year**, where satisfactory performance has been achieved, unless an extension to the contract is obtained in accordance with these rules. (see 14 below)
- 7.3 The requirement to obtain written quotations applies in relation to contracts with an estimated value of £10,001 to £50,000. It is the primary responsibility of the head teacher seeking the goods and materials or services to ensure that value for money is obtained. The requirements of the council's [Corporate Procurement Strategy](#) should be complied with.
- 7.4 The head teacher shall obtain at least **four** such quotations unless:
- this is not possible owing to the lack of suitable suppliers prepared to quote and the head teacher approves a written report detailing the circumstances.
- 7.5 The chief officer shall record all quotations received and, where fewer than **four**, the reasons why **four** quotations were not obtained. The form and content of such records are detailed in the procedural guide quotation request procedure.
- 7.6 No contract, with the exception of construction and engineering contracts, (see E.5) whose estimated total cost exceeds £50,001 shall be entered into unless tenders have been invited in accordance with one of the open, restricted or select list procedures or:
- this is not possible owing to the lack of suitable suppliers prepared to tender and the chief officer approves a written report detailing the circumstances as required by rule A6 (exemptions from contract procedure rules). A report for information must be submitted to the relevant Cabinet Member at his/her next public decision making session (Cabinet Advisory Team) detailing the circumstances
  - the requirements of the Council's Corporate Procurement Strategy should be complied with.

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## 8. Competition procedures: selection of tenderers

Tenderers are to be selected in accordance with the procedure detailed in standing order 8.1 unless a decision is made by the governing body to make use of the council's approved or special lists. In which instance the procedures detailed in the relevant council's standing order shall be complied with:

- 8.1 This standing order shall apply to contracts for the supply of goods, services, materials or works that are estimated **to exceed £50,000.**
- 8.1.1 In such cases, an advertisement should be placed in a local newspaper (and in a trade journal if the amount of the contract exceeds £100,000) expressing the type of goods, services, materials or works required together with the closing date for receipt of tenders. The advertisement should be placed at least three weeks prior to the closing date for receipt of tenders.
- 8.1.2 For contracts of £50,001 and above the governing body may, after receiving a report from the head teacher, permit the issue of tenders without an advertisement referred to in 8.1.1 above, provided that at least **six** tenderers have been identified, unless there are fewer than that number of suitable persons or firms. The report should detail how the tenderers were selected.
- 8.1.3 If the contract value exceeds the EC public procurement directive threshold referred to in standing order 7, the contract must also be advertised within the Official Journal of the European Communities (OJEC).

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## 9. Tender Administration

- 9.1 Any firm invited to tender should receive instructions as to how that tender should be submitted. These must incorporate the following safeguards:
  - 9.1.1 All tenders must be submitted in a, sealed envelope which bears no indication of the identity of the tenderer.
  - 9.1.2 The envelope should be clearly marked with the word “tender” and with the name of the contract to which it relates.
  - 9.1.3 The tender must be submitted to the school by a specified time and date and clearly addressed to the head teacher.
- 9.2 Staff likely to receive tenders must be given clear written instructions by the head teacher as to how tenders are to be treated. The instructions must include the following:
  - 9.2.1 Tender envelopes must not be opened upon receipt.
  - 9.1.2 The time and date of receipt must be recorded both on the envelope itself and in a separate record.
- 9.3 Once received, tenders must be kept securely in the custody of the head teacher until they are due to be opened.
- 9.4 Tenders must be opened in accordance with a clearly defined written procedure, which must incorporate the following safeguards:
  - 9.4.1 All tenders must be opened at the same time, as soon as possible after the closing time and date by such members of the governing body, designated by the governing body for this purpose, and a member of school staff designated by the head teacher.
  - 9.4.2 In order to preserve confidentiality, attendance at the tender opening will only be on the basis of those required to be present.
  - 9.4.3 At present, tenders received by fax or other electronic transmissions are not to be considered. Unsolicited tenders and offers are not to be considered.

- 9.4.4 Tenders received after the specified time and date cannot be considered for acceptance and should be returned to the tenderer.
- 9.4.5 Tenders whose source can be identified by any means must not be considered for acceptance.
- 9.4.6 The head teacher must maintain a record at the time tenders are opened showing:
- the title of the contract
  - the estimated value of the contract
  - the names of all firms submitting tenders
  - the date and time each tender was received per the envelope
  - the amount of tender, where available
  - the exact date and time of opening of tenders
  - the names of all present for the purpose of opening the tenders (NB: signatures must be identified see 9.4(h))
- 9.4.7 All required to be present must sign the record to indicate their agreement with the details recorded. Any amendments made to the record at that time must be countersigned by all present.
- 9.4.8 Each tender summary page is to be signed and all other pages of the tender should be initialled by all those present at the opening.

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## 10. Competition procedures: selection of tender evaluation

- 10.1 A written record shall be maintained of the results and conclusions of all checks.
- 10.2 The evaluation process shall consist of the following checks as a minimum:
- 10.2.1 Checks on the pricing of all items.
- 10.2.2 Checks on all conditions and correspondence to ascertain if price is subject to any adjustments currently or at a later date.
- 10.2.3 Checks on all extensions and additions.
- 10.2.4 Assessment of the correctness and suitability of tender figures.
- 10.2.5 Assessment of the quality and value for money provided.
- 10.2.6 For schedule of rates contracts, either:
- assessment of most favourable percentage plusage to, or discount from, the priced amount, or
  - application of an estimated schedule of work to the rates to establish the most favourable tender in accordance with Standing Order 16.
- 10.3 Qualified tenders should not be accepted unless the tender documents requested alternatives, and all tenderers had the opportunity to price on the same basis.
- 10.4 Where examination of a tender reveals an error or omission, the tenderer shall be notified only that his tender contains an error or omission and given the opportunity of either confirming or withdrawing the tender.
- 10.5 The arithmetic in compliant tenders should be checked. If arithmetical errors are found they should be notified to the tenderer. The tender enquiry documents should state whether overall price or a pricing document is dominant. If the overall price is dominant, the tenderer should be asked to stand by or withdraw the tender. If rates are dominant, the client may request an amended tender price to accord with the rates given by the tenderer.

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## 11. Competition procedures: acceptance

- 11.1 The lowest tender or quotation submitted should be accepted, unless there are circumstances where acceptance of the lowest price would not be in the best interests of the school.
- 11.2 Acceptance of any quotation up to £10,000 other than the lowest must be reported by the head teacher to the next meeting of the governing body setting out the reasons why it was accepted.
- 11.3 Acceptance of any quotation or tender above £10,000 **and up to £100,000** other than the lowest must not be given until approval is obtained following consideration of a report to the governing body, setting out the reasons.

### Also for Construction:

- 11.4 Where tenders or quotations received all exceed the approved estimate, the head teacher should ensure a detailed set of notes are maintained covering the procedure used for reducing the extent of the scheme. The tenderer providing the lowest quotation should be asked if the price can be amended in accordance with the revised extent of the scheme. If this is acceptable the contract can be awarded to this tenderer. Alternatively if it is considered that the scheme should proceed unamended, then a report should be submitted to the governing body seeking approval for the additional expenditure required.

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## 12. Contracting procedures

- 12.1 Every contract which exceeds £100,000 is to be in writing and signed by the Chief Legal Officer, Chief Executive, Chief Solicitor or sealed with the common seal of the council.
- 12.2 Notification of acceptance of a tender which requires a formal contract must be given in writing clearly marked subject to contract and should advise that contract documents are to follow.
- 12.3 All unsuccessful tenderers are to be notified in writing that they have not been successful. Please see “Debriefing unsuccessful tenderers guidance” document. [Debriefing unsuccessful tenderers guidance](#)

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## 13. Contents of contract

13.1 Every contract shall be in writing and shall specify:

13.1.1 **Specification:** the services to be supplied, the supplies to be delivered, or the works to be undertaken and the conditions that will apply.

13.1.2 **Price:** the price to be paid, or the rates on which the price is calculated, the milestones for payments and a statement of discounts or other deductions, and an appropriate price fluctuation clause by reference to a published index if the term exceeds 12 months.

13.1.3 **Time:** the delivery date or times within which the outputs of the contract are to be completed.

13.1.4 **Standards:** any relevant British, Industry, European or International Standard applicable at the date of the quotation or tender

### Cancellation of contracts in case of corruption etc:

#### Non-PFI contracts

Clauses empowering the council to cancel the contract and recover from the contractor the amount of any loss resulting from such cancellation if:

- the contractor has offered, given, or agreed to give any gift consideration or inducement of any kind to any person to influence the obtaining of any contract or the definition of any of its terms
- the contractor employs or engages any person who has offered, given or agreed to give any gift consideration or inducement as is defined above whether or not such action is known to the contractor
- the contractor or any person employed by him or acting on his behalf shall have committed an offence under the Prevention of Corruption Acts 1889-1916 or shall have given any fee or reward the receipt of which is an offence under sections 117(2) and 117(3) of the Local Government Act 1972

- **Any contract above £50,000 must include an anti collusion clause to be signed by the tenderer. Tenderers should be advised that failure to sign this clause could result in the exclusion of the bid from further consideration. A model clause is included within the tendering procedure (non-electronic tendering) guidance document. [Tendering procedure guidance](#)**

### **PFI contracts**

Every PFI contract shall contain a prevention of corruption clause which the Head of Legal Services certifies as complying with the principles set out in the standardisation of PFI contracts guidance as issued by HM Treasury.

13.1.5 **Assignment of work:** A clause, which prevents the contractor from assigning or under letting he work or any part of it

In addition for **construction**, it should allow the governing body to:

- obtain completion of the works from another source to the extent that the works in the original contract have not been satisfactorily completed
- enable the governing body to recover from the original contractor any additional cost incurred by completing the works in this way
- recover indirect or direct loss and expense incurred

**Where standard forms of contract already incorporate such a clause this should not be altered.**

13.2 In respect of official orders, approval to determine a contract should be given by the appropriate governing body, after seeking the advice of the Chief Legal Officer and the Chief Financial Officer.

13.3 In respect of sealed contracts, such approval should be given by the Cabinet Member for children and families CAT meeting following submission of a report by the appropriate governing body, Chief Legal Officer and the Chief Financial Officer.

13.4 Contracts for work **above £50,000** in value must also include a liquidated and ascertained damages clause, unless this is considered unnecessary by the appropriate governing body concerned, the Chief Legal Officer and the Chief Financial Officer.

The inclusion of such a clause for work **below** this limit is at the discretion of the appropriate governing body.

13.5 In addition, at the discretion of the appropriate governing body, Chief Legal Officer and the Chief Financial Officer, any contract, irrespective of value, may include the requirement for the contractor to provide security for due performance of the work.

Due account must be taken of the LAs approved risk management procedures and may take the form of parent company guarantees or performance bonds.

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## 14. Extensions of existing contracts

14.1 Negotiations may be undertaken to extend existing contracts awarded competitively or following invitation to tender. Not more than one negotiated extension is permitted for any one contract.

14.2 The extension must be approved in advance by the appropriate governing body, who must be satisfied that:

- provision was made in the original tender documents that it may be subject to an extension
- benchmarking with similar organisations has been undertaken to prove that the contract continues to provide value for money
- any price increases are in accordance with the relevant contractual provision (e.g. in line with an appropriate published index)
- the existing contract was let following full competition in accordance with these standing orders
- the new work is sufficiently similar in nature and extent
- a majority of the rates for the new work may be based directly on the existing contract
- rates for work which cannot be based directly on the existing contract can be negotiated equitably. A written report should be compiled detailing the circumstances and outcome of these negotiations and submitted to the appropriate governing body for review
- the likely benefit of further competition would be outweighed by the administrative cost and/or delay involved
- the interests of the school will not be compromised by the negotiation

In these circumstances the appropriate governing body may, choose to grant exemptions from competition and advertisement procedures. However, all other requirements of standing orders would still apply, e.g. a further order or sealed contract would be required.

EU guidelines must still be adhered to where appropriate.

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## 15. Emergencies and urgent work

- 15.1 Exceptions to certain standing orders may be granted in order that work may be carried out urgently. Authority to do so is delegated to the appropriate head teacher provided he/she is satisfied that to let the work in accordance with standing orders would result in one or more of the following:
- Risk to the health, safety and welfare of staff, pupils or the public.
  - Deterioration of an asset for which the governing body would be responsible.
  - Inability of the governing body to carry out a statutory duty or provide an essential service.
- 15.2 The decision and reasons must be recorded by the appropriate head teacher in writing. A report must be submitted at the next governing body meeting. This must detail the circumstances in which the decision was made, the action taken and the expenditure incurred.
- 15.3 Where other urgent work needs to be carried out, the head teacher must submit a written report in advance of the work being undertaken, to the governing body requesting approval for the exception from the competition procedures. This must detail the circumstances and method to be used to select the contractor.

## 16. Domestic and nominated sub-contracts

This standing order is to take effect where a sub-contractor or supplier is to be used by a main contractor.

For **construction** only:

- 16.1 The contract must ensure that all liability for the work done remains with the main contractor as if it had been carried out by them.
- 16.2 Where the governing body is to nominate a sub-contractor, the selection of that firm must comply with all provisions contained in this document in terms of approval, competition and contracting.
- 16.3 Firms must be invited to tender or quote on the basis that they will, if successful, be required to enter into a suitable contract with the main contractor in relation to the work.
- 16.4 Where standard forms of contract are used, the above may already be incorporated within a standard clause. **In such a case the standard clause should not be amended.**
- 16.5 Nomination should be in accordance with the terms and conditions of the main contract.

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## 17. Employment of consultants

- 17.1 Every commission shall comply with the school's standing orders for contracts.
- 17.2 The use of consultants shall be approved by the governing body following a report by the head teacher indicating the additional value to be gained over and above the use of the school's own resources.
- 17.3 Terms of reference shall be drawn up by the head teacher covering the basis of the contract between the consultant(s) and the school.
- 17.4 The head teacher will define the objectives of the assignment and determine the scope and timescale of the project.
- 17.5 The consultants shall abide by school's standing orders and financial regulations in respect of contracts and it will be a condition of their employment.

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## 18. Partnerships and public private partnership

- 18.1 Governing bodies of all schools should consult with the LA when considering any form of partnership.
- 18.2 In the case of public private partnerships where the governing bodies of voluntary aided or foundation schools may enter into such contracts, the LA should be consulted prior to any contract being signed.
- 18.3 All relevant partnering schemes shall follow the operational framework approved by the Chief Financial Officer.
- 18.4 Contracts to be let under the private finance initiative or similar regulations will require a general exception to these standing orders to be approved by the Cabinet Member for children and families at a CAT meeting.
- 18.5 Approval to proceed with a scheme under the initiative should be given by the Cabinet Member for children and families at a CAT meeting, following submission of a report, which details how the project will be administered and controlled.

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## 19. Land and property sales

- 19.1 Where a governing body is considering the disposal of any land, property or related leases, **under its control**, it should initially contact the Corporate Director for People and provide relevant information with regard to the circumstances of the proposed disposal.
- 19.2 The Corporate Director for People will provide specific advice on the conditions applicable to the disposal.

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## **20. Equal opportunities**

### **20.1 Equality and diversity legislation**

The contractor shall adopt a policy or policies to comply with its statutory obligations under the current legislation on equality and diversity, including:

- Disability Discrimination Act 1995
- The Employment Equality (Age) Regulations 2006
- The Employment Equality (Religion or Belief) Regulation 2003
- The Employment Equality (Sex Discrimination) Regulations 2005
- The Employment Equality (Sexual Orientation) Regulations 2003
- Race Relations Act 1976, and
- Sex Discrimination Act 1975

### **20.2 Unlawful Discrimination**

In the event of any finding of unlawful discrimination being made against the contractor in the last three years by any court or employment tribunal, or of any adverse finding in any formal investigation by the Commission for Racial Equality, the Equal Opportunities Commission or the Disability Rights Commission (the Commission for Equality and Human Rights (CEHR) from October 2007) over the same period, the contractor shall take appropriate steps to prevent repetition of the unlawful discrimination. The contractor shall, on request, provide the council with details of the steps taken.

### **20.3 Policy on equality and diversity**

The Contractor shall set out its policy/policies on equality and diversity in the following ways:

- In instructions to those concerned with recruitment, training and promotion.

- In documents available to employees, recognised trade unions or other representative groups of employees.
- In recruitment advertisements or other literature.

#### 20.4 **Supply of literature**

The contractor shall on request, provide the council with examples of the instructions and other documents, recruitment advertisements or other literature

#### 20.5 **Codes of practice**

The contractor shall observe as far as possible the codes of practice of the Commission for Racial Equality's 2006 Statutory Code of Practice on Racial Equality in Employment, the Equal Opportunities Commission's Code of Practice on Equal Pay and the Disability Rights Commission's 2004 Code of Practice, Employment and Occupation and any subsequent codes issued by the Commission for Equality and Human Rights. The contractor shall provide such information as the council may reasonably request for the purpose of assessing the contractor's compliance

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# Financial regulations and procedures - schools

**IL0: Unclassified**

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## Financial regulations

- 1.1 Governors and employees have a duty to abide by the highest standards of probity in dealing with financial issues. This is facilitated by ensuring everyone is clear about the standards to which they are working and the controls that are in place to ensure that these standards are met.
- 1.2 The key controls and control objectives for financial management standards are:
  - their promotion throughout the council;
  - a monitoring system to review compliance with financial standards, and regular comparisons of performance indicators and benchmark standards that are reported to the Cabinet and full council.

### Responsibilities of the Chief Financial Officer

- 1.3 To ensure the proper administration of the financial affairs of the council.
- 1.4 To set the financial management standards and to monitor compliance with them.
- 1.5 To ensure proper professional practices are adhered to and to act as head of profession in relation to the standards, performance and development of finance employees throughout the council.
- 1.6 To advise on the key strategic controls necessary to secure sound financial management.
- 1.7 To ensure that financial information is available to enable accurate and timely monitoring and reporting of comparisons of national and local financial performance indicators.

## Responsibilities of governing bodies through head teachers

- 1.8 To promote the financial management standards set by the Chief Financial Officer in their school and to monitor adherence to the standards and practices, liaising as necessary with the Chief Financial Officer.
- 1.9 To promote sound financial practices in relation to the standards, performance and development of employees in their school.

## Managing expenditure

### Scheme of financial delegation

#### Why is this important?

- 1.10 The delegation of financial powers is to allow effective day to day management of the school's budget whilst allowing the Governing Body to retain strategic control.

#### Key controls

- 1.11 Key controls for the scheme of delegation are:
- the governing body decide on the details of the scheme. Any variation from this scheme requires the approval of the governing body;
  - the school's first formal budget plan for the year must be approved by the governing body. This cannot be delegated to a committee. Other financial responsibilities may be delegated to a committee or individual;
  - the scheme should state two limits for both expenditure (individual items and order totals) and for virements/allocation transactions which may be undertaken by the head teacher without reference to the governing body.  
**NB** Virement is the movement of funds between budget headings, allocation is the movement of funds from the budget contingency/reserve to budget headings;
  - all virements and allocations must be reported to the governing body or finance committee;

- the scheme should detail any delegation below the head teacher.

### **Responsibilities of the Chief Financial Officer**

- 1.12 To ensure arrangements are in place to monitor schools' schemes of financial delegation.

### **Responsibilities of governing bodies through head teachers**

- 1.13 To devise and annually review a scheme of financial delegation.

### **Treatment of year-end balances**

#### **Why is this important?**

- 1.14 The Local Authority's (LA) scheme for the financing of schools sets out the treatment of year-end balances. Balances must be treated consistently in order to ensure the financial position of each school is accurately reported.

### **Key controls**

- 1.15 Appropriate accounting procedures are in operation to ensure that carry-forward totals are correct.
- 1.16 Governing bodies are required to report on the use of any surplus balance.

### **Responsibilities of the Chief Financial Officer**

- 1.17 To monitor schools' year end balances in accordance with the scheme for the financing of schools.
- 1.18 To report on the use schools intend to make of surplus balances to the Cabinet and to the full council.

### **Responsibilities of governing bodies through head teachers**

- 1.19 To manage within the school's budget limit and not normally plan for a deficit budget.
- 1.20 To provide information to the Chief Financial Officer on the use of any surplus balance.

## Accounting policies

### Why is this important?

- 1.21 The Chief Financial Officer is responsible for the preparation of the council's statement of accounts, in accordance with proper practices as set out in the format required by the *Code of Practice on LA Accounting in the United Kingdom: A Statement of Recommended Practice* (CIPFA/LASAAC), for each financial year ending 31 March.

### Key controls

- 1.22 The key controls for accounting policies are:
- systems of internal control are in place that ensure that financial transactions are lawful;
  - suitable accounting policies are selected and applied consistently;
  - proper accounting records are maintained;
  - financial statements are prepared which present fairly the financial position of the school and its expenditure and income.

### Responsibilities of the Chief Financial Officer

- 1.23 To select suitable accounting policies and to ensure that they are applied consistently. The accounting policies are set out in the statement of accounts, which is prepared at 31 March each year, and covers such items as:
- details on substantial provisions and reserves;
  - fixed assets;
  - depreciation;
  - capital charges;
  - work in progress;
  - stocks and stores;
  - deferred charges;
  - accounting for value added tax;
  - government grants;
  - leasing;
  - pensions.

- 1.24 To notify governing bodies of accounting policies relevant to schools.

### **Responsibilities of governing bodies through head teachers**

- 1.25 To adhere to the accounting policies and guidelines approved by the Chief Financial Officer and notified to the governing body.

## **Accounting records and returns**

### **Why is this important**

- 1.26 Maintaining proper accounting records is one of the ways in which the council discharges its responsibility for stewardship of public resources. The council has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year. These are subject to external audit. This audit provides assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the council's resources.

### **Key controls**

- 1.27 The key controls for accounting records and returns are:
- all governing bodies operate within the required accounting standards and timetables;
  - all the schools' transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis;
  - procedures are in place to enable accounting records to be reconstituted in the event of systems failure;
  - reconciliation procedures are carried out to ensure transactions are correctly recorded;
  - prime documents are retained in accordance with legislative and other requirements.

## Responsibilities of the Chief Financial Officer

- 1.28 To determine the accounting procedures and records for schools.
- 1.29 To arrange for the compilation of all accounts and accounting records under his or her direction.
- 1.30 To comply with the following principles when allocating accounting duties:
- separating the duties of providing information about sums due to or from the council and calculating, checking and recording these sums from the duty of collecting or disbursing them;
  - employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- 1.31 To make proper arrangements for the audit of the council's accounts in accordance with the Accounts and Audit Regulations 1996.
- 1.32 To ensure that all claims for funds including grants are made by the due date.
- 1.33 To prepare and publish the audited accounts of the council for each financial year, in accordance with the statutory timetable and with the requirement for the full council to approve the statement of accounts before 30 September.
- 1.34 To administer the Scheme for the Financing of Schools arrangements for under and overspendings to be carried forward to the following financial year.
- 1.35 To ensure the proper retention of financial documents in accordance with the legislative and operational requirements.

## Responsibilities of governing bodies through head teachers

- 1.36 To consult and obtain the approval of the Chief Financial Officer before making any changes to accounting records and procedures.

- 1.37 To comply with, as far as is practicable, the principles outlined in paragraph 1.30 when allocating accounting duties. Where this is not practical to consult with the Chief Financial Officer concerning the introduction of suitable alternative arrangements.
- 1.38 To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- 1.39 To supply information required to enable the statement of accounts to be completed in accordance with guidelines issued by the Chief Financial Officer.

## The annual statement of accounts

### Why is this important

- 1.40 The council has a statutory responsibility to prepare its own accounts to present fairly its operations during the year. The full council is responsible for approving the statutory annual statement of accounts.

### Key controls

- 1.41 The key controls for the annual statement of accounts are:
- the council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs. In this LA, that officer is the Director of Strategic Resources.
  - the council's statement of accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on LA Accounting in the United Kingdom: A Statement of Recommended Practice* (the SORP) (CIPFA/LASAAC).

### Responsibilities of the Chief Financial Officer

- 1.42 To select suitable accounting policies and to apply them consistently.

- 1.43 To make judgements and estimates that are reasonable and prudent.
- 1.44 To comply with the SORP.
- 1.45 To sign and date the statement of accounts, stating that it presents fairly the financial position of the council at the accounting date and its income and expenditure for the year ended 31 March.
- 1.46 To draw up the timetable for final accounts preparation and to advise employees and external auditors accordingly.

### **Responsibilities of governing bodies through head teachers**

- 1.47 To comply with accounting guidance provided by the Chief Financial Officer and to supply the Chief Financial Officer with information in accordance with Scheme for the Financing of Schools.

## **Business plan**

### **Why is this important?**

- 2.1 The council produces its corporate business plan to inform its employees, partners and stakeholders about the key issues and priorities over the next three years. Incorporated within the corporate business plan are the various performance plans produced within the council which identify how performance is managed to improve the outcome for the community and how resource decisions are made.

### **Key controls**

- 2.2 The key controls for performance plans are:
- to ensure that all relevant plans are produced and that they are consistent;
  - to produce plans in accordance with statutory requirements;
  - to meet the timetables set;

- to ensure that all performance information is accurate, complete and up-to-date;
- to provide improvement targets which are meaningful, realistic and challenging.

### **Responsibilities of the Chief Financial Officer**

- 2.3 To advise and supply the financial information that needs to be included in performance plans in accordance with statutory requirements and agreed timetables.
- 2.4 To contribute to the development of corporate and service targets and objectives and performance information.
- 2.5 To ensure that systems are in place to measure activity and collect accurate information for use as performance indicators.
- 2.6 To ensure that performance information is monitored sufficiently frequently to allow corrective action to be taken if targets are not likely to be met.

### **Responsibilities of governing bodies through head teachers**

- 2.7 To contribute to the development of performance plans in line with the guidance provided for statutory and corporate requirements.
- 2.8 To ensure that performance plans are regularly monitored and managed.

## **Budgeting**

### **Format of the budget**

#### **Why is this important?**

- 2.9 The format of the budget determines the level of detail to which financial control and management will be exercised.

#### **Key controls**

- 2.10 The key controls for the budget format are:
- the format complies with all legal requirements;

- the format complies with the requirements of the *DfE Consistent Financial Reporting framework*.

### **Responsibilities of the Chief Financial Officer**

- 2.11 To advise the Cabinet on the format of the budget that is approved by the full council.

### **Responsibilities of governing bodies through head teachers**

- 2.12 To comply with the requirements issued by the DfE in respect of Consistent Financial Reporting.

### **Revenue budget preparation, monitoring and control**

#### **Why is this important?**

- 2.13 Budget management ensures that once the budget has been approved by the governing body, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is a continuous process, enabling the school to review and adjust its budget targets during the financial year. It also provides the mechanism that calls to account employees responsible for defined elements of the budget.
- 2.14 By continuously identifying and explaining variances against budgetary targets, the governing body can identify changes in trends and resource requirements at the earliest opportunity. Each school is required to manage its own expenditure within the budget allocated to it (except where a deficit budget has been approved by the council).
- 2.15 For the purposes of budgetary control by employees, a budget will normally be the planned income and expenditure for the school allocated to a series of cost centres. However, budgetary control may take place at a more detailed level (e.g. individual ledger codes) if this is required by the governing body's scheme of financial delegation.

#### **Key controls**

- 2.16 The key controls for managing and controlling the revenue budget are:
- there is a nominated budget manager for each cost centre heading;

- budget managers accept accountability for their budgets and understand their financial responsibilities;
- budget managers follow an approved certification process for all expenditure;
- income and expenditure are properly recorded and accounted for;
- performance is monitored in conjunction with the budget and necessary action is taken to align the school development plan and the budget.

### **Responsibilities of the Chief Financial Officer**

2.17 To establish an appropriate framework of budgetary management and control established by each school ensures that:

- budget management is exercised within budget share allocations;
- each governing body has available timely information on funding which is sufficiently detailed to enable budget managers to fulfil their budgetary responsibilities;
- expenditure is committed only against an approved budget head;
- all employees with delegated responsibility for committing expenditure comply with relevant guidance, and these financial regulations;
- each cost centre has a single named manager, determined by the governing body. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making processes that commits expenditure;
- significant variances from approved budgets are investigated and reported by budget managers to the governing body regularly.

2.18 To submit reports to the Cabinet and to the full council, in consultation with the Corporate Director for People, where a governing body is unable to balance expenditure and resources within existing approved budgets under its control.

2.19 To prepare and submit reports on schools' projected income and expenditure compared with the budget on a regular basis to the

Finance and Resources Scrutiny Panel and the Cabinet Member for Strategic Resources.

### **Responsibilities of governing bodies through head teachers**

- 2.20 To maintain budgetary control within their school, in adherence to the principles in 2.16, and to ensure that all income and expenditure are properly recorded and accounted for.
- 2.21 To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the governing body (grouped together in a series of cost centres). As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits the expenditure.
- 2.22 To ensure that spending remains within the school's overall budget allocation, and that individual budget heads are not overspent, by monitoring the budget and taking appropriate corrective action where significant variations from the approved budget are forecast.
- 2.23 To ensure compliance with the Scheme of Financial Delegation.

### **Budgets and medium-term planning**

#### **Why is this important?**

- 2.24 A school needs to plan effectively and to develop systems to enable scarce resources to be allocated in accordance with carefully weighed priorities. The budget is the financial expression of the school's plans and policies.
- 2.25 The revenue budget must be constructed so as to ensure that resource allocation properly reflects the school's plans and priorities. Budgets (spending plans) are needed so that the school can plan, authorise, monitor and control the way money is allocated and spent. A deficit budget can only be set with the agreement of the LA.
- 2.26 Medium-term planning (a three to five year planning system) is a planning cycle in which schools develop their own plans. As each year passes, another future year will be added to the medium-term plan. This ensures that the school is always preparing for events in advance.

## Key controls

- 2.27 The key controls for budgets and medium-term planning are:
- specific budget approval for all expenditure;
  - budget managers are consulted in the preparation of the budgets for which they will be held responsible and accept accountability within any delegations set by the Scheme of Financial Delegation;
  - a monitoring process is in place to review regularly the effectiveness and operation of budget preparation and to ensure that any corrective action is taken.

## Responsibilities of the Chief Financial Officer

- 2.28 To prepare and submit reports to the Cabinet and full council on the 3-year budget plans produced by schools.
- 2.29 To determine the detailed form of revenue estimates and the methods for their preparation, consistent with the budget approved by the full council, and after consultation with the Cabinet and chief officers.
- 2.30 To prepare and submit reports to the Cabinet on the aggregate spending plans of services and on the resources available to fund them, identifying, where appropriate, the implications for the level of council tax to be levied.
- 2.31 To advise on the medium-term implications of spending decisions.
- 2.32 To encourage the best use of resources and value for money by working with chief officers to identify opportunities to improve economy, efficiency and effectiveness, and by encouraging good practice in conducting financial appraisals of development or savings options, and in developing financial aspects of service planning.
- 2.33 To advise the full council on Cabinet proposals in accordance with his/her responsibilities under section 151 of the Local Government Act 1972.

## Responsibilities of governing bodies through head teachers

- 2.34 To prepare estimates of income and expenditure, in consultation with the Chief Financial Officer, to be submitted to the Corporate Director – People.
- 2.35 To prepare budgets that are consistent with the total funding provided by the LA, with the council's annual budget cycle and with guidelines issued by the Cabinet.
- 2.36 In consultation with the Chief Financial Officer and in accordance with the laid-down guidance and timetable, to prepare detailed draft revenue budgets for consideration by the appropriate Cabinet Member.
- 2.37 When drawing up draft budget requirements, to have regard to:
- spending patterns and pressures revealed through the budget monitoring process
  - legal requirements
  - policy requirements as defined by the full council in the approved policy framework
  - initiatives already under way.

## Resource allocation

### Why is this important?

- 2.38 A mismatch often exists between available resources and required resources. A common scenario is that available resources are not adequate to fulfil need/desire. It is therefore imperative that needs/desires are carefully prioritised and that resources are fairly allocated, in order to fulfil all legal responsibilities. Resources may include employees, equipment, goods and materials.

### Key controls

- 2.39 The key controls for resource allocation are:

- resources are acquired in accordance with the law and using an approved authorisation process;
- resources are used only “for any purpose of the school and for such purposes as may be prescribed” , and are properly accounted for;
- resources are securely held for use when required;
- resources are used with the minimum level of waste, inefficiency or loss for other reasons.

### **Responsibilities of the Chief Financial Officer**

2.40 To make timely notification to schools of the funding available.

### **Responsibilities of governing bodies through head teachers**

2.41 To work within budget limits and to utilise resources allocated, and further allocate resources, in the most efficient, effective and economic way.

2.42 To identify opportunities to minimise or eliminate resource requirements or consumption without having a detrimental effect on the school’s standard of education.

### **Capital programmes**

#### **Why is this important?**

2.43 Capital expenditure should form part of a corporate investment strategy and should be carefully prioritised in order to maximise the benefit from scarce resources.

2.44 Capital Strategy and Asset Management Group (CS&AM) has been set up by the council since April 2003 and its principle aim is to ensure the effective and efficient use of the council’s assets.

#### **Key controls**

2.45 The key controls for capital programmes are:

- specific approval by the Cabinet Member for Strategic Resources for the programme of capital expenditure;

- prior to incurring expenditure on any capital scheme, irrespective of funding stream (i.e. borrowing approval, grant, revenue), a capital scheme appraisal, including project plan, objective, capital costs and intended funding; taxation implications; progress targets and associated revenue expenditure, must be prepared for each capital project and evaluated by the Strategic Investment Unit within the Strategic Resources Directorate. This is then reported to the CS&AM Group and the Cabinet Budget Strategy Group before seeking approval of the Cabinet Member for Strategic Resources;
- all individual capital scheme approvals to be cash limited; virement between capital individual capital schemes to be subject to Cabinet Member for Strategic Resources approval; unauthorised overspends to be met from 'controllable' service revenue budgets;
- advice on suitable Bondsman in relation to Development Agreements, CPOs and other Bonds.

### **Prudential code**

2.46 Local council borrowing for the purpose of capital expenditure is governed by the Prudential code which allows the council to undertake borrowing as long as it complies with the code and can demonstrate that it is affordable, sustainable and prudent.

### **Capital receipts**

2.47 Capital receipts from the sale of an asset are to be treated as a corporate resource and can be used to repay debt or to finance further capital expenditure.

### **Responsibilities of the Chief Financial Officer**

2.48 To prepare capital estimates (usually over five years) jointly with chief officers and the Head of Paid Service and to report them to CS&AM Group, the Executive Management Board, and to the Cabinet Budget Strategy Group, before seeking approval of the Cabinet Member for Strategic Resources. The Cabinet Member for Strategic Resources will make recommendations on the

capital estimates and on any associated financing requirements to the full council.

- 2.49 To prepare and submit reports to the CS&AM Group, the Executive Management Board, and the Cabinet Member for Strategic Resources on the projected income, expenditure and resources compared with the approved estimates.
- 2.50 To issue guidance concerning capital schemes and controls, for example, on project appraisal techniques. The definition of 'capital' will be determined by the Chief Financial Officer, having regard to government regulations and accounting requirements.

### **Responsibilities of governing bodies through head teachers**

- 2.51 To comply with guidance concerning capital spending from budget shares detailed in the Scheme for the Financing of Schools.
- 2.52 To ensure that all capital proposals have undergone a project appraisal in accordance with guidance issued by the Chief Financial Officer.
- 2.53 To ensure that adequate records are maintained for all capital contracts.
- 2.54 To proceed with projects only when there is adequate provision in the school's budget share allocation and with the agreement of the Chief Financial Officer.
- 2.55 To ensure that credit arrangements, such as leasing agreements, are not entered into without the prior approval of the Chief Financial Officer and, if applicable, approval of the scheme through the capital programme.

### **Maintenance of reserves**

#### **Why is this important?**

- 2.56 The local council must decide the level of general reserves it wishes to maintain before it can decide the level of council tax. Reserves are maintained as a matter of prudence. They enable the council to provide for unexpected events and thereby protect

it from overspending, should such events occur. Reserves for specific purposes may also be maintained, such as the purchase or renewal of capital items.

### **Key Controls**

- 2.57 To maintain reserves in accordance with the Code of Practice on LA Accounting in the United Kingdom: SORP (CIPFA/LASAAC) and agreed accounting policies.
- 2.58 For each reserve established, the purpose, usage and basis of transactions should be clearly identified.
- 2.59 Authorisation and expenditure from reserves by the appropriate chief officer in consultation with the Chief Financial Officer.

### **Responsibilities of the Chief Financial Officer**

- 2.60 To advise the Cabinet and/or the full council on prudent levels of reserves for the council, and to take account of the advice of the external auditor in this matter.

### **Responsibilities of Chief Officers**

- 2.61 To ensure that resources are used only for the purposes for which they were intended.

## **Audit, Risk Management and Internal Control**

### **Why is this important?**

- 3.1 All schools face risks to people, property and continued operations. Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event. Risk management is the planned and systematic approach to the identification, evaluation and control of risk. Its objectives are to secure the assets of the school and to ensure its continued financial and organisational wellbeing. In essence it is, therefore, an integral part of good business practice. Risk management is concerned with evaluating the measures a school already has in place to manage identified risks and then recommending the action the school needs to take

to control these risks effectively, and to minimise the severity of the consequences, if they do occur.

- 3.2 It is the overall responsibility of the Cabinet to approve the council's risk management strategy, and to promote a culture of risk management awareness throughout the council.

### **Key controls**

- 3.3 The key controls for risk management are:

- procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the school and during off site activities;
- a monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis;
- employees know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives;
- provision is made for losses that might result from the risks that remain;
- procedures are in place to investigate claims within required timescales;
- acceptable levels of risk are determined and insured against where appropriate;
- procedures are in place to ensure the continuity of provision of school functions in the event of major disaster.

### **Responsibilities of the Chief Financial Officer**

- 3.4 To prepare and promote the council's risk management policy statement.
- 3.5 To develop risk management controls in conjunction with governing bodies.

- 3.6 To effect corporate insurance cover, through external insurance and internal funding, and to negotiate all claims in consultation with other officers, where necessary.
- 3.7 To offer insurance cover to schools in accordance with fair funding arrangements. Governing bodies should provide the Chief Financial Officer with such information as is required for the carrying out of this responsibility.
- 3.8 To effect or review all insurance cover in a manner he/she so determines and shall carry out all negotiations and pay claims in consultation with the appropriate governing bodies where necessary. Such insurance will include suitable fidelity guarantee insurance

### **Responsibilities of governing bodies through head teachers**

- 3.9 To arrange insurance for their school that provides cover in respect of building and contents against damage and the consequential loss arising from such damage, employer's and public liability against the governors' responsibility for injury or illness of employees or third parties or damage to third party property, fidelity guarantee insurance and cover required by statute for vehicles operated by the school. Insurance arrangements should cover the use of school property when off the premises.
- 3.10 Where the governing body chooses not to make use of the insurance cover offered by the council the Chief Financial Officer shall require the governing body to demonstrate that the cover arranged, relevant to the council's insurable interests, is at least as good as the minimum cover offered by the council and that the council's interest is noted on the school's insurances.
- 3.11 In accordance with the council's own Corporate Governance Agenda and Risk Management Strategy, to take responsibility for the identification, assessment and management of risk within their school, with a view to ensuring that all threats to the School's objectives are minimised and controlled, leading to the reduction of costs associated with risk and the continuance of the provision of education. This strategy applies to both on school and off site activities.

- 3.12 To ensure that there are annual regular reviews of risk within their School to ensure the sums insured are commensurate with the risks.
- 3.13 To notify the Chief Financial Officer immediately of any loss, liability or damage that may lead to a claim against the council, together with any information or explanation required by the Chief Financial Officer or the council's insurers.
- 3.14 To ensure that sound arrangements for the security and continuity of education in the event of disaster are in place.
- 3.15 To ensure that the recommendations of the Risk Manager are actioned within the school and ensure that support is given to the Chief Financial Officer in the role of furthering the Risk Management Strategy of the council.
- 3.16 Where the insurance cover is provided by the council to ensure that claims information is passed to the Chief Financial Officer within a reasonable time. Governing bodies will be responsible for meeting any costs incurred as a result of delays in passing information to the Chief Financial Officer from the school's delegated budget. Such costs could be incurred as a result of failure to comply with the Civil Procedure Rules in respect of liability claims.
- 3.17 To ensure that the insurer is notified promptly of all new risks, property, vehicles and other assets which require to be insured and of any alterations or deletions affecting existing insurance cover.
- 3.18 To ensure that records are properly maintained and securely held.
- 3.19 To prepare and maintain a record of all assets under their control in accordance with procedures laid down by the Chief Property Officer, and shall supply such information as required to enable the Chief Financial Officer to fulfil his/her responsibilities to effect necessary insurance arrangements where appropriate.
- 3.20 To consult the Chief Financial Officer and the Chief Legal Officer or the school's insurer, where insurance is not provided by the council, on the terms of any indemnity that the school is requested to give before it is agreed.

- 3.21 To ensure that employees, or anyone covered by the school's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

## Internal controls

### Why is this important?

- 3.22 A school is a complex organisation and consequently is beyond the direct control of individuals. It therefore requires internal controls to manage and monitor progress towards its strategic financial objectives.
- 3.23 The council and schools have statutory obligations, and, therefore, requires internal controls to identify, meet and monitor compliance with these obligations.
- 3.24 The system of internal controls needs to be established in order to provide measurable achievement of:
- efficient and effective operations;
  - reliable financial information and reporting;
  - compliance with laws and regulations;
  - risk management.

### Key controls

- 3.25 The key controls and control objectives for internal control systems are:
- key controls should be reviewed on a regular basis and the council should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively;
  - managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities;
  - financial and operational control systems and procedures, which include physical safeguards for assets, segregation of

duties, authorisation and approval procedures and information systems;

- an effective internal audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practice's Board's auditing guideline *Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom* and with any other statutory obligations and regulations.

## Governance Statement

- 3.26 The Accounts and Audit Regulations 2003 (reg 4 (2)) as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 require the council to review at least annually the effectiveness of its system of internal control. The findings of the review shall be considered by a committee or the council who shall after consideration approve a statement on internal control, prepared in accordance with proper practices in relation to internal control and will include the statement with its Statement of Accounts. Compliance with these requirements will be achieved by the preparation and publication of an annual Governance Statement in accordance with the CIPFA/SOLACE 2007 Framework. This is referred to in the following Regulations as "the Statement".
- 3.27 The Statement is signed by the Chief Executive and Leader of the council and details the adequacy and effectiveness of the council's system of "internal control" (i.e. the way it ensures that business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively, including arrangements for the management of risk).
- 3.28 The Statement is coordinated through the Chief Financial Officer, although assurance about the effectiveness of the controls in operation come from a wide variety of sources across the council including:
- 3.29 Chief officers who are responsible for the delivery of services and the ownership of significant risks.
- 3.30 Officers with statutory responsibilities, like the Chief Financial Officer (i.e. the Director of Strategic Resources) and the

Monitoring Officer (i.e. Director of Legal and Governance Services);

- 3.31 External inspection agencies (e.g. Ofsted, Audit Commission).
- 3.32 The Statement details any control weaknesses that are viewed as significant together with actions for improvement.

### **Responsibilities of the Chief Financial Officer**

- 3.33 To assist schools to put in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.
- 3.34 To prepare and complete the Statement annually to comply with the Accounts and Audit (Amended) (England) Regulations 2006.
- 3.35 To review at least annually the effectiveness of the council's system of internal controls and include an explanation of any significant weaknesses identified in the system of internal financial control in the Statement within its Statement of Accounts.

### **Responsibilities of governing bodies through head teachers**

- 3.36 To manage processes to check that established controls are being adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- 3.37 To review existing controls in the light of changes affecting the council and to establish and implement new ones as approved by the Chief Financial Officer.
- 3.38 To ensure that the school has written descriptions of all its financial systems and procedures.
- 3.39 To ensure employees have a clear understanding of the consequences of a lack of financial control.

## Audit requirements

### Internal audit

#### Why is this important?

- 3.40 The requirement for an internal audit function for local authorities is implied by section 151 of the Local Government Act 1972, which requires that authorities “make arrangements for the proper administration of their financial affairs”. The Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006, require that the council “maintains an adequate and effective system of internal control in accordance with proper practices in relation to internal control. The council has delegated this responsibility to the Section 151 Officer i.e. the Director of Strategic Resources.
- 3.41 Internal audit is an independent and objective appraisal function established by the council for reviewing the system of risk management, governance and internal control. It examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

#### Key controls

- 3.42 The key controls for internal audit are:
- that it is independent in its planning and operation;
  - the Audit Services and Risk Management Manager has direct access to the Head of Paid Service, all levels of management and directly to elected Members;
  - the internal auditors comply with CIPFA’s Standard of Professional Practice on Auditing (2002).

#### Responsibilities of the Chief Financial Officer

- 3.43 To carry out an internal audit on whatever basis he/she determines of the financial and related operations of schools and their employees. In determining the manner in which the audit is

undertaken, the Chief Financial Officer will have regard to his/her statutory responsibilities under section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations as delegated by the council, and any guidelines issued by CIPFA.

- 3.44 To ensure that internal auditors and any employee involved in the detection of benefit fraud have the council to:
- access LA and school premises at reasonable times;
  - access all assets, records, documents, correspondence and control systems;
  - receive any information and explanation considered necessary concerning any matter under consideration;
  - require any employee of the council or school to account for cash, stores or any other LA or school asset under his or her control;
  - access records belonging to third parties, such as contractors, when required;
  - directly access the Head of Paid Service, the Cabinet and the Audit Committee.
- 3.45 To approve the strategic and annual audit plans prepared by the Audit Services Manager, which take account of the characteristics and relative risks of the activities involved.
- 3.46 To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.
- 3.47 To prepare reports to relevant Cabinet members setting out the audit work carried out in the relevant service areas during the previous financial year.
- 3.48 To prepare an annual report covering the audit work carried out in all service areas for submission to the Finance and Audit Committee.
- 3.49 To prepare periodic reports to the Audit Committee on the state of responses, to audit reports.

## Responsibilities of governing bodies through head teachers

- 3.5 To ensure that internal auditors/fraud investigators are given access at all reasonable times to premises, personnel, documents and assets that the auditors/investigators consider necessary for the purposes of their work.
- 3.51 To ensure that auditors/fraud investigators are provided with any information and explanations that they seek in the course of their work.
- 3.52 To ensure that the head teacher considers audit reports promptly and replies to recommendations, unless otherwise requested, within four weeks of the date of the audit report.
- 3.53 To ensure that agreed audit recommendations are implemented and that the employees responsible and the timescale required for implementation are identified.
- 3.54 To notify the Corporate Director for People who will in turn notify the Chief Financial Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the school's property or resources. Pending investigation and reporting, the governing body should require the head teacher to take all necessary steps to prevent further loss and to secure records and documentation against removal or alteration.
- 3.55 To ensure that new systems for maintaining financial records, or records of assets, or changes to such systems, are discussed with and agreed by the Audit Services and Risk Management Manager and the Chief Property Officer prior to implementation.

## External audit

### Why is this important?

- 3.56 The Local Government Finance Act 1982 set up the Audit Commission, which is responsible for appointing external auditors to each LA in England and Wales. The external auditor has rights of access to all documents and information necessary for audit purposes.

- 3.57 The basic duties of the external auditor are defined in the Audit Commission Act 1998 and the Local Government Act 1999. In particular, section 4 of the 1998 Act requires the Audit Commission to prepare a code of audit practice, which external auditors follow when carrying out their duties. The 2008 code of audit practice sets out the auditor's objectives to review and report upon:
- the audited body's financial statements and its statement of internal control: and
  - whether the audited body has made proper arrangements for securing economy, efficient and effectiveness in its use of resources.
- 3.58 The council's accounts are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the council and its income and expenditure for the year in question and complies with the legal requirements.

### **Key controls**

- 3.59 External auditors are appointed by the Audit Commission normally for a minimum period of five years.

### **Responsibilities of the Chief Financial Officer**

- 3.60 To ensure there is effective liaison between external and internal audit;
- 3.61 To work with the external auditor and advise the full council, Cabinet and chief officers on their responsibilities in relation to external audit.

### **Responsibilities of governing bodies through head teachers**

- 3.62 To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.

3.63 To ensure that all records and systems are up to date and available for inspection.

## Preventing fraud and corruption

### Why is this important?

3.64 The council is totally committed to creating an environment where fraud and corruption are not tolerated whether from inside or outside the council. Where fraud or corruption is found firm action will be taken against the instigator(s).

3.65 The council's expectation of propriety and accountability is that governors and employees will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

3.66 The council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom schools come into contact will act towards the school with integrity and without thought or actions involving fraud and corruption and have particular regard to the provisions of the Bribery Act 2010.

### Key controls

3.67 The key controls regarding the prevention of financial irregularities are that:

- the council has an effective anti-fraud and anti-corruption policy and maintains a culture that will not tolerate fraud or corruption;
- all employees act in accordance with the member's and employees codes of conduct, with integrity and lead by example;
- head teachers and governing bodies deal swiftly and firmly with those who defraud or attempt to defraud the school or who are corrupt;
- the maintenance of a register of business interests;
- whistle blowing procedures are in place and operate effectively;

- legislation including the Public Interest Disclosure Act 1998 is adhered to.

### **Responsibilities of the Chief Financial Officer**

- 3.68 To develop and maintain an anti-fraud and anti-corruption policy.
- 3.69 To maintain adequate and effective internal control arrangements.
- 3.70 To ensure that all irregularities are reported to the Audit Services and Risk Management Manager, and where appropriate the Head of Paid Service, the Audit Committee and the Cabinet.
- 3.71 To ensure that where financial impropriety is discovered and where sufficient evidence exists to believe that a criminal offence may have been committed, the police are called in to determine with the Crown Prosecution Service whether any prosecution will take place. The Chief Financial Officer shall inform the appropriate Cabinet Member and governing body of the decision to involve the police in any investigation.

### **Responsibilities of governing bodies through head teachers**

- 3.72 To ensure that all suspected irregularities are reported to the Audit Services Manager and Risk Management Manager.
- 3.73 To instigate the council's disciplinary procedures for teachers and school based employees where the outcome of an audit investigation indicates improper behaviour.
- 3.74 To maintain a register of business interests as required by the Scheme for the Financing of Schools.
- 3.75 To ensure all school employees are aware of the council's Confidential Reporting Code (Whistle blowing Procedure).

## **Assets**

### **Security and control**

### **Why is this important?**

- 3.76 It is important that assets are safeguarded and used efficiently in school, and that there are arrangements for the security of both assets and information required for service operations. An up-to-date LA asset register is a prerequisite for proper fixed asset accounting and sound asset management.
- 3.77 The function of the asset register is to provide the council with information about fixed assets so that they are:
- safeguarded;
  - used efficiently and effectively;
  - adequately maintained.

### Key controls

- 3.78 The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:
- resources are used only for the purposes of the school and are properly accounted for;
  - resources are available for use when required;
  - resources no longer required are disposed of in accordance with the law and the regulations of the council so as to maximise benefits;
  - an asset register is maintained for the council, assets are recorded when they are acquired by the council and this record is updated as changes occur including the location and condition of the asset;
  - all employees are aware of their responsibilities with regard to safeguarding the school's assets and information, including the requirements of the Data Protection Act and software copyright legislation;
  - all employees are aware of their responsibilities with regard to safeguarding the security of the school's computer systems, including maintaining restricted access to the information held on them and compliance with the schools' internet security policy.

## Responsibilities of the Chief Financial Officer

- 3.79 To ensure that an accurate asset register is maintained in accordance with good practice for all fixed assets.
- 3.80 To receive the information required for accounting, costing and financial records from each governing body.
- 3.81 To ensure that assets are valued in accordance with the Code of Practice on LA Accounting in the United Kingdom: A Statement of Recommended Practice (CIPFA/LASAAC).

## Responsibilities of governing bodies through head teachers

- 3.82 The governing body of foundation and voluntary aided schools shall maintain a property database in a form approved by the Chief Financial Officer for all land and buildings currently owned or used by the school.
- 3.83 Any use of property by a school other than “for any purposes of the school or for such purposes as may be prescribed” should be supported by documentation identifying terms, responsibilities and duration of use.
- 3.84 To ensure that lessees and other prospective occupiers of council/school land are not allowed to take possession, or enter, the land until a lease or agreement, in a form approved by the governing body in consultation with the Chief Financial Officer, has been established and signed as appropriate.
- 3.85 To ensure the proper security of all buildings and other assets under their control.
- 3.86 Where land or buildings are surplus to requirements, the governing body should comply with the requirements of Standing Order 21 (Disposal of Land and Property)
- 3.87 To pass title deeds to the Chief Legal Officer who is responsible for custody of all title deeds.
- 3.88 To ensure that no asset under its control is subject to personal use by an employee or other person without proper authority. (See also 3.90)

- 3.89 To ensure the safe custody of vehicles, equipment, furniture, stock, stores and other property belonging to the council.
- 3.90 To ensure that the school maintains an inventory of moveable assets in accordance with arrangements defined by the Chief Financial Officer.
- 3.91 To ensure that assets are identified, their location recorded and that they are appropriately marked, as far as possible, as council property and insured.
- 3.92 To consult the Chief Financial Officer in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 3.93 To consult with the Chief Financial Officer where security of cash is concerned and to ensure cash holdings on premises are kept within limits agreed with the Chief Financial Officer.
- 3.94 To ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the Corporate Director for People as soon as possible.
- 3.95 To dispose of assets by competitive tender or public auction where possible. Advice should be sought from the Chief Financial Officer or Chief Property Officer.
- 3.96 To arrange for the valuation of assets for accounting purposes to meet requirements specified by the Chief Financial Officer.
- 3.97 To ensure that all school employees are aware that they have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the council or school in some way.

### **Responsibilities of governing bodies through head teachers - Inventories**

- 3.98 To ensure inventories are maintained in a manner agreed with the Chief Financial Officer. Inventories are to record an adequate

description (including serial number where applicable) of all furniture, equipment (including computer equipment), plant and machinery with an individual value above £500 in value. Items below this value may be included where it is felt that they are particularly attractive or desirable.

- 3.99 To ensure the head teacher carries out an annual check of all items on the inventory in order to verify location, review condition and to take action in relation to surpluses or deficiencies, annotating the inventory accordingly. Attractive and portable items such as computers, cameras and video recorders should be identified with security markings as belonging to the school.
- 3.100 Any surplus or deficiency revealed by the annual inventory check shall be notified to the chief officer who shall take such action as deemed necessary.
- 3.101 To ensure that property is only used for “for any purpose of the school and for such purposes as may be prescribed”, unless in exceptional circumstances the governing body has given explicit permission otherwise.
- 3.102 To ensure obsolete items are disposed of in accordance with the procedures laid down in the council’s Procurement and Contract Procedure Rules.

### **Responsibilities of governing bodies through head teachers: stocks and stores**

- 3.103 To make arrangements for the care, custody, physical control and security of stocks and stores in the school and for the maintenance of a proper stores control system and stores records.
- 3.104 To ensure stocks records are maintained and stocks are subject to a regular independent physical check. All discrepancies should be investigated and pursued to a satisfactory conclusion. Records of stocks checked and discrepancies found are to be kept.
- 3.105 To have certified the quantity and value of the stocks and stores held by the school and (where requested) forward a copy of the certification to the Chief Financial Officer.

- 3.106 To arrange for the investigation and (where appropriate) amendment of the school's records in respect of any discrepancies revealed in any items of stock by periodic stocktaking.
- 3.107 To authorise the write off or disposal of redundant stocks and equipment in accordance with the council's Procurement and Contract Procedure Rules Section.
- 3.108 To keep all stores accounts and records in connection with the accounting stocks in such a manner and form as may be approved by the Chief Financial Officer.
- 3.109 To supply the Chief Financial Officer with such returns about stores under its control as the Chief Financial Officer may require.
- 3.110 To determine in collaboration with the head teacher:
- The method to be followed in the valuation of stores for purposes of charging out stores and for evaluating stock in hand at the end of the financial year; and
  - Determine and review the appropriate rate(s) of overhead charge arising from stocks and stores.
- 3.111 To ensure the head teacher designates suitable employees who shall be responsible for:
- custody of stocks and stores;
  - the maintenance of stores and accounting records;
  - authorising the issue of stocks and stores; and
  - carrying out the stocktaking of all stores.

Except with the agreement of the Chief Financial Officer, no member of employees shall be responsible for more than one of the functions of a, b, c or d above.

## Intellectual property

### Why is this important?

- 3.112 Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.
- 3.113 Certain activities undertaken within the school may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

### **Key controls**

- 3.114 In the event that the council decides to become involved in the commercial exploitation of inventions guidance must be sought from the Chief Financial Officer.

### **Responsibilities of the Chief Financial Officer**

- 3.115 To provide guidance on Intellectual Property Issues.

### **Responsibilities of governing bodies through head teachers**

- 3.116 To ensure that controls are in place to ensure that employees do not carry out private work in school time and that employees are aware of an employer's rights with regard to intellectual property.

### **Asset disposal**

#### **Why is this important?**

- 3.117 It would be uneconomic and inefficient for the cost of assets to outweigh their benefits. Obsolete, non-repairable or unnecessary resources should be disposed of in accordance with the law and the regulations of the council.

### **Key controls**

- 3.118 Assets for disposal are identified and are disposed of at the most appropriate time, and only when it is in the best interests of the council, and best price is obtained unless otherwise approved by Cabinet.

- 3.119 Procedures protect employees involved in the disposal from accusations of personal gain.

### **Responsibilities of the Chief Financial Officer**

- 3.120 To ensure appropriate accounting entries are made to remove the value of disposed assets from the council's records and to include the sale proceeds if appropriate.

### **Responsibilities of governing bodies through head teachers**

- 3.121 To ensure that the sale of scrap or old materials or obsolete items of stock or equipment is made only after quotations or tenders have been invited in accordance with the council's Procurement and Contract Procedure Rules. Payment by the successful tenderer shall be received and if appropriate cleared before delivery is taken, unless otherwise agreed by the Chief Financial Officer.
- 3.122 To be informed by the head teacher that income received for the disposal of an asset is promptly banked and coded.

### **Treasury management**

#### **Why is this important?**

- 3.123 Many millions of pounds pass through the council's books each year. This led to the establishment of codes of practice. These aim to provide assurances that the council's money is properly managed in a way that balances risk with return, but with the overriding consideration being given to the security of the council's capital sum.

#### **Key controls**

- 3.124 That the council's borrowings and investments comply with the CIPFA Code of Practice on Treasury Management and with the council's Treasury Management policy statement, strategy and practices.

## Responsibilities of Chief Financial Officer

- 3.125 To arrange the borrowing and investments of the council in such a manner as to comply with the CIPFA Code of Practice on Treasury Management and the council's approved treasury management policy statement, strategy and practices (which are reviewed annually).
- 3.126 To report a minimum of twice a year on treasury management activities to the Cabinet.
- 3.127 To operate bank accounts as are considered necessary – opening or closing any bank account shall require the approval of the Chief Financial Officer.
- 3.128 To ensure that all investments of money are made in the name of the council or in the name of nominees approved by the full council.
- 3.129 To ensure that all securities that are the property of the council or its nominees and the title deeds of all property in the council's ownership are held in the custody of the appropriate chief officer.
- 3.130 To effect all borrowings in the name of the council.
- 3.131 To act as the council's registrar of stocks, bonds and mortgages and to maintain records of all borrowing of money by the council.

## Responsibilities of governing bodies through head teachers

- 3.132 To follow the instructions on banking issued by the Chief Financial Officer. Where a governing body wishes the school to operate its own bank account to comply with the conditions contained in the council's local banking arrangement regulations.
- 3.133 To ensure that no form of borrowing is undertaken unless the consent of the Secretary of State has been obtained.
- 3.134 To ensure the prior approval of the Chief Financial Officer is obtained before any credit union approach to loans is operated.

## **Trust Funds and Funds held for Third Parties**

### **Responsibilities of Chief Financial Officer**

- 3.135 To have overall responsibility for the financial management and investment of all monies of trust funds in the name of the council including instances where the day to day management of funds is devolved to other chief officers.
- 3.136 To maintain the accounting records of all trust funds in the name of the council and make arrangements for the safe custody of cash, stock certificates and other documents of title issued in connection with the investment of funds.

### **Responsibilities of governing bodies through head teachers**

- 3.137 To ensure that trust funds are operated within any relevant legislation and the specific requirements for each trust.

## **Protection of private property and safekeeping**

### **Responsibilities of Chief Financial Officer**

- 3.138 To be responsible for all receiverships and administrations in which the council may have an interest.
- 3.139 To make arrangements for the storage and security of all valuable items (e.g. jewellery, watches etc) deposited with the council for safe storage.

### **Responsibilities of governing bodies through head teachers**

- 3.140 To ensure that where a head teacher assumes responsibility for items of private property an itemised inventory of the property is prepared in the presence of two members of employees and its existence is notified to the Corporate Director for People.

## **Imprest Accounts**

### **Responsibilities of the Chief Financial Officer**

- 3.141 Where a governing body has decided not to operate a school bank account to provide a cash imprest account to meet minor expenditure incurred on behalf of the school and to prescribe rules for operating this account.
- 3.142 To determine the petty cash imprest limit\*, maintain a record of imprests issued, and periodically to review the arrangements for the safe custody and control of these imprests. \*At schools with a bank account the size of the imprest should be determined by the governing body.
- 3.143 To reimburse imprest holders, at schools without bank accounts, as often as considered appropriate to restore the imprests.
- 3.144 Where considered appropriate, for a school without a bank account, to open an account with the council's bankers for use by an imprest holder.

### **Responsibilities of governing bodies through head teachers (schools with or without a local bank account)**

- 3.145 To ensure that employees operating an imprest account are aware to:
- limit payments from the account to such minor items of expenditure as approved by the Chief Financial Officer and obtain and retain receipted vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained;
  - make arrangements to ensure that income received on behalf of the school budget is not paid into an imprest account but is credited to a relevant school income code via the council's bank account or the school's local bank account as provided for under regulation 4.35;
  - make adequate arrangements for the safe custody of the account (cash and records);
  - produce upon demand by the Chief Financial Officer cash and all vouchers to the total value of the imprest amount;
  - record transactions promptly;

- reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder. An independent reconciliation of the account should be undertaken termly by a member of employees other than the imprest holder;
- provide the Chief Financial Officer with a certificate of the value of the account held at 31 March each year (schools without a local bank account only);
- ensure that the imprest is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the imprest and change relating to purchases where an advance has been made;
- on leaving the council's or governing body's employment or otherwise ceasing to be entitled to hold an imprest advance, account to the Chief Financial Officer or governing body for the amount advanced to him or her;
- forward a statement of the imprest account, certified as correct by the head teacher, together with all vouchers to the Chief Financial Officer with a claim for reimbursement at such intervals as may be approved by him. (Schools without a local bank account only).

## **Voluntary and Private Funds**

### **Responsibilities of Chief Financial Officer**

- 3.146 To advise on the operation of voluntary and private funds.
- 3.147 To determine whether the auditing arrangements for such funds are adequate.
- 3.148 To examine funds if it is considered necessary.

### **Responsibilities of governing bodies through head teachers**

- 3.149 To ensure that the head teacher makes arrangements for the accounts of all funds operated by the school to be subject to an annual audit by an independent person/s and that an audit certificate is completed in respect of each fund.

- 3.150 To receive an audited receipts and payments or income and expenditure account annually and ensure a copy of the audit certificate/s is forwarded to the Corporate Director for People.
- 3.151 To ensure there are arrangements to prevent fund monies being mixed with school budget monies.

## Employees

### Why is this important?

- 3.152 In order to provide the highest level of service, it is crucial that the council or governing body recruits and retains high calibre, knowledgeable employees, qualified to an appropriate level.

### Key controls

- 3.153 The key controls for employees are:
- an appropriate employees strategy and policy exists, in which employee requirements and budget allocation are matched;
  - procedures are in place for forecasting employees requirements and cost;
  - controls are implemented that ensure that employees time is used efficiently and to the benefit of the school;
  - checks are undertaken prior to taking on new employees to ensure that they are appropriately qualified, experienced and trustworthy.

### Responsibilities of the Chief Financial Officer

- 3.154 To act as an advisor to governing bodies on areas such as national insurance and pension contributions, as appropriate.
- 3.155 To prepare the payroll or control and approve other arrangements made.
- 3.156 To ensure that budget provision exists for all existing and new employees.

## Responsibilities of the Chief Officer

- 3.157 To undertake criminal disclosure checks on employees and volunteers who would have access to children.
- 3.158 To check with the General Teaching council that teachers (unless they are exempt from the requirement to hold qualified teacher status) are registered with the council and whether any restrictions are in force.

## Responsibilities of governing bodies through head teachers

- 3.159 To devise and approve an annual employees budget.
- 3.160 To ensure that the employees budget is an accurate forecast of employee levels and is equated to an appropriate revenue budget provision (including on-costs and overheads).
- 3.161 To monitor employees activity to ensure adequate control over such costs as sickness, overtime, training and supply or temporary employees. Appropriate records are to be maintained of employee holidays, attendance and absence.
- 3.162 To ensure that the employee budget is not exceeded without due authority.

## Financial systems and procedures

### Why is this important?

- 4.1 Schools have many systems and procedures relating to the control of the council's assets and are increasingly reliant on computers for their financial management information. This information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 4.2 The Chief Financial Officer has a professional responsibility to ensure that schools' financial systems are sound and should therefore be notified of any new developments or changes.

## Key controls

- 4.3 The key controls for systems and procedures are:
- basic data exists to enable schools' objectives, targets, budgets and plans to be formulated;
  - performance is communicated to the appropriate employees on an accurate, complete and timely basis;
  - early warning is provided of deviations from target, plans and budgets that require management attention;
  - operating systems and procedures are secure;
  - appropriate division of duties.

## Responsibilities of the Chief Financial Officer

- 4.4 To make arrangements for the proper administration of schools' financial affairs, including to:
- issue advice, guidance and procedures for employees and others acting on the council's behalf;
  - determine the accounting systems, form of accounts and supporting financial records;
  - establish arrangements for audit of schools' financial affairs;
  - approve any new financial systems to be introduced;
  - approve any changes to be made to existing financial systems.

## Responsibilities of governing bodies through head teachers

- 4.5 To ensure that financial and accounting records are properly maintained and held securely in accordance with arrangements approved by the Chief Financial Officer.
- 4.6 To ensure that storage and retrieval systems and processes meet all statutory, procedural and operational requirements. No exceptions are allowed without the approval of the Chief Financial Officer.

- 4.7 To ensure that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document, and vice versa, is maintained.
- 4.8 To incorporate appropriate controls to ensure that, where relevant:
- all input is genuine, complete, accurate, timely and not previously processed;
  - all processing is carried out in an accurate, complete and timely manner;
  - output from the system is complete, accurate and timely.
- 4.9 To ensure that the school's organisational structure provides, as far as is practical, an appropriate continuous division of duties to provide adequate internal controls and to minimise the risk of fraud or other malpractice. Where a continuous division of duties is not practical then a system of periodic checks should be maintained as approved by the Chief Financial Officer.
- 4.10 To ensure there is a documented and tested disaster recovery plan to allow information system processing to resume quickly in the event of an interruption.
- 4.11 To ensure that systems are documented and employees trained in their operation.
- 4.12 To consult with the Chief Financial Officer before changing any existing system or introducing new systems.
- 4.13 To supply lists of authorised employees, where necessary, with their specimen signatures and delegated limits, to the Chief Financial Officer, together with any subsequent variations.
- 4.14 To ensure that effective contingency arrangements, including back-up procedures, exist for computer systems. Wherever possible, back-up information should be securely retained in a fireproof location, preferably off-site or at an alternative location within the building.
- 4.15 To ensure that, where appropriate, computer systems are registered in accordance with data protection legislation and that

employees are aware of their responsibilities under the legislation.

- 4.16 To ensure that relevant standards and guidelines for computer systems issued by the relevant chief officer are observed.
- 4.17 To ensure that computer equipment and software are protected from loss and damage through theft, vandalism, etc.
- 4.18 To comply with the copyright, designs and patents legislation and, in particular, to ensure that:
- only software legally acquired, installed by the **council and authorised by the Director of Improvement and Efficiency** is used on the school's computers;
  - employees are aware of legislative provisions;
  - in developing systems, due regard is given to the issue of intellectual property rights.
- 4.19 To ensure employees are aware of the national code of conduct for local government employees.

## Income and expenditure

### Income

#### Why is this important?

- 4.20 Income can be a vulnerable asset and effective income collection systems are necessary to ensure that all income due is identified, collected, receipted and banked properly. It is preferable to obtain income in advance of supplying goods or services as this improves the school's cash flow and also avoids the time and cost of administering debts.

#### Key controls

- 4.21 The key controls for income are:

#### General

- all income due to the school is identified and charged correctly, in accordance with an approved charging policy, which is regularly reviewed;
- all income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery;
- effective action is taken to pursue non-payment within defined timescales;
- all appropriate income documents are retained and stored for a defined period in accordance with statutory and operational requirements;
- all fees and charges are reviewed on an annual basis in accordance with the council's Fees and Charges policy.

### **Receipt of income, banking and reconciliations**

- all money received by employees on behalf of the school is paid without delay to the council's bank or the school's local bank account as applicable, and properly recorded. The responsibility for cash collection should be separated from that:
  - for identifying the amount due;
  - for reconciling the amount due to the amount received;
- money collected and deposited is reconciled to the local bank account by a person who is not involved in the collection or banking process.

### **Bad Debts**

- formal approval for debt write-off is obtained in accordance with the council's General Debt Recovery Policy and Guidance;
- appropriate write-off action is taken within defined timescales in accordance with the council's General Debt Recovery Policy and Guidance.
- appropriate accounting adjustments are made in the same months as the write-off action.

## Money Laundering

- the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003 were established to trace money in the economy;
- it is the council's money laundering policy not to accept cash payments above £9,000 or 15,000 Euros. This policy has been made to ensure that the council is not considered a high value dealer and therefore subject to certain procedures within the regulations.

## Responsibilities of the Chief Financial Officer

### General

- 4.22 To agree arrangements for the collection of all income due to the school and to approve the procedures, systems and documentation for its collection.
- 4.23 To order and supply to schools, or to approve alternative procedures for, all receipt forms, books or tickets and similar items and to satisfy himself or herself regarding the arrangements for their control. To approve all other documents which acknowledge the receipt of money.
- 4.24 To review annually the council's Fees and Charges policy.

### Receipt of income, banking and reconciliation

- 4.25 To make overall arrangements for bank reconciliation statements to be regularly prepared for all school local bank accounts and for all matters arising from the reconciliations to be cleared as soon as practicable.

### Bad Debts

- 4.26 To approve all debts to be written off in consultation with the relevant governing body and to keep a record of all sums written off up to the delegated limit and to adhere to the requirements of the Accounts and Audit Regulations 1996.
- 4.27 To obtain the approval of the Cabinet in consultation with the relevant governing body for writing off debts in excess of the delegated limit.

- 4.28 To ensure that appropriate accounting adjustments are made following write-off action.
- 4.29 To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.

## **Money Laundering**

- 4.30 To maintain, update and ensure that all employees are aware of the Money Laundering Policy.

## **Responsibilities of governing bodies through head teachers**

### **General**

- 4.31 To establish a charging policy, including the appropriate charging of VAT, and to review it at least annually. The review of charging policy should also consider the method of collection of each source of income.
- 4.32 To ensure the head teacher designates, in respect of all income due to the school, suitable employees who shall be responsible for:
- determining and recording all amounts due;
  - the collection, custody and deposit of cash including the preparation of an accurate and chronological account of all monies received and deposited and,
  - the maintenance of accounting records.
- 4.33 Except with the express authority of the Chief Financial Officer, no one member of employees shall be responsible for more than one of the bulleted list above in 4.32.
- 4.34 Used/copy receipts, tickets and other records of income are held securely for the appropriate period. Stocks of unused receipts etc. are held securely when not in use.

- 4.35 To ensure that at least two employees are present when post is opened so that money received by post is properly identified and recorded.
- 4.36 To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- 4.37 Income and value added tax are correctly coded in accordance with arrangements approved by the Chief Financial Officer.

### **Receipt of income, banking and reconciliation**

- 4.38 Every sum received by a member of employees is immediately officially receipted in a format and in accordance with arrangements agreed with the Chief Financial Officer.
- 4.39 All receipts, other than those issued by official receipting machines, shall be signed by the employee issuing them in their own name as on behalf of the Chief Financial Officer unless the form of receipt provides for a facsimile signature of the Chief Financial Officer by a receipting machine. Where payment is received by cheque and the payer does not require a receipt such special arrangements are approved by the Chief Financial Officer shall operate.
- 4.40 All cheques, money orders, postal orders, giro cheques and giro transfer/deposit forms payable to the council are immediately on receipt crossed "Sandwell MBC" or where a school operates its own local bank account, with the name of that account.
- 4.41 A record of every transfer of money between school employees is maintained. The receiving officer must sign for the transfer and the transferor must retain a copy.
- 4.42 Income is paid fully and promptly into the appropriate LA or local bank account in the form in which it is received. No deductions shall be made from such money save to the extent that Chief Financial Officer may specifically authorise. Appropriate details be recorded on to paying-in slips and cheques to provide an audit trail. Employees who bank cheques shall enter onto the school's copy of the paying in slip reference to the related debt (e.g.

receipt number, name of debtor) and the name of the school on the reverse of each cheque.

- 4.43 Income is not used to cash personal cheques or other payments except where the specific approval of the chief finance officer has been obtained.

### **Bad Debts**

- 4.44 All debtor accounts are rendered promptly.
- 4.45 Appropriate information requested by the debtor is provided, records or evidence of debt acceptance is maintained and appropriate recovery action on unpaid debts is taken.
- 4.46 The Chief Financial Officer is consulted, for approval, concerning the writing off of any debt. A record of any debts written off is kept.
- 4.47 The Chief Financial Officer is notified of outstanding income relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Financial Officer.

### **Money Laundering**

- 4.48 Chief officers have a responsibility to ensure that all employees do not accept cash payments above £9,000 or 15,000 euros.

### **Ordering and paying for work, goods and services**

#### **Why is this important?**

- 4.49 Public money should be spent with demonstrable probity and in accordance with the council's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The council's procedures should help to ensure that schools obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the code of practice on tenders and contracts specified in schools standing orders relating to procurement.

## General responsibilities of governing bodies and head teachers

- 4.50 Each governor and the head has a responsibility to declare any business interests they or their immediate family have. A register should be maintained to record these interests.
- 4.51 Official orders shall be issued for all work, goods or services to be supplied to the school except such exceptions as the Chief Financial Officer may approve. Orders shall show the quantities and terms of the transaction. Copy orders shall show quoted or estimated prices and any discount details. Goods and services obtained urgently by telephone or verbal orders shall be confirmed by an official order marked "confirmation" within four working days. Official orders shall be in a form approved by the Chief Financial Officer.
- 4.52 Official orders must not be raised for any personal or private purchases, nor must personal or private use be made of LA or school contracts.

## Key controls

- 4.53 The key controls for ordering and paying for work, goods and services are:
- all goods and services are ordered only by appropriately authorised persons and are correctly recorded;
  - goods and services obtained urgently by telephone or verbal orders shall be confirmed by an official order marked "confirmation" within four working days;
  - all goods and services shall be ordered in accordance with the requirements detailed in schools standing orders for contracts;
  - goods and services received are checked to ensure they are in accordance with the order. Goods above £100 should not be received by the person who authorised the order;
  - payments are not made unless goods or services have been received by the school to the correct price, quantity and quality standards;
  - all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method;

- all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule;
- all expenditure, including VAT, is accurately recorded against the right budget and any errors are corrected;
- the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

### **Responsibilities of the Chief Financial Officer**

- 4.54 To ensure that schools' financial systems and procedures are sound and properly administered.
- 4.55 To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- 4.56 To approve the form of official orders and associated terms and conditions.
- 4.57 To make payments, where a school does not operate a bank account from the school's delegated funding on the head teacher's authorisation that the expenditure has been duly incurred in accordance with these financial regulations and procedures.
- 4.58 To make payments, where a school does not operate its own bank account, whether or not provision exists within the estimates, where the payment is specifically required by statute or is made under a court order.
- 4.59 To make payments to contractors, where a school does not operate its own bank account, on the certificate of the appropriate head teacher, which must include details of the value of work completed, retention money, amounts previously certified and amounts now certified.
- 4.60 To provide advice on making payments by the most economical means.
- 4.61 To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown

against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

- 4.62 To ensure that, where a school does not operate its own bank account, all payments are dispatched direct to creditors unless specific alternative arrangements are agreed by an authorised officer.

## **Responsibilities of governing bodies through head teachers**

### **Ordering**

- 4.63 To ensure the requirements of schools standing orders for procurement contracts shall be observed in respect of all orders.
- 4.64 To ensure that orders are only used for goods and services provided to the school. Individuals must not use official orders to obtain goods or services for private use.
- 4.65 To ensure that only those employees authorised by the head teacher authorise orders and to maintain up-to-date list of such authorised employees, including specimen signatures or other alternative arrangements approved by the Chief Financial Officer, to identify in each case the limits of their authority. The authoriser of the order should be satisfied that the goods and services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Where the value of an order exceeds the head teacher's delegated expenditure limit it shall be approved in accordance with the school's scheme of financial delegation prior to being authorised.
- 4.66 Orders are to be signed in manuscript, or using alternative arrangements approved by the Chief Financial Officer, by the authorised member of employees. Facsimile signature stamps should not be used on official orders.

### **Delivery**

- 4.67 To ensure that, where ever possible, a delivery note is obtained for every delivery of goods. All goods are checked as regards quantity, as far as is practicable, at the time of delivery and

goods are inspected as regards quality and compliance with specification as soon as practicable after delivery. This check is to be carried out by a different member of employees from the one who authorised the order. Where appropriate entries should be made in inventories or store's records. Non-deliveries, shortages or damage to goods should be reported as soon as possible to the supplier.

- 4.68 Following delivery, inspection of goods should be made by someone other than the authoriser of the purchase order. Any shortcomings should be reported in writing to the supplier. All satisfactory deliveries should be receipted against the relevant purchase order **within two working days of delivery.**

## Payment

- 4.69 To ensure that the school maintains and reviews periodically an up-to-date list, including where appropriate specimen signatures, of employees approved to certify invoices.
- 4.70 To ensure that invoices for payment are certified by an approved member of employees. Before certifying an invoice, the member of employees shall, save to the extent the Chief Financial Officer may otherwise determine, have satisfied him/herself that:
- the goods have been received and are satisfactory in respect of quantity, quality and compliance with specification;
  - the work done or services rendered have been satisfactorily performed and comply with specification;
  - payments, where relevant, are in accordance with scales approved by the governing body;
  - the prices, extensions, totals, calculations, trade discounts, other allowances, credits and value added tax have been confirmed as correct;
  - the expenditure has been properly incurred and is within budget provision;
  - the invoice has been cross-referenced to the official order and has not previously been passed for payment and is a proper legal liability of the council;

- the expenditure and value added tax have been correctly coded;
- all payments to sub-contractors in the construction industry have the appropriate category for income tax indicated on the authorisation slip and the income tax deduction where appropriate, shown and coded;
- a copy of the invoice should be held (clearly marked copy) by the person passing the invoice for payment for aiding resolution of any future queries.

4.71 Where a payment exceeds a certain level (maximum £100 in value) to arrange for two separate members of employees to be involved in the ordering, receiving and payment processes to ensure an adequate division of duties. No one member of employees must be able to undertake all three processes. If possible, a different officer from the person who raised the order electronically should authorise the invoice.

4.72 To ensure, in collaboration with the Chief Financial Officer, that arrangements are made for the division between designated school employees responsibility for the various acts of certification set out in 4.64. Where a school operates the FMS Module the conditions contained in the Guide to Designing Access Rights for the FMS Module should be complied with.

4.73 To maintain subsidiary records and retain in safe custody, where retained at schools, all copy orders, delivery notes, goods received notes, paid invoices etc.

4.74 To ensure that all requests for the payment of monies are processed on a form approved by the Chief Financial Officer and consistent with 4.70.

4.75 To ensure that no amendments are made to an original invoice. If an amendment is required then it should be returned to the supplier stating the reason for it being returned and requesting a correct invoice to be dispatched.

4.76 To ensure that where it is necessary to pass a copy invoice for payment a thorough check is carried out to ensure the original invoice has not previously been paid. Copy invoices should be

endorsed with the brief details as to why a copy document is being processed.

- 4.77 To ensure that loans, leasing or rental arrangements are not entered into without prior agreement from the Chief Financial Officer. This is because of the potential impact on the council's borrowing powers, to protect the governing body against entering into unapproved credit arrangements and to ensure that value for money is being obtained.
- 4.78 To notify the Chief Financial Officer of outstanding expenditure relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Financial Officer.
- 4.79 To notify the Chief Financial Officer immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision.
- 4.80 To arrange for all payment documents, once processed, to be securely retained in accordance with statutory, procedural and operational requirements.

### **Payments Systems**

- 4.81 Payments made on behalf of the council should be made through systems approved by the Chief Financial Officer. All policies, procedures and rules in respect to the use of such systems must be strictly adhered to.

### **Contracts for Building, Constructional or Engineering Work**

#### **Why is this important?**

- 4.82 The nature and size of contracts for building, constructional or engineering work is such that specific arrangements are required over and above those required for general creditor payments. These contracts require the provision of services over a considerable period and arrangements are therefore required to make instalment payments to suppliers for work carried out at periodic intervals. It is important that appropriate controls are in place to ensure that payments are only made when due and in accordance with the contract.

## Key controls

- 4.83 The key controls for contracts for building, constructional or engineering work are:
- services provided are checked to ensure that they are in accordance with the contract. Any variations to the contract are certified by an appropriate member of school employees;
  - payments are not made unless services/works have been undertaken on behalf of the school to the correct price, quantity and quality standards;
  - all payments are made to the correct person, for the correct amount and are properly recorded, regardless of the payment method;
  - all appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention schedule;
  - all expenditure, including VAT, is accurately recorded against the right budget and any errors are corrected.

## Responsibilities of the Chief Financial Officer

- 4.84 To examine final accounts for contracts to the extent considered necessary, and be entitled to make such enquiries and receive such information and explanations as required in order to be satisfied as to the accuracy of the accounts.
- 4.85 To examine as considered necessary the administrative and financial procedures followed prior to the determination and approval of a capital project.

## Responsibilities of governing bodies through head teachers

- 4.86 To ensure that where contracts provide for payments to be made by instalments, a contract register is maintained which details the current position on each contract between the school and the contractor, together with any other payments relating to fees of professional consultants.

- 4.87 To ensure that instalment payments to contractors are only made on a certificate in a form supplied and approved by the Chief Financial Officer.
- 4.88 To ensure that the school maintains and reviews periodically a list of employees approved to authorise certificates.
- 4.89 To ensure that certificates for payment issued by private architects, engineers, quantity surveyors and other consultants are attached to the approved form of certificate outlined in 4.81.
- 4.90 To ensure that no more than one payment is made to a contractor before the contract documents have been completed.
- 4.91 To ensure that certificates for payment show the appropriate amount of value added tax coded to the appropriate head of account. Where a pre-authenticated tax receipt is required (i.e. where the council adds the appropriate VAT onto the amount claimed by the contractor and a VAT acknowledgement is to be returned by the contractor) the payment voucher must show that such receipt is required.
- 4.92 To ensure that retention monies are calculated correctly and deducted from each certificate payment.
- 4.93 To ensure that certificates for payment, where a school does not operate its own bank account, are forwarded to the chief finance officer at least five working days before payment is due.
- 4.94 To ensure that every variation, addition to or omission from the contract is certified in writing by an authorised member of employees. A copy of the variation, addition or omission certificate should be forwarded to the contractor and the Chief Financial Officer.
- 4.95 To ensure that the final certificate of payment under any contract is not issued until the Chief Financial Officer is satisfied that the final account detail sheet has been subject to appropriate checks by the relevant technical officer and manager.
- 4.96 To make arrangements with the contractor for the production of a detailed statement of account and such other documents the

Chief Financial Officer may require prior to the contractual date for the final release of retention.

- 4.97 To make arrangements for the notification of any delays in contract completion to the Chief Financial Officer in order that claims for liquidated damages can be considered and actioned where appropriate.
- 4.98 To ensure the supervising officer arranges for the Chief Financial Officer or nominated employees, when requested and subject to his attendance, to obtain access to sites during the progress of the contract in order to examine records and procedures.
- 4.99 Ex-gratia claims from contractors in respect of matters not clearly within the terms of any existing contract shall be referred to the Head of Legal Services for consideration of the council's legal liability and to the Chief Financial Officer before a commitment is incurred.
- 4.100 To ensure that where contracts entered into by the governing body are supervised, managed and/or administered by persons or firms other than the council's own officers, the agreement with the persons or firms shall provide that there is compliance with schools' standing orders, financial regulations and procedures in respect of contracts. The agreement shall also provide that the school may retain all accounts, vouchers and documents relating the contract until after the council's accounts have been audited by the external auditor.

## **Payments to employees**

### **Why is this important?**

- 4.101 Employee costs are the largest item of expenditure for the school. It is therefore important that payments are accurate, timely, made only where they are due for services to the school and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for.

### **Key controls**

- 4.102 The key controls for payments to employees are:

- proper authorisation procedures are in place and that there is adherence to corporate/provider timetables in relation to changes to the payroll in respect of:
  - starters
  - leavers
  - variations
  - enhancements

and payments are supported by timesheets and/or claims where appropriate and are made in accordance with the agreed method;

- frequent reconciliation of payroll expenditure against approved budget and bank account;
- all appropriate payroll documents are retained and stored for the defined period in accordance with legislative and operational requirements;
- that all statutory legislation relating to payroll and pension regulations is complied with;
- proper division of duties in respect of payroll preparation and authorisation of payments.

### **Responsibilities of the Chief Financial Officer**

- 4.103 To provide for the secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with procedures prescribed by him or her, on the due date.
- 4.104 To record and make arrangements for the accurate and timely payment of tax, pension contributions and other deductions.
- 4.105 To ensure there are arrangements for the payment of all travel and subsistence claims using the prescribed form, duly completed and authorised.
- 4.106 To provide advice to secure payment of salaries and wages by the most economical means.

- 4.107 To ensure that there are adequate arrangements for administering pension scheme matters on a day-to-day basis.
- 4.108 Where a governing body decides to obtain its payroll services from other than the council's in-house provider. To review and approve the alternative payroll provision arrangements proposed to ensure they offer the appropriate degree of control over the payment of salaries, wages, expenses, allowances and the associated deductions.

### **Responsibilities of governing bodies through head teachers**

- 4.109 To ensure that where a school decides not to make use of the payroll facility offered by the Chief Financial Officer the following matters are complied with:
- The most appropriate levels of authority for making particular changes to the payroll data are determined.
  - Persons authorising changes to the payroll must not authorise changes relating to themselves. Authority should normally rest with the head teacher.
  - Changes to the head teacher's pay are authorised by the governing body or an appropriate committee.
  - All adjustments to payroll disbursements (e.g. overtime) are authorised by appropriate employees.
  - Arrangements where travelling expenses and other allowances are paid through the payroll are determined and authorised.
  - Control is exercised through a segregation of duties between payroll preparation, review and final approval of payments. The head teacher should ensure through monthly reviews that only bona fide employees are included on the payroll and that all payroll changes are correct and appropriately authorised. The head teacher should also ensure, at least annually, that gross pay agrees with contracts or other authorised documents and that deductions have been correctly determined and authorised.
- 4.110 Any governing body deciding to operate its own payroll should ensure that the person preparing the payroll has the relevant

qualifications and experience to ensure the payroll is calculated and complies with current legislation relating to employment law, taxation and pensions provision. There must be adequate procedures to provide cover where persons who normally prepare the payroll are absent.

- 4.111 Where the governing body decide to make use of a payroll provider other than the council's in-house service to ensure that a contract is signed by the head teacher which includes the following details on the responsibilities of the school and the provider:
- notification of changes to data;
  - who may authorise the provider to make changes to data;
  - the control and accuracy of data;
  - the proportion and submission to the council, or direct to the Inland Revenue (where employees are employed by the governing body) of year end returns;
  - back up provision;
  - notification of changes to the pay date;
  - provision of access to both personal information and payroll analysis by the school's employees and council's auditors;
  - funding dates where the provider originates payments;
  - indemnification in the event of lost or corrupted data;
  - Data Protection Act registration.
- 4.112 Prior to any contract being signed the proposed arrangements must be submitted to the Chief Financial Officer, in accordance with the agreed timescale, for approval.
- 4.113 To ensure appointments are made in accordance with the relevant schedule of the Schools Standards and Framework Act 1998, appropriate scales of pay and that adequate budget provision is available.
- 4.114 To notify the Chief Financial Officer or alternative payroll provider of all appointments, terminations or variations which may affect the pay or pension of an employee or former employee, in the

form and to the timescale required by the Chief Financial Officer or the school's payroll provider.

- 4.115 To ensure that adequate and effective systems and procedures are operated, so that:
- payments are only authorised to bona fide employees;
  - payments are only made where there is a valid entitlement;
  - conditions and contracts of employment are correctly applied;
  - employees' records listed on the payroll are checked at regular intervals to verify accuracy and completeness.
- 4.116 To send an up-to-date list of the names of employees authorised to sign pay documents to the Chief Financial Officer or alternative payroll provider, together with specimen signatures, where applicable. Pay documents are to be signed in manuscript by the authorised officer on behalf of the head teacher. The certification of the pay documents shall mean that:
- the person has worked the period stated on the document;
  - the rates of pay and other emoluments shown on the document are correct, and
  - any other matter affecting entitlement to pay is correct.
- 4.117 To ensure all pay documents and records are in a form approved by the Chief Financial Officer.
- 4.118 To ensure that payments to employees are processed only through the payroll system. Governing bodies should give careful consideration to the employment status of individuals employed on a self-employed, consultant or subcontract basis. The Inland Revenue applies a tight definition for employee status, and in cases of doubt, advice should be sought from the Chief Financial Officer or payroll provider.
- 4.119 To ensure that all employees are aware of procedures and entitlement to payment for subsistence, travelling and incidental expenses.
- 4.120 To ensure that all claims for payment of subsistence, travelling and incidental expenses are submitted to the Chief Finance

Officer, or to the payroll provider duly certified on a form supplied by him, except for those categories of officers and types of travelling expenses for which alternative arrangements are approved by the Chief Financial Officer.

- 4.121 To certify travel and subsistence claims and other allowances for payment. Certification is taken to mean that journeys were authorised, expenses properly and necessarily incurred, and that allowances are properly payable by the council, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax and NI implications and that the Chief Financial Officer is informed where appropriate.
- 4.122 To ensure that the Chief Financial Officer or payroll provider is notified of the details of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
- 4.123 To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with legislative and operational requirements.
- 4.124 To ensure payment of salaries and wages in advance is not made, except in the case of persons leaving the service of the council or governing body, before the day on which their salary or wage is normally paid, without the specific approval of the governing body and Chief Financial Officer.

## **Taxation**

### **Why is this important?**

- 4.125 Like all organisations, the council is responsible for ensuring its tax affairs are in order. Tax and NI issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all employees to be aware of their role.

### **Key controls**

- 4.126 The key controls for taxation are:

- budget managers are provided with relevant information and kept up to date on tax issues;
- budget managers are instructed on required record keeping;
- all taxable transactions are identified, properly carried out and accounted for within stipulated timescales;
- records are maintained in accordance with instructions;
- returns are made to the appropriate authorities within the stipulated timescale.

### **Responsibilities of the Chief Financial Officer**

- 4.127 To complete all HM Revenue and Customs returns regarding PAYE and NI (except where employees are employed by the governing body and the school does not use the council's in-house payroll service).
- 4.128 To compile and send a monthly return of VAT transactions to HM Customs and Excise.
- 4.129 To provide details to the HM Revenue and Customs regarding the construction industry scheme.

### **Responsibilities of governing bodies through head teachers**

- 4.130 To ensure that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases complies with HM Customs and Excise regulations.
- 4.131 To ensure that, where construction and maintenance works are undertaken and the school operates its own bank account, the contractor fulfils the necessary construction industry requirements.
- 4.132 To ensure that all persons employed by the council or governing body are added to the council's or school's payroll in order that tax is deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised employee agency.

- 4.133 To meet from their delegated budget any loss, or future loss, relating to any taxation errors reported or discovered that are the result of employees not following the appropriate regulations or procedures. This includes any interest charges or penalties from HM Revenue and Customs.

### **Companies**

#### **Why is this important?**

- 4.134 The Education Act 2002 provides powers for governing bodies of maintained schools to form or invest in companies to provide services or facilities for any schools, to exercise relevant LA functions or to make, or facilitate the making of, arrangements under which facilities or services are provided for any schools by other persons. Governing bodies may also form or participate in forming companies to purchase services or facilities for their school or other participating schools.

### **Responsibilities of the Chief Financial Officer**

- 4.135 To advise on the establishment, operation and investment in companies.

### **Responsibilities of governing bodies**

- 4.136 To notify the Chief Financial Officer of the proposal to exercise this power.
- 4.137 To supply the Chief Financial Officer with such information concerning the proposal as may be requested.
- 4.138 To comply with the requirements of the Chief Financial Officer with regard to the operation of or investment in the company(s).

# External arrangements

## Community facility partnerships

5.1 The Education Act 2002 gives schools, under the power to provide community facilities etc., greater freedom to work in partnership with other providers as a resource for the whole community.

## General

5.2 The main reasons for entering into a partnership are:

- the desire to find new ways to share risk
- the ability to access new resources
- to provide new and better ways of delivering services
- to forge new relationships
- to provide wider service provision to meet local community needs

5.3 A partner is defined as either:

- an organisation or group (private, public or voluntary/community) undertaking, part funding, bringing financial risk or participating as a beneficiary or a delivery agent in a project, or
- a body whose nature or status give it a right or obligation to support the project.

5.4 Partners participate in projects by:

- acting as a project deliverer or sponsor, solely or in concert with others
- acting as a project funder or part funder
- being the beneficiary group of the activity undertaken in a project.

5.5 Partners have common responsibilities:

- to be willing to take on a role in the broader programme appropriate to the skills and resources of the partner organisation;

- to act in good faith at all times and in the best interests of the partnership's aims and objectives;
- be open about any conflict of interests that might arise;
- to encourage joint working and promote the sharing of information, resources and skills between public, private, community and voluntary sectors;
- to hold confidentially any information received as a result of partnership activities or duties that is of a confidential or commercially sensitive nature;
- to act wherever possible as ambassadors for the project.

## Key controls

5.6 The key controls for schools' partners are:

- if appropriate, to be aware of their responsibilities under schools' financial regulations and standing orders;
- to ensure that risk management processes are in place to identify and assess all known risks;
- to ensure that project appraisal processes are in place to assess the viability of the project in terms of resources, employees and expertise;
- to agree and accept formally the roles and responsibilities of each of the partners involved in the project before the project commences;
- to communicate regularly with other partners throughout the project so that problems can be identified and shared to achieve their successful resolution;
- to undertake evaluation to determine the effectiveness of the project;
- to ensure that appropriate formal arrangements (e.g. SLAs, contracts, leases etc.) are entered into prior to additional facilities or services being provided.

## Responsibilities of the Chief Financial Officer

5.7 To advise on effective controls that will ensure that resources are not wasted.

- 5.8 To advise on the key elements of funding a project. They include:
- a scheme appraisal for financial viability in both the current and future years
  - risk appraisal and management
  - resourcing, including taxation issues
  - audit, security and control requirements
  - carry-forward arrangements.
- 5.9 To ensure that the accounting arrangements are satisfactory.

### **Responsibilities of governing bodies through head teachers**

- 5.10 To consult the LA, school employees, and registered pupils' parents prior to entering into any agreement with external bodies.
- 5.11 To have regard to any advice given by the LA.
- 5.12 To consult with pupils and other such persons the governing body consider it appropriate, prior to entering into any agreement with external bodies.
- 5.13 To maintain a register of all contracts entered into with external bodies in accordance with procedures specified by the Chief Financial Officer.
- 5.14 To ensure that, before entering into agreements with external bodies, a full project appraisal and risk assessment has been conducted and a report has been taken to the Cabinet Member for Strategic Resources for endorsement.
- 5.15 To ensure that such agreements and arrangements do not impact adversely upon the school's primary function.
- 5.16 To ensure that all contracts, agreements and arrangements are properly documented.
- 5.17 To ensure that any agreement the governing body enters into with a third party contains a provision enabling access by the internal and external auditor to the records and property of the third party held on school premises, or elsewhere insofar as they relate to the activity in question, required in order to verify the expenditure on the relevant facilities.

- 5.18 To record and maintain appropriate information to enable the Chief Financial Officer to enter a note into the council's statement of accounts concerning material items.

## External funding

### Why is this important?

- 5.19 External funding is potentially a very important source of income, but funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the school. **Councils are increasingly encouraged to provide a seamless service delivery through working closely with other agencies and private sector providers. Funds from external agencies provide additional resources to enable the council to deliver services to the local community. However, in some instances, although the scope for external funding has increased, such funding is linked to the tight specifications and may not be flexible enough to link to the council's overall plan.**

### Key controls

- 5.20 The key controls for external funding are:
- to ensure that key conditions of funding and any statutory requirements are complied with and that the responsibilities of the LA are clearly understood
  - to ensure that funds are acquired only to meet the priorities approved in the policy framework by the full council
  - to ensure that any match-funding requirements are given due consideration prior to entering into long-term agreements and that future revenue budgets reflect these requirements
  - to ensure that where grant aided schemes require a commitment from the LA post project completion that this funding is available

### Responsibilities of the Chief Financial Officer

- 5.21 To ensure that all funding notified by external bodies is received and properly recorded in the council's accounts.

- 5.22 To ensure that the match-funding requirements are considered prior to entering into the agreements and that future revenue budgets reflect these requirements.
- 5.23 To ensure that audit requirements are met.
- 5.24 To ensure through the use of the strategic investment unit that a full risk assessment and appraisal is undertaken of all future bids for funds where the council is being nominated to act as the accountable body, applicant, partner or where the council owns the asset and that prior to the council agreeing to act in this capacity, approval is sought from the Cabinet Member for Strategic Resources.
- 5.25 To ensure through the use of the strategic investment unit an annual report is prepared to members relating to financial and performance management of each programme where the council is acting as the accountable body

### **Responsibilities of the Accounting Body**

- 5.26 The council acts as the accountable body for a wide range of regeneration programmes. The main responsibilities of the accountable body are as follows:
- To enter into a funding agreement on behalf of the council and any associated partnership with the relevant Government funding agency.
  - To take responsibility for the receipt and proper use of grant until the final grant payment has been made.
  - To have internal systems in place to recognise and limit any risks and associated potential financial exposure to the council.
  - To ensure effective business processes are in place with regard to project appraisal, risk assessment and financial management systems to ensure that regularity, propriety and value for money are being achieved in the use of public funds.
  - To ensure that partnership management and financial information systems meet the requirements set out in the relevant funding agreements and to ensure that such systems are accurate and fit for the purpose to fulfil both internal and external audit requirements.

- To ensure both internal and external systems are designed to enable partnerships to focus on the monitoring and achievement of the results promised in the approved bid

### **Responsibilities of governing bodies through head teachers**

- 5.27 To consult with the LA prior to entering into any agreement.
- 5.28 To ensure, where it is a condition for receipt of external funding that the LA is the accountable body, that the approval of the Corporate Director for People is obtained prior to any agreement being entered into.
- 5.29 To ensure that the project progresses in accordance with the agreed timescale, achieves the agreed targets and outputs and that all expenditure is properly incurred and recorded.
- 5.30 To comply with the rules of the funding body, especially in the preparation of grant claims and the evidence collated and retained in support of those claims.
- 5.31 To ensure that all claims for funds are made by the due date.
- 5.32 To ensure that the best practice principles developed by the strategic investment unit in relation to project monitoring across all programmes where the council is the accountable body are adhered to.