



STOCKPORT
METROPOLITAN BOROUGH COUNCIL

**SCHEME FOR
FINANCING
SCHOOLS**

April 2017

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SECTION 1: INTRODUCTION

1.1 The Funding Framework: Main Features

- 1.1.1 *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.*
- 1.1.2 *Under this legislation, Local Authorities determine for themselves the size of their schools budget and their non-schools education budget – although at a minimum an authority must appropriate its entire Dedicated Schools Grant to their schools budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an Authority's maintained schools except for capital and certain miscellaneous items. Authorities may deduct funds from their schools budget for purposes specified in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure). The amounts to be deducted for these purposes are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their Schools Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the schools budget left after deduction of the centrally retained expenditure 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).*
- 1.1.3 *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 financial controls within which delegation works are set out in a scheme made by the Authority in accordance with s.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.*
- 1.1.4 *Subject to any provision 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 in regulations made under s.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.)*
- 1.1.5 *An authority may suspend a school's right to a delegated budget if the provisions of the authority's financial 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 to the Act)*

- 1.1.6 *Each Authority is obliged to publish each year a statement setting out details of its planned Schools Budget and other expenditure on children's services, showing the amounts to be centrally retained and funding delegated to 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.*
- 1.1.7 *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.*
- 1.1.8 *Regulations also require a Local Authority to publish their scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.*

1.2 The Role of the Scheme

- 1.2.1 This scheme sets out the financial relationship between the Local Authority and the maintained schools that it funds. It contains requirements relating to financial management and associated issues, which are binding on both the Local Authority and on the schools.
- 1.2.2 The scheme covers all community, nursery, voluntary, foundation, community special or foundation special schools and pupil referral units (PRUs) maintained by the authority. When schools alter their status in the new framework this will not affect coverage since the schools remain the same schools only in a different category and the schools' Governing Bodies will remain the same corporate bodies
- 1.2.3 The schools which the Authority will be maintaining are listed for information in **ANNEX A** to the scheme.

1.3 Publication of the scheme

- 1.3.1 The whole statement is available online. If schools or Governors do not have access to the internet, please contact Schools' Finance e-mail: schools.finance@stockport.gov.uk and a hard copy will be made available.
- 1.3.2 The hyperlink for the scheme is below:
<http://www.stockport.gov.uk/services/education/educationtrainingandemployment/schoolsmanagementorganisation/stockportschemeforfinancingschools/>

1.4 Revision of the scheme

- 1.4.1 *All proposed amendments to the Scheme for Financing Schools document will be subject to a full consultation period with all school Governing Bodies and any other identified stakeholders.*
- 1.4.2 All proposed revisions must be submitted to the Schools Forum for final approval. Only schools forum members representing maintained schools can approve scheme changes.

- 1.4.3 Where the Schools Forum decision differs from the Local Authority proposed revision the DfE will be asked to adjudicate.

1.5 Roles and Responsibilities

The Role of the Local Authority

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

The Role of Schools Forums

- 1.5.2 Schools Forums have an important role under the current funding regulations. Not only will they continue to have their consultative role in relation to the local distribution of school funding, they will also be able to decide on certain proposals from their Local Authority which currently have to come to the Secretary of State for decision.
- 1.5.3 The roles and responsibilities of Schools Forums are summarised in **ANNEX B** of this document.

The Role of the Governing Body

- 1.5.4 The Governing Body has a strategic role in the financial management in schools and therefore its key responsibilities include:
- Setting financial priorities through the:
 - School Development Plan (SDP), also known as the School improvement plan.
 - Statutory one-year budget with consideration to multi-year budget forecasts (2-3 years) undertaken on latest/best available data.
 - Deciding on how the school's delegated budget should be spent, in accordance with their SDP and the statutory curriculum requirements Local Authority down by government.
 - Approving and monitoring the annual budget. *The full Governing Body may delegate the approval of the first formal annual budget plan to an approved committee.*
 - Ensuring the budget is managed effectively.
 - Ensuring the school meets all its statutory obligations, and through the Headteacher complies with its Local Authority's financial regulations or standing orders.

- Determining virement and expenditure thresholds.
- Evaluating the effectiveness of spending decisions.

1.5.5 Detailed guidance is set out in Role of Governing Body, please see **ANNEX C**.

The Role of the Headteacher

1.5.6 Each Governing Body is asked to consider the extent to which it wishes to delegate its powers to the Headteacher, and to record its decision (and any revisions) in the minutes of the Governing Body.

1.5.7 The Headteacher is required to keep the Governing Body regularly informed regarding the school's financial affairs and, in particular, to ensure the Governing Body has the information it needs to enable it to discharge its duty to determining the school policies and strategy.

1.5.8 The main areas of responsibilities are:

- The framework of accountability and financial probity within the school.
- The limits of delegated authority.
- Roles and responsibilities of the Governing Body, its committees, the Headteacher and other staff involved in the financial administration of the school.
- Defined procedures for the individual financial systems within the school.

1.5.9 The Governing Body must retain responsibility for approving the first formal budget plan of each financial year and should ratify all in year revisions to the spending plan.

SECTION 2: FINANCIAL REQUIREMENTS: AUDIT**2.1. Application of financial controls to schools**

2.1.1 The Governing Body is required to abide by the Local Authority's requirement with regard to the management, monitoring and control of the school budget. These requirements are set out in the Scheme and relevant annexes. These may be supplemented by other information or guidance issued, from time to time, by the Local Authority.

2.2 Provision of financial information and reports

2.2.1 The Borough Treasurer has a duty to ensure proper administration of Council's financial affairs (Section 151 of Local Government Act 1972). The Borough Treasurer is also required to produce annual accounts in accordance with statutory requirements and statements of standard accounting practice and CIPFA code of practice. Schools must keep accounts that meet the prescribed format of the Local Authority and will integrate with those for the Authority as a whole. They meet the requirements of the DfE Consistent Financial Reporting Framework.

2.2.2 Schools are required to provide the Local Authority with details of expected and actual expenditure and income, in form and at times determined by the Local Authority, in order to comply with its own fiduciary responsibilities.

2.2.3 The timetable for the submission of the financial returns to the authority will be updated annually in separate guidance notes issued periodically by Schools' Finance.

2.2.4 Details of minimum requirements are as follows:

Annually

- Statement of Controls Assurance & Best Value Statement
- Year End CFR & Trial Balance – as per closedown deadlines provided on annual basis.
- Multi-year budget
 - 31st May for schools planning a surplus or balanced budget.
 - 1st May for schools planning to set a deficit budget to be accompanied by a recovery plan for which approval is required from the Local Authority.

Termly

- Termly Budget Monitoring report presented to your Governing Body with a report showing spend to date against budget plans and a prediction of the year-end balance (surplus/deficit). - The deadline in the autumn and spring term is the last Monday of the term.

Monthly

- Bank reconciliations for all the bank accounts held by the school and credit card reconciliations – due 15th of each month

- Long VAT Summaries and Balance & Reserve Reports – due the first working day of each month
- Sickness Claims – due 10th of the following month the claim relates to

Weekly

- Catering Returns

2.2.5 In the event that any of the above returns not being received, the Authority may send in their own officers to provide the required information and issue a 'Notice of Concern' (see section 2.22 below).

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

2.3 Cash Flow Plans

2.3.1 All schools are responsible for managing their cash flow appropriately. Schools should supply the Local Authority with details of cash flow plans when requested. This enables the Local Authority to plan the transfer of cash to schools.

2.3.2 The Governing Body is required to ensure that all accounts, financial records, financial management systems and procedures in use within the school provide the Local Authority with such information as it may require under the scheme. The Corporate Director for Services to People may issue guidance and regard to the format and contents of the school's accounts. The Governing Body must have regard to such advice or guidance if issued. As a general rule, the Authority adheres to the general accounting principles recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and expects schools to adhere to these principles.

2.4 Payment of salaries; payment of bills

2.4.1 The Governing Body is required to discharge its powers and duties in compliance with the Local Authority's procedures with regard to payment of salaries (together with certain expenses paid with salaries) and for the payment of invoices and collection of income.

2.4.2 This requirement applies whether or not the school uses the Local Authority's payroll service.

2.5 Control of assets

2.5.1 The Governing Body is responsible for the safe custody and physical control of furniture, equipment, vehicles, plant, stocks and cash. The Governing Body is responsible for the security of the school premises and must ensure that procedures are followed to control assets. Such procedures should include arrangements for keys to be held by responsible persons.

2.5.2 An inventory should maintained of all items of furniture or equipment, all vehicles

and all movable plant, whether provided by the Local Authority, purchased or hired by the school, or donated. Items valued at £50 or less may be ignored unless collectively they make up a substantial asset e.g. 100 chairs at £25 each or they are individually both valuable and highly portable e.g. mobile telephones. Items must be clearly and permanently marked following procedures set out by the Corporate Director for Services to People. *All items with a value at or greater than £1,000 must be included on some form of School inventory.*

2.6 Disposal of Assets

2.6.1 Local Authority and Buildings – Other than Trust Schools the Governing Body is not permitted to dispose of, or lease to another party, any part of the school's or Local Authority's buildings. If the Governing Body considers part of the school's or Local Authority's building to be surplus to requirements it should discuss the situation with the Corporate Director of Services to People.

2.6.2 If a Trust's Governing Body wished to lease some surplus accommodation, held by the trustees, on a long term basis this would constitute as a disposal. The Trust the Governing Body would have to ask the trustees to notify the Local Authority of the proposed purposes for which the land is to be used. If the Authority objected to this use, the trustees would then have to seek the Adjudicator's consent for the disposal.

2.6.2 If the Governing Body identifies items from the school's furniture, non IT equipment or vehicles as surplus the items may be disposed of. The principles applying to the disposal of surplus assets are as follows:

2.6.3 It should be ascertained, before disposal is contemplated, that the school has no further use for the asset;

2.6.4 An independent estimate of the disposal value is obtained, a written record of this should be kept;

- the asset should be offered to sale to other schools;
- the asset should be offered to sale to other Council divisions;
- School's furniture, non-electronic equipment or vehicles - unsold assets should be offered to other maintained schools in the Local Authority area;
- to other Council divisions;
- for sale more widely, taking accounts its estimated disposal value and cost of disposal; if the asset is believed to have no disposal value, it should be disposed of in the cheapest and cleanest manner.

2.6.6 If the asset appears to have an historical interest, it should be offered to the Head of Estates and Asset Management as a possible museum item before being offered elsewhere.

2.6.7 Where the asset was originally purchased by the Local Authority from non-

delegated funds, the income from disposal will revert to the Local Authority.

- 2.6.8 Where the asset was originally purchased by the school using delegated funds, or was donated, the income occurring from disposal may be retained by the school.

Disposal of Electronic equipment

- 2.6.9 Electronic equipment has to be disposed of in compliance with a European Directive, Waste, Electrical and Electronic Equipment (WEEE) which states that all data has to be forensically cleaned and disposed of in an appropriate manner. This directive also requires electrical equipment to be disposed of properly and with minimum harm to the environment.

- 2.6.10 The European Union has developed the WEEE (Waste Electrical and Electronic Equipment) Directive to ensure that systems for collection, treatment and recycling of electronic waste will be in place throughout the European Union.

The Sale of Second Hand Electrical Goods

Current legislation requires electrical equipment supplied in the course of business to be safe, i.e. have minimal risk of causing death or injury to persons or domestic animals, or damage to property. Second-hand electrical goods are required to meet the same safety standards as new items.

Schools should therefore, have appropriate procedures in place to comply with the relevant legislation for the sale of electrical equipment in order to safeguard Council / school against potential litigation.

- 2.6.11 The Council must ensure that any disposal contractor has the correct license to accept ICT equipment. If the same contractor is collecting hazardous ICT waste, any license must also state this separately. The Environment Agency issues these waste licences. In regards to regular and hazardous waste ICT equipment the Council must ensure that the following codes are printed on any license:

16-02-04 – ICT Equipment from business property.

16-02-13* - Hazardous ICT Equipment from business property (i.e. Monitors).

Note – the asterix () denotes hazardous waste.*

- 2.6.12 The Local Authority also has a duty of care to ensure that, as far as possible, an accurate audit trail exists on all decommissioned ICT equipment. This is to ensure that equipment is dealt with in a legal and responsible manner. This audit trail does not only include Data IQ but also any contractor that Data IQ sells material to.

- 2.6.13 For example if a keyboard is broken down into 3 separate materials and sold to three different companies, a school must ensure that each of those companies is identified and has appropriate licenses to accept that material and deal with it in a legal and responsible matter. This becomes especially relevant when dealing with hazardous materials.

2.6.14 Schools are required to ensure:

- a) That any data stored on all decommissioned computers and servers is destroyed
- b) Licensed software remaining on all decommissioned computers and servers is destroyed.

It is for these reasons that the Local Authority requires all hard drives to be completely removed from decommissioned computers and destroyed. If a school gives away a computer with data on it has breached the Data Protection Act, this breach could lead to prosecution.

2.6.15 In no instance should a hard drive from a decommissioned computer be used for any purpose, (other than be stored as a legal record of data). To confirm this process the Local Authority requires a Certificate of Destruction for hard drives destroyed. For further information please refer to:

<http://www.environment-agency.gov.uk>

or AVA for information about local disposal companies that meet the WEEE regulations.

2.7 Accounting Policies (including year-end procedures)

2.7.1 Schools must abide by procedures issued by the Local Authority to accounting policies and year-end procedures.

2.7.2 The year-end procedures are set out in the year-end procedure notes and closedown timetable provided by the Local Authority's Financial Management Service.

2.7.3 Schools are asked to ensure that internal accounts from within the Local Authority are paid within 30 days, or a formal query is made in writing.

2.8 Writing off of debts

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

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

2.8.3 The decision to write-off any debt if it proves to be irrecoverable must be made and minuted by the Governing Body. It cannot be delegated. Where the invoice exceeds £1,000 the Governing Body must notify and obtain the prior approval of the Borough Treasurer before writing off the debt. Several invoices due from the same debtor adding to the total to this amount should be treated in the same manner. All requests for approval should be forwarded through the Schools'

Finance Team. All write-offs must be correctly recorded in the accounts – by reversal of the original income transaction(s).

2.9 Basis of accounting

2.9.1 Reports and accounts as set out in 2.2 should be provided to the Local Authority on an accrual basis and budget monitoring reports must include an estimated outturn position.

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

2.10 Provision of Formula Budget Allocation

2.10.1 By no later than the *28th February* prior to the beginning of each multi-year budget period, the Authority will provide the Governing Body with a statement of the school's budget share.

2.10.2 The budget share statement will also contain information as required by Section 251 of the Schools Standards and Framework Act 1998, the Authority will inform each maintained school of any central government grant income paid via the Local Authority for the remaining financial years covered by the multi-year budget period. The Local Authority may issue additional budget estimates from time to time.

2.10.3 The Local Authority will 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 by the *31st May* (*1st May* for deficit budget plans).

2.10.4 The intention of this forecast is to:

- Show that schools are looking at longer term financial planning.
- Identify to the Local Authority potential budgetary problems in future years.

2.10.5 When information is available the Local Authority will supply the school with information relating to income and expenditure on a monthly basis.

2.10.6 The Governing Body is not permitted to set a budget which plans for a deficit at the end of the financial year, except where the Authority has authorised such a budget, see accordance with section 4.

2.10.7 If a Governing Body submits a multi-year budget plan which shows the school going into deficit in the second or third year of the budget plan, the budget plan must be accompanied by a plan from the school showing how it intends to avoid or deal with the forecast deficit.

2.10.8 The form determined by the Authority for submission of budget plan should so far as possible take account of the Consistent Financial Reporting framework and the desirability for compatibility with that.

2.10.9 The school's formal annual budget plan must be approved by the Governing Body

or a committee of the Governing Body and Headteacher of the School.

2.11 Efficiency and Value for Money (replaces current Best Value section)

2.11.1 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. (See section 2.15 below)

It is for Headteachers 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's important for schools to review their current expenditure, compare it to other schools, and think about how to make improvements.

2.12 Virement

2.12.1 Virement is an administrative device that provides a degree of flexibility to the budget that is required to deal with changing circumstances and/or unexpected developments. Virement means the transfer of monies from one budget head to another.

2.12.2 Provided overall spending is contained within the total delegated budget, the Governing Body may approve transfers of budget between budget headings. The Governing Body is required to establish and approve a written policy relating to virement. This policy should set criteria for virement, whether or not the power to vire is delegated to a sub-committee or the Headteacher and if so, the financial threshold above which delegation would not apply.

2.12.3 The policy should include provision for the Governing Body to vire sums from the school budget into non-delegated headings of 'earmarked' expenditure. However, it is not permitted for the Governing Body to vire earmarked funds into other budget headings without prior written consent of the Corporate Director, Services to People.

2.13 Audit

2.13.1 Schools are required to co-operate *and provide access to all school records* to both *Local Authority internal auditors and external auditors appointed by the Local Authority.*

2.13.2 The Local Authority internal audit process is designed to satisfy the statutory requirements of the relevant Section 151 Officer, namely the Borough Treasurer, in so far as:

- Internal financial controls are in place and are operating effectively;
- Accounts and records have been prepared in accordance with proper accounting practices and statutory requirements;
- Arrangements are in place to secure the achievement of economy, efficiency and effectiveness, and to enable reports in the public interest.

2.13.3 Audit Arrangements

- The accounts of the Local Authority maintained schools will be the subject of regular internal audit to review the management of the school's finances and its stewardship of public money on behalf of the Local Authority.
- Internal audit of schools will be based on a risk based programme, therefore high risks schools will be audited more frequently. There are no planned cyclical audits. More focus on cross-cutting thematic audits including areas such as payroll, procurement etc. will be undertaken and this will include a sample of schools to be visited.
- Schools must allow internal auditors access, for the purpose of an audit, to such premises, documents and assets, as the internal auditors consider necessary.
- The Governing Body and school staff should provide internal auditors with any explanations they consider necessary, *in order to fulfil their duties*.
- The Headteacher should consider and respond promptly to recommendations in audit reports and report to the Governing Body on the results of audits and *any subsequent actions required by the school*.
- The Headteacher should immediately notify the internal auditors of any suspected irregularities *involving fraud, bribery, theft and or corruption*.

2.13.4 In relation to external audit all schools come within the Local Authority external audit regime and may be subject to inspection as necessary by the Authority's external auditors.

2.13.5 The internal and external audit regimes will not normally be concerned with unofficial schools funds. However, the Borough Treasurer will be entitled to make such enquiries as they consider appropriate.

Separate external audits

2.13.6 The Governing Body may obtain an external audit of its accounts separately from the Authority's internal and external audit process. The cost of such arrangements will be chargeable to the school's budget. The Local Authority's internal and external audit arrangements will not be adjusted to take account the Governors' decision to commission a separate external audit.

Audit of voluntary and private funds

2.13.7 The Governing Body is required to provide annually, audit certificates in respect of voluntary and private funds held by schools and of the accounts of any trading organisations controlled by the school.

2.13.8 Guidance on the management, accounting arrangements and audit of unofficial school funds appears in **ANNEX D**.

2.14 Register of business interests

2.14.1 The Governing Body is required to:

- *Establish and maintain a register which lists for each member of the Governing Body, the Headteacher, senior management team and any finance staff any business interest they or members of their immediate family have.*

DfE directed Revision:

- *Details of any other educational establishments that they govern;*
- *Any relationships between school staff and members of the Governing Body;*

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

- To keep the register up to date with notification of changes and through annual review of entries.
- To make the register available for inspection by Governors, Staff and Parents and the Authority *and to publish the register, for example on a publicly accessible website.*

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

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

2.15 Purchasing, tendering and contracting requirements

2.15.1 *Contracts entered into by schools should be awarded in accordance with the authority's financial procedure rules. Schools must ensure that they demonstrate value for money and comply with all UK and European legislation and directives when tendering or requesting quotations.*

Prior to commencing a tender or quotation process, schools must check the current EU thresholds and assess in advance, where relevant, the health and safety competence of contractors, taking account of the Authority's policies and procedures.

2.15.2 The link for Authority's financial procedure rules is: Financial Procedure Rules and the link to check current EU thresholds is: EU thresholds

2.15.3 The number of quotes and thresholds are set out in the Contract Procedure Rules; however, schools may have lower quotation limits in accordance with their Finance Manuals

2.15.4 *The Governing Body/Headteacher must ensure that they consider quality, economy and efficiency when making agreements for the purchase of supplies, goods, equipment or services.*

2.15.5 *A summary on the application of the contract procedure rules in terms of value of contracts is attached in **ANNEX E**.*

2.15.6 *Wherever members of staff or the Governing Body are in doubt as the applicability or interpretation of these rules, they should seek the advice of STAR Procurement via procurement@star-procurement.gov.uk. Please note that STAR Procurement is a buy back option for schools.*

2.16 Application of contracts to schools

2.16.1 Schools have the right to opt out of Local Authority arranged contracts except where the scheme provides otherwise.

2.16.2 The scheme may provide otherwise for:

- Contracts which schools have agreed to be covered in respect of services for which funding was delegated by the Authority prior to 1 April 1999;
- Certain contracts in the scheme as approved by the Secretary of State for services for which funding has been delegated after 1 April 1999, irrespective of the agreement of schools.
- 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 Local Authority as maintainer of the school and the owner of the funds in the budget share. Contracts may be made solely on behalf of the Governing Body, when the Governing Body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

2.17 Central funds and earmarking

2.17.1 The Local Authority is authorised to make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget shares. Such allocations should 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.

2.17.2 Such allocations might, for example, be sums for Special Educational Needs (SEN) or other initiatives funded from the central expenditure of a Local Authority's Schools Budget or other Local Authority budget.

2.17.3 This devolved funding is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not vired into the budget share. There should be an accounting mechanism for schools to be able to demonstrate that this requirement has been complied with.

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

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

2.18 Spending for the purposes of the school

2.18.1 Governing Bodies are authorised to spend budget shares for the purposes of the school, subject to the provisions of the scheme. The Authority may prescribe additional purpose for which expenditure may be incurred from the school budget. The Secretary of State may also prescribe such additional purposes.

2.18.2 The Governing Body may not incur expenditure from the school budget for purposes which are properly the responsibility of other agencies.

2.18.3 By virtue of section 50(3A) (which came into force on 1st April 2011), amounts spent by Governing Bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

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

2.19 Capital spending from budget shares

2.19.1 Capital spend is money spent to acquire, improve or upgrade physical assets such as buildings and machinery which provides benefits for a period exceeding one year. Such expenditure includes work to the school site, playing fields and buildings, and some equipment and vehicles. It can also relate to software upgrades for computer equipment.

2.19.2 The definition of capital expenditure, as set out in accounting guidelines for Local Authorities (Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice) can be summarised as follows:

2.19.3 In respect of Council assets:

- Acquisition, reclamation or laying out of land
- Acquisition, construction, preparation or replacement of roads, buildings and other structures
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels
- Enhancement of land or buildings:
 1. which lengthens substantially the life of the asset
 2. which increases substantially the open market value of the asset

3. which increases substantially the extent to which the asset can be used for a function of the Local Authority

2.19.4 The Council applies a de minimis limit below which items of expenditure are not capitalised. This is £2,000 for schemes funded from Devolved Formula Capital and £10,000 for other expenditure on capital.

2.19.5 This content can be found on the following page:

http://www.investorwords.com/703/capital_expenditure.html

2.19.6 Governing Bodies may use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the Governing Body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998. The Local Authority stipulates that if there is expected capital expenditure from the budget share the Governing Body must notify the Local Authority and that it must take into account any advice from the Corporate Director of Service for People as to the merits of the proposed expenditure if it exceeds the figure of £2,000.

2.19.7 If the premises are owned by the Authority, or the school has voluntary controlled status, then the Governing Body should seek the consent of the Authority to the proposed works, but such consent can be withheld only on health and safety grounds.

2.19.8 The reason for these requirements is to help ensure compliance with the current School Premises Regulations and DfE Construction Standards, and health and safety legislation.

2.19.9 These requirements would not affect expenditure from any capital allocation made available by the Authority outside the delegated budget share.

2.20 Leasing

2.20.1 The Governing Body may finance the acquisition of equipment by entering into a leasing agreement as an alternative to outright purchase. The asset must be obtained from a supplier approved by the Council's Procurement team.

- 1) The value is less than the Council's level for de minimus capital expenditure, currently £10,000
- 2) The Council's Legal Service has approved documentation prepared by the supplier.

2.21 Schools Financial Value Standard (SFVS)

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

2.21.2 Governors must demonstrate compliance through the submission of the SFVS

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

2.21.3 All maintained schools with a delegated budget must submit the form to the Local Authority before 31 March 2013 and annually thereafter.

2.22 Notice of Concern

2.22.1 The Local Authority may issue a notice of concern to the Governing Body of any school it maintains where, in the opinion of the Borough Treasurer and the Corporate Director of Services to People, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the Local Authority or the school.

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

- A requirement for relevant staff to undertake appropriate training to address any identified weaknesses in the financial management of the school;
- A requirement for an appropriately trained/qualified person to chair the Finance Committee of the Governing Body;
- Placing of a condition on the schools to provide timely monthly accounts to the Local Authority;
- Termly financial monitoring meetings at the school attended by Local Authority officers;
- A requirement for the Governing Body to buy into a Local Authority's financial management systems and Finance service level agreement; 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.
- Amendment to the school scheme of delegation in relation to the levels of permitted expenditure (both revenue and capital)
- All contracts, leases and licences to be renewed or let require approval of the Director of Services to People.

2.22.3 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. The notice will also include the required outcome 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, which may include the removal of delegation.

2.22.4 It is proposed that under section 2.22.2 above the following restrictions also apply: where the school is in deficit, plus all new appointments to be agreed by the Local Authority in advance of the post being advertised.

2.22.5 As the notice has to be agreed by the Borough Treasurer and Corporate Director Service to People, any proposal to be agreed or otherwise by Services to People Senior Management Team will be made following a recommendation from the Borough Treasurer.

2.22.6 The proposals should contain justification for the issue of a notice, together with the suggested actions or restrictions. A small group of officers from Corporate and Support Services and Services to People, involving School Improvement, would agree the reasons why the notice is being recommended and the outcomes that need to be achieved. A sub group of the Schools Forum may be convened to address any dispute that may arise between the Authority and the School, to resolve any aspect of the notice.

2.22.7 The circumstances in which a notice of financial concern might be issued would include:

- A school having consistently large balances and failing to implement plans for reducing these, except in circumstances outside their control.
- Schools in deficit: failure to take appropriate and timely action to address the deficit and to keep the Authority informed of progress in achieving the recovery plan.
- Schools failing to complete the SFVS as required.
- Audit outcome: failure to take appropriate and timely action following an Audit report identifying significant issues in relation to the financial management.
- Failure to comply with provisions of the Scheme for Financing Schools.
- A School due to close or amalgamate

2.23 Banker School

2.23.1 A banker school is where any grant funding received meant for several schools is held by one school.

2.23.2 The grant needs to be kept separately in a different fund in the school's accounting system and extracted from the CFR report. The entire year-end balance is not reported as belonging to the school.

2.23.3 The banker school would need to reflect **their** proportion of the year-end balance of the grant in their year-end accounts. The banker school is also responsible for giving the individual schools information on their share of the balances so that these can form part of their CFR return at year-end. They would not need to transfer cash.

2.23.4 If you become a banker school, the school will need to notify Schools Finance as soon as possible.

2.24 Fraud

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

The Governing Body and Headteacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them; and the consequences of breaching these controls. This information must also be included in induction for new school staff and governors.

The Local Authority has produced a model Fraud & Theft policy and this can be found on Stockport Office Online.

SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS

The Local Authority has adopted the CIPFA Code of Practice for Treasury Management.

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

3.1 Cash advances to schools

3.1.1 Schools have access to their budget share monthly. In terms of cash relating to the budget share, these are made available to Governing Bodies once a term. Payments for cheque-book expenditure are made into the schools' bank accounts in three instalments, on or as near as possible to: 1st April; 1st September; 1st January. Place led funding is included in arrangements for payments by instalments. Top up payments relating to high needs pupils will be calculated on a monthly basis unless otherwise agreed.

3.1.2 Schools can spend from their formula budget share monthly 1/12 of the formula budget is available each month for salary expenditure accounted for centrally or as a cash advance.

3.1.3 The cash advance is calculated in the following way:

- *Identify the % level on average spent by schools on central expenditure (i.e. salary and SLA costs) – The majority of schools are spending Min.85% based on 2012/13 expenditure levels*
- *The remaining balance (15%) is expenditure incurred directly by the school and administered via their local bank account. This is the money the school will receive in cash advances through the year as per 3.1.1 above*
- This percentage is applied to the formula budget share for each school.
- The result is divided by three.
- In the following year, individual schools' outturn positions are compared to the schools' bank account positions (at the end of the financial year) (bank + control accounts + petty cash) adjusted for net outstanding income and liabilities.
- The result shows where schools owe back, or, are owed cash relating to the previous year; as the outturn position should be reflected in the schools' bank accounts. The adjustment for outstanding income and liabilities is made as these items are reflected in the previous year's accounts.
- This comparison results in adjustments to the second advance (September). Where a school owes money back to the Local Authority and depending on the size of the adjustment, the third advance (January) may also be affected.
- If the total adjustment is because a school was advanced too much cash in the previous year, this will result in a reduction of, or, no second or third instalment. It can also result in a recovery of cash, which will be requested in September.

3.1.4 If any school finds themselves in difficulties with their cash flow they may apply to the Local Authority for an emergency cash advance.

3.1.5 Illustrative example:

| | | | |
|---|-----|---|----------|
| | | Installments of Formula Budget Share: | |
| | | Formula Budget Share Current Year | £500,000 |
| | | Average net cheque-book spend % | 15% |
| | | Total amount of cash to be allocated to school | £75,000 |
| | | Divided by 3 Installments | |
| A | | Amount per installment | £25,000 |
| | | | |
| | | <u>Adjustment for Previous Year:</u> | |
| B | | Previous Year's outturn - revenue & capital | £150,000 |
| | | | |
| | | Bank Balance at end of previous year - including control accounts | £120,000 |
| | | Less net outstanding income & liabilities (cheque book items only) | £50,000 |
| C | | Amount in bank balance relating to previous year's outturn | £70,000 |
| | | | |
| D | B-C | Amount Owed to/(owed by school) | £80,000 |
| | | | |
| E | | Excessive Balance Previous Year (if excessive > 1year and D positive) | £0 |
| | | | |
| F | D+E | Total Adjustment | £80,000 |
| | | | |
| | | <u>Schedule of Installments:</u> | |
| | A | April | £25,000 |
| | | | |
| | A+F | September CALCULATION | £105,000 |
| | | September ACTUAL ADVANCE | £105,000 |
| | | | |
| | A | January CALCULATION | £25,000 |
| | | January ACTUAL ADVANCE | £25,000 |
| | | | |
| | | Recovery (September) | 0 |

3.2 Interest

- 3.2.1 *There will be no interest applied to any school balance held at year-end and/or removed from schools via the excessive surplus balance claw-back mechanism.*
- 3.2.2 Interest on late budget share payments - Where an instalment is late due to a Local Authority error, interest will be added to the instalment using the current Bank of England base rate. This will be calculated on the number of days the instalment has been delayed.

3.3 Budget shares for closing schools

3.3.1 When a school is closing instalments can be paid by monthly instalment net of estimated pay costs until closure. This is at the Authority's discretion.

3.4 Bank accounts

3.4.1 The scheme permits all maintained schools to have external bank accounts into which their budget share instalments (as determined by other provisions) are paid. Schools are permitted to retain all interest payable on the account.

3.4.2 Requirements for school bank accounts:

- Schools are required to select their bank account provider and can chose to bank with any high street financial institution.
- Should a school wish not to bank with a high street financial institution they need to seek permission from the Authority's Financial Management Service.
- A school may not hold bank accounts for the delegated budget with more than one financial institution. However a school may operate more than one bank account with the selected financial institution. This would facilitate short term investment and the operation of electronic receipt of income e.g. Parent Pay Scheme, provided there are appropriate controls in place and it is approved by the Governing Body. However, if electronic receipt of income is to be established the Borough Treasurer should be notified as he shall approve all methods for the collection of income (Financial Procedure Rule 7.3).
- Schools need to send bi-annually (September and March) details of which financial institutions they use.
- Changes in banking arrangements will be subject to Local Authority to approval.

3.4.3 Schools' bank accounts for budget share purposes need to be in the name of the school rather than the Local Authority. However the account mandate should provide that the Local Authority is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the authority.

3.4.4 Governing Bodies are required to have regard to the fact that money held in school budgets, including that held in bank accounts remains the Local Authority property until spent (s.49 (5) of the Act)

3.4.5 The Local Authority requires schools with external bank accounts to provide the Local Authority with such information relating to these accounts as it may require, in such form it may prescribe.

3.4.6 The Local Authority reserves the right to withdraw external bank account facilities from any school if it:

- Fails to keep adequate records and accounts;
- Fails to monitor its external bank accounts adequately;
- Has a deficit balance on its budget.

3.5 Borrowing by schools

- 3.5.1 Overdrafts are not permitted, and the school must inform their bank that the account is not to be operated in overdraft.
- 3.5.2 Governing Bodies may borrow money independently only with the written permission of the Secretary of State. This provision does not apply to prudential borrowing scheme that is run by the Authority (see section 4.6). Queries on the Secretary of State's power should be directed to the Department's School Capital and Buildings Division, which issues periodic advice on the matter.
- 3.5.3 This does 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 budget, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing Bodies do not act as agents of the Local Authority when repaying loans.
- 3.5.4 The school may apply to the Local Authority to use credit cards in accordance with the approved Card Policy, see section 4.5.1.

DfE Directed Revisions

- 3.5.5 *Borrowing by schools includes the use of finance leases and is not allowable.*
- 3.5.6 *Schools are permitted to use any scheme that the Secretary of State has said is available to schools without the requirement to seek specific approval, this currently includes the Salix scheme, which is designed to support energy saving.*

3.6 Cash Imprest Accounts

- 3.6.1 Guidance on the operation of cash imprest accounts is contained in the Authority's financial procedure rules – see sections 9.8 to 9.15

<http://i.stockport.gov.uk/documents/css/27788/PR5> - *Financial Procedure Rules*

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

4.1. Balances

- 4.1.1 Surplus Balances - Under Fair Funding legislation schools are permitted to retain surplus balances from one financial period to the next. However there is an expectation that Local Authorities put in place a monitoring regime for balances deemed to be excessive.
- 4.1.2 Deficit Balances - Schools are required to maintain a balanced budget. It is recognised that circumstances may mean that this is not always possible. So provision is made for the Authority to agree an "Approved Deficit".

4.2 Surplus Balances

- 4.2.1 *The Schools Forum agreed to re-introduce the Excessive Surplus Balance control mechanism with effect from 1 April 2014. The Excessive Surplus Balance control will therefore take effect from the school balances position reported at the end of the 2014/15 financial year.*
- 4.2.2 All schools have the opportunity to operate external interest bearing bank accounts. The Local Authority does not therefore propose to pay interest on balances held centrally by the Authority on behalf of schools.
- 4.2.3 *Schools are considered to hold an "excessive surplus balance" if the reported balance as at 31st March each year exceeds 12% of the total funding delegated to schools at the start of the financial year. (Total funding = all delegated budget share elements plus the pupil premium grant).*
- 4.2.4 *All schools with an excessive surplus balance to be clawed-back by the LA will be notified by the end of May each year, when their final school balance position is confirmed as part of the annual closure of accounts process.*
- 4.2.5 *All funding removed from school budgets will be held centrally and protected on a sector by sector basis until decision as to how such monies are to be re-deployed is agreed.*
- 4.2.6 *The Local Authority following discussions with Schools Forum will determine the deployment of all such funds on an annual basis.*

4.3 Deficit balances and planned deficit balances

- 4.3.1 Revenue deficit balances held by schools as permitted under this scheme must be carried forward. The Local Authority cannot write off the deficit balance of any school.
- 4.3.2 The scheme precludes schools to plan for deficits unless approval is granted by the Authority as set out below.
- 4.3.3 Where a school had an unanticipated deficit balance at the end of the previous

financial year, or where a deficit budget balances is anticipated at the end of the current financial year, the Governing Body may apply to the Authority for permission to recover over more than one year.

- 4.3.4 The Governing Body will make a written application to the Corporate Director of Services to People by the 30th April of the current financial year requesting permission to set a deficit budget. The request needs to specify:
- a) the cause of the deficit;
 - b) the estimated value of the deficit over the multi-year period it relates to;
 - c) the length of time over which the budget recovery is proposed;
 - d) the action the Governing Body proposes to take to rectify the underlying cause of the deficit (recovery plan).

A model recovery plan template is provided at **Annex F**

- 4.3.5 The Corporate Director of Services to People and Borough Treasurer will determine the application taking account of the information provided in the above request from the Governing Body.
- 4.3.6 The maximum recovery period will be three financial years following the financial year in which the application is made;
- 4.3.7 The Corporate Director of Services to People and Borough Treasurer will be empowered to attach permission, conditions relating to the governors' management of the school and its budgets; such conditions will be the subject of consultation with the Governing Body and will be binding on the school once agreement has commenced.
- 4.3.8 The Governing Body will be required to provide the Authority at the end of the month, (other than a closing school) a budget monitoring report that covers the period the budget deficit relates to.
- 4.3.9 The Governing Body will be required to purchase the Finance Service Level Agreement at the highest level.
- 4.3.10 Failure to comply with the above may lead to a notice of concern or in extreme circumstances withdrawal of financial delegation.

4.4 Surplus and deficit balances of closing schools

- 4.4.1 When a school closes any balance whether surplus or deficit reverts to the Local Authority.
- 4.4.2 When a school closes with a surplus balance, the Local Authority will be responsible for determining the deployment of all such balance, this may include all or part there of being deployed to any combination of the following:
- i) Allocate to individual schools
 - ii) Allocate to centrally held contingency
 - iii) Allocate to any identified DSG pressure or overspent budget areas
 - iv) Add to "Closing schools" reserve fund

- v) Allocate to a schools "Invest to save" and/or priority investment area
- vi) Allocate to a school improvement capital program / development area
- vii) Allocate to any other locally determined schools related scheme as agreed by the Services to People's SMT.

b) When a school closes with a deficit balance, the Local Authority following discussion with the Schools Forum will fund the deficit level from either or a combination of the following:

- i) Any current reserve level held
- ii) Any other closing school balance
- iii) Any current/future *DSG* area
- iv) An agreed top-slice of the *Schools Budget* block
- v) Any agreed ring-fenced monies from formula cashable savings
- vi) Any available headroom monies; or
- vii) Any other form of agreed repayment plan

4.4.3 The Local Authority shall report to the Schools Forum on an annual basis as to the deployment of such monies.

4.4.4 Should any school due to close within the next 12 months have an approved deficit budget, the Local Authority shall reserve the right to implement any of the following controls:

- a) Issue a "Notice of Concern"
- b) Suspend the use of any capital funds without prior LA agreement
- c) Remove delegated powers of financial management
- d) Any other specific items to be discussed and agreed.

4.5 Credit Cards

4.5.1 Schools can apply to the Local Authority to be given the right to use credit cards where savings can be obtained from using a card. The model credit card policy is provided at **ANNEX G**.

4.6 Prudential Borrowing

4.6.1 Governing Bodies may borrow money only with the written permission of the Secretary of State.

4.6.2 Schools when seeking to borrow funds from the Council can acquire capital assets via the prudential borrowing scheme run by the Local Authority. Applications will only be considered for expenditure on the acquisition, creation or enhancement of assets that can be capitalised (subject to a de minimus level) providing that it will yield benefit to the Council and services it provides for a period of more than one year E.G. improvements to land and buildings, computer hardware, furniture and equipment.

4.6.3 Applications cannot be considered for assets with a capital cost/purchase price less than £10,000 unless it is part of one large scheme where the total costs will exceed £10,000.

- 4.6.4 In all cases, schools will be required to complete an application form and demonstrate that the proposal is affordable, achievable and sustainable.
- 4.6.5 Applications will only be considered for projects, which have received the formal approval of the school's Governing Body. A copy of the resolution should be enclosed with the completed application form. Applications can be submitted and considered in advance of this with signatures of the Headteacher and Chair of the Governing Body. Further details can be found at **ANNEX H**.

4.7 Supporting Schools in Financial Difficulty

- 4.7.1 Funding to support schools can only come from a de-delegated contingency for mainstream schools, or a central budget for special schools and PRUs

SECTION 5: INCOME

The principle underlying the treatment of income earned by the school is that the school is authorised to retain income except in certain specified circumstances.

5.1 Income from lettings

5.1.1 The Governing Body may retain income from lettings of the school premises which would otherwise accrue to the Authority, subject to alternative provisions arising from any joint use or PFI/PPP agreements. The Governing Body will be responsible for the cost arising from lettings and may cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share. However, schools are required to have regard to directions issued by the Local Authority as to the use of school premises, as permitted under the School Standards and Framework Act 1998 for various categories of schools.

<http://www.legislation.gov.uk/>

5.1.2 Income from lettings of school premises should be paid into the delegated account. This provision applies to letting of premises owned by the Authority; it does not apply to lettings of premises owned by other organisations.

5.2 Income from fees and charges

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

5.3 Income from fund-raising activities

5.3.1 Schools are allowed to retain income from fund-raising activities. Where such activities have created a charge against the school budget, this charge must be reimbursed before the balance of income is credited to any unofficial fund.

5.4 Income from the sale of assets

5.4.1 Schools may retain the proceeds from the sale of assets purchased from the school's revenue budget share; the income must be included in the school budget plan and only spent for the purposes of the school. In cases where the asset was purchased with non-delegated funds the proceeds will accrue to the Local Authority.

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

5.4.3 Assets that are leased cannot be sold.

5.5 Other income

5.5.1 Income from Delegated School meals (i.e. non Local Authority contract provision). A school operating their own school meals provision should ensure income and expenditure is accounted for separately in their school accounting system

5.5.2 Administrative procedures for the collection of income

The Local Authority will establish administrative procedures for the collection of income which may vary from time to time in the light of VAT advice.

The authority may wish to take advice from its local VAT Business Advice Centre as to whether schools should charge VAT on lettings and on the services which lead to fees and charges, and on the VAT implications of fund raising activities and sale of assets.

SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General provision

- 6.1.1 The Local Authority *may de-delegate funding for permitted services without the express permission of the Governing Body, provided this has been approved by the appropriate phase representatives of the Schools Forum.* The budget share of a school may be charged by the Local Authority without the consent of the Governing Body only in circumstances set out in 6.2 below.
- 6.1.2 The Local Authority shall consult a school as to the intention to so charge, and shall notify a school when it has been done.
- 6.1.3 Schools are reminded that the Local Authority cannot act unreasonably in the exercise of any power given by this scheme, or it may be the subject of a direction under s.496 of the Education Act 1996.
- 6.1.4 The Local Authority shall make arrangements for a dispute procedure for such charges.
- 6.1.5 The Local Authority is required to charge salaries of school based staff to school budgets at actual cost.

6.2 Circumstances in which charges may be made:

- 6.2.1 Where premature retirement costs have been incurred without the prior written agreement of the Local Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Local Authority).
- 6.2.2 Other expenditure incurred to secure resignations where the school had not followed Local Authority advice.
- 6.2.3 Awards by courts and industrial tribunals or out of court settlements against the Local Authority arising from action or inaction by the Governing Body contrary to the Local Authority's advice.
- 6.2.4 Expenditure by the Local Authority in carrying out health and safety work or capital expenditure for which the Local Authority is liable 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 incurred by the Local Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Local Authority. (See also 10.1).
- 6.2.6 The Authority may charge to the school budget the value of any betterment in relation to items replaced or repaired following insurance claims.
- 6.2.7 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.

- 6.2.8 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure, and the result is that monies are owed by the school to the Local Authority, also where a Local Authority debt has not been settled after 30 days and there is clear evidence that the Local Authority has provided a service to the school.
- 6.2.9 Recovery of penalties imposed on the Local Authority by the Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, Teachers Pensions or regulatory authorities as a result of school negligence.
- 6.2.10 Correction of Authority's errors in calculating charges to a budget share (e.g. pension deductions).
- 6.2.11 Additional transport costs incurred by the Local Authority arising from decisions by the Governing Body on the length of the school day, and failure to notify the Local Authority of non-pupil days resulting in unnecessary transport costs.
- 6.2.12 Legal costs that are incurred by the Local Authority because the Governing Body did not accept the advice of the Local Authority (see also section 11).
- 6.2.13 Costs of necessary health and safety training for staff employed by the Local Authority, where funding for training has been delegated but the necessary training not carried out.
- 6.2.14 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.
- 6.2.15 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 incidence SEN and/or specific funding for a pupil with High Needs.
- 6.2.16 Where a school fails to demonstrate the earmarked funding has been spent for the purpose for which it has provided, the Local Authority may charge to the school budget such penalty payments as it may incur; this will apply to any grant funding where failure of a Governing Body to produce adequate records leads to a grant claim by the Local Authority being disallowed. Conversely, over-spending on earmarked funding may be charged to the school budget.
- 6.2.17 Cost of work done in meeting reporting requirements on behalf of those schools not using the Local Authority payroll contractor for example teacher pension remittance and records. The charge will reflect the minimum needed to meet the cost of the Local Authority's compliance with its statutory obligations.
- 6.2.18 Costs incurred by the Authority due to submission by the school of incorrect data.*
- 6.2.19 Costs incurred by the Local Authority as a result of the Governing Body being in breach of the terms of a contract.

- 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 Where a court or tribunal has made an award against the Authority and this has arisen from action or inaction by the Governing Body contrary to the Authority's advice, the value of the award may be charged to the school budget.
- 6.2.22 The Authority may apply charges to the school budget to correct errors in respect of charges applied under other paragraphs of this section.
- 6.2.23 Where delegation has been suspended at a school, the Local Authority may charge for costs as it considers appropriate to the school budget in discharging its responsibilities in running the school.
- 6.2.24 The Local Authority may charge to the school budget expenditure it incurs in the event of a failure on the part of the Governing Body to meet statutory or contractual obligations.
- 6.2.25 In the event a school electing to receive instalments of its budget more frequently than proposed by the Local Authority may charge the school budget consequential administrative costs as it may incur, in addition to costs in relation to forgone interest.
- 6.2.26 Where consequential costs arise from work to the school premises undertaken by the Governing Body, the Authority may charge these costs to the school budget if costs were not approved in advance by the Local Authority.
- 6.2.27 Where the Authority incurs expenditure as a result of deficiencies in repairs and maintenance programme undertaken by the Governing Body, the Authority may claim the costs of such expenditure to the school budget.
- 6.2.28 Any costs, or losses in respect of the school budget (including those relating to a bank account operated by the school) arising as a result of error negligence, irregularity, inaction or action contrary to the Authority's advice may be charged to the school budget.
- 6.2.29 Where a dispute arises between the Authority and the Governing Body over payment for services provided to the school and where this dispute has been referred to dispute procedures set out in a service level agreement, with the result that payments are owed by the school to the Authority, the Authority may recover such payments from the school budget.
- 6.2.30 *Costs incurred by the authority in administering admissions appeals, where the Local Authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.*

SECTION 7: TAXATION

7.1 Value Added Tax (VAT)

7.1.1 Schools must comply with tax legislation and should follow the procedures set out in any relevant procedure issued by the Borough Treasurer, with regard to the following matters:

- Recording and reclaim of VAT
- Construction Industries Tax Deduction Scheme
- Deduction of income tax in relation to staff employed at the school.

7.1.2 It should be noted that VAT reclaimed in respect of expenditure charged to a school's budget will be returned to the school. Further guidance on VAT can be found **ANNEX I**.

7.1.3 Returns should be made in accordance with timetable issued by the Local Authority, particularly as there are financial penalties if returns are not made promptly and accurately. Any penalties that result from errors or delays in submittal of school returns will fall to be met from school budgets.

7.1.4 Schools are responsible for their own unofficial funds and these do not fall under the Local Authority's VAT registration.

7.2 Schools and the Construction Industry Tax Scheme

7.2.1 With effect from 6 April 2007, where a Local Authority school commissions work to the school premises acting under its delegated financial powers and pays for such from its delegated budget, the payment falls outside the scope of the Construction Industry Scheme.

7.2.2 However, the Scheme does apply to construction works at Local Authority schools commissioned centrally by the Authority and paid for from corporate resources, i.e. other than from schools' delegated budgets (though note if schools' delegated repairs and maintenance or similar budgets are retained centrally, with schools 'calling off' works which are paid for from such centrally retained funds, the exclusion from the Scheme continues to apply).

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

8.1 Provision of services from centrally retained budgets

8.1.1 The Local Authority shall determine on what basis services from centrally retained funds, including premature retirement costs and redundancy / PRC payments will be provided to schools.

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

8.2.1 The Local Authority will determine from time to time the range of services, for which funding has been delegated, it will offer to schools to buy back through Service Level Agreements. The range of services will be detailed in the Services to Schools Directory which can be found at www.sla-online.co.uk

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

8.3 Service Level Agreements and contracts

8.3.1 The Local Authority will invite schools, during the Spring Term, to indicate which services they intend to buy back from the Council by making an expression of intent to purchase. This will assist both schools and the Council in determining resources for the forthcoming financial year. The Local Authority recognises that schools may choose to buy services from providers outside of the Local Authority and will support schools to implement such decisions effectively. *All services will be offered on an annual buy-back basis unless otherwise agreed or stated.*

8.3.2 Schools will be asked to confirm which services they are going to buy back from the Council before the end of March each year. All service level agreements must be in place by 31 March¹ to be effective for the following financial year.

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

8.3.4 Where the Authority is providing a service on a buyback basis it will be offered in a way which does not unreasonably restrict schools' freedom of choice among the services available, and where practicable, this will include provision on a service-

¹ If after discussing SLAs in the following Summer Term Governing Body meeting a school decides to terminate or the contract or change the level purchased the termination/change period is 6 months and needs to be communicated to the Authority's Services to School Coordinator.

by-service basis as well as in packages of services.

- 8.3.5 All SLA's will be charged to schools budget in the final term of the financial year by an internal journal transfer. The schools 3rd cash advance of the year will be adjusted accordingly in line with the amount due to the LA. (Please cross reference to scheme section 3.1.5)

8.4 TEACHERS' PENSIONS

- 8.4.1 In order to ensure that the performance of the duty on the Authority to supply Teachers Pensions with information under the Teachers' Pensions Regulations 1997, the following conditions are imposed on the Authority and Governing Bodies of all maintained schools covered by this Scheme in relation to their budget shares.
- 8.4.2 The conditions only apply to Governing Bodies of maintained schools that have not entered into an arrangement with the Authority to provide payroll services.
- 8.4.3 A Governing Body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Local 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 Local Authority which the Local Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate.
- 8.4.4 The Local 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.
- 8.4.5 *A Governing Body of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required from each school. A Governing Body shall also ensure that Additional Voluntary Contributions (AVCs) are passed to the authority within the time limit specified in the AVC scheme. The Governing Body shall meet any consequential costs from the school's budget share.*

SECTION 9: PRIVATE FINANCE INITIATIVE

9.1 The Authority reserves the right to issue, from time to time, provisions relating to PFI arrangements. Such provisions will, on issue, become part of this Scheme.

SECTION 10: INSURANCE

10.1 Insurance cover

- 10.1.1 All Local Authority insurances affected under arrangements made by the Borough Treasurer. A list of insurance policies arranged by the Authority and their coverage is listed at **ANNEX J**.
- 10.1.2 Funds for insurance are delegated to schools within the individual schools budget share. Schools are required to ensure that cover relevant to the Local Authority's insurable interest, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover which would otherwise be arranged by the Local Authority.
- 10.1.3 The level and range of cover will vary from time to time and schools considering arranging their own policies must obtain advice and minimum cover levels from the Borough Treasurer before entering into negotiations with insurers.
- 10.1.4 Once quotations have been obtained from insurance companies and before entering into a contract with an insurance company, schools must inform the Internal Audit and Risk Manager within the Local Authority. A representative of the Internal Audit and Insurance team will then arrange a discussion with the Headteacher to review the adequacy of the cover and arrange for the financial appraisal of the insurance underwriters. Written advice will then be provided to the school by the Internal Audit and Insurance team.
- 10.1.5 The school must notify the Borough Treasurer as soon as possible of the date when insurance will come into effect. Contingent insurance will then be arranged to cover the possibility of the failure of the schools insurance. The contingent insurance will cover each of the major areas of risk and details can be obtained on request.

10.2 Insurance Cover - Voluntary Aided Schools

- 10.2.1 *The Diocese are required to provide 10% insurance cover for the premises of voluntary aided schools and the Local Authority provides 90% insurance cover for the value of the building and insurance for unfixed contents.*
- 10.2.2 The 10% insurance cover should be purchased from the schools delegated budget and will not be reimbursed separately from the Authority.

SECTION 11: SUSPENSION OF FINANCIAL DELEGATION

11.1 Suspension of Financial Delegation

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

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

11.1.2 The Local Authority will consider the suspension of a Governing Body's right to a delegated budget where: -

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

11.1.3 Where delegation is withdrawn, the following conditions will apply:

- The Local Authority will give at least one month's notice of the suspension to the Governing Body and the Headteacher.
- The authority will withdraw delegation before the expiry of the period of notice in an emergency situation, but must provide immediate written notification and justification of the action to the Secretary of State.
- The Governing Body has a right of appeal to the Secretary of State against withdrawal of delegation where the grounds are either failure to comply with the Scheme or financial mismanagement, but not in the case of mismanagement of the educational affairs of the school.

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

11.1.5 Schools will continue to have limited delegation as laid down in para.4 of schedule 15 to that Act. The Authority will be responsible for ensuring that the school budget is not overspent, the following procedures will apply to schools where delegation has been withdrawn:

- When financial delegation is suspended, schools operating a bank account may, in certain circumstances, also have the cheque book facility suspended and the school may be required to transfer to the Council's central debtor, creditor and banking systems.

- The school bank account will be frozen and any balance retained in the bank account under the control of the Authority. However interest accruing to the account may be used to support the financial plans of the school.
- A limit on a school's Authority to incur expenditure (this limit will normally be restricted to £1,000) and other financial processes to be followed will be set down in a school specific agreement document produced by the Authority. The document will define the roles and responsibilities of both school based staff and the designated Local Authority monitoring and support officers.

SECTION 12: MISCELLANEOUS

12.1 Right of access to information

12.1.1 In addition to specific requirements listed elsewhere in the Scheme, Governing Bodies are required to supply all financial and other information which might reasonably be required to enable the authority to satisfy itself as to the school's management of its delegated budget share, or the use made of any central expenditure by the Authority (e.g. earmarked funds) on the school, within timescales prescribed by the Local Authority.

12.1.2 The keeping of accounts, financial records and prime documents should be in a suitably secure place and condition and for such periods of time as specified.

12.1.3 Schools must not mix official funds (monies due to and from the Local Authority) with unofficial school funds or any other voluntary funds (e.g. School Fund, PTA) which should be kept and accounted for separately at all times.

12.2 Data Protection

12.2.1 Governing Bodies are required to ensure that all data held in the school are kept in a manner which complies with the provision of the Data Protection Acts 1984 and 1998.

12.3 Liability of Governors

12.3.1 As the Governing Body is a corporate body², 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.

12.3.2 An example of behaviour which is not in good faith is the carrying out of fraudulent acts. Where a Governing Body is in any doubt about the legality of a proposed course of action, it must seek advice from the Local Authority.

12.4 Governors' expenses

12.4.1 Under schedule 11 of the School Standards and Framework Act 1998, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share.

12.4.2 Payments can only be paid in respect of expenditure necessarily incurred for the purposes of enabling the person to perform any duty as a governor. This would not include payments to cover loss of earnings for attending meetings.

12.4.3 Should the Secretary of State appoint additional governors to a school under special measures, the Governors Body is not permitted to pay these governors expenses duplicating those paid by the Secretary of State.

¹² And because of the terms of s.50 (7) of the SSAF Act

12.4.4 The scheme allows the Local Authority to delegate to the Governing Body of a school, funds to meet Governors' expenses, where the school does not yet have a delegated budget. A guide to Governors expenses is provided at **Annex K**.

12.5 Responsibility for legal costs

12.5.1 Legal costs incurred by the Governing Body, although the responsibility of the Local Authority as a 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.

12.5.2 Where there is a conflict of interest between the Local Authority and the Governing Body such that the Local Authority's lawyers could not appropriately advise or represent the school a request should be made in advance to the Borough Treasurer for separate legal representation. The Borough Treasurer and the Head of Legal and Democratic Governance will determine if separate legal representation is appropriate.

12.6 Health and Safety

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

12.7 Right of attendance for Chief Finance Officer

12.7.1 Governing Bodies are required to permit the Borough Treasurer, or any officer of the Authority nominated by the Borough Treasurer, to attend meetings of the Governing Body at which any agenda items are relevant to the exercise of her or his responsibilities. The Local Authority will give prior notice of such attendance unless it is impracticable to do so.

12.7.2 The Borough Treasurers attendance shall normally be limited to items that relate to issues of probity or overall financial management and shall not be regarded as routine.

12.8 Delegation to new schools

12.8.1 The Local Authority, may, at its discretion delegate selectively and optionally to the Governing Bodies of schools which have yet to receive delegated budgets.

12.9 Special Educational Needs

12.9.1 Schools must use their best endeavours to seek to secure the special educational needs of their pupils when spending their formula budget share.

12.10 Child Protection

12.10.1 Schools are required by the scheme to make provision, where applicable, for staff to attend child protection case conferences and other related events.

12.11 School Meals

12.11.1 The Governing Body has delegated responsibilities for the provision of school meals. When discharging these duties it must have due regard for the Local Authority's policies on school meal provision as set down in the School Meal Service guidance that can be found in the Services to School handbook.

12.12 Whistleblowing

12.12.1 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 are set out in **Annex L**.

SECTION 13: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

13.1 Funding

13.1.1 The Local Authority will continue to delegate all revenue funding for repairs and maintenance to schools as part of the School Budget Share. Only capital expenditure is to be retained by the Local Authority. Schools are also in receipt of devolved formula capital (DFC) grant to carry out work that can be defined as capital.

13.1.2 *The de-minimis level the Authority intends to use for the definition of capital expenditure is as outlined in section 2.19.4 above*

13.2 Defining Capital

13.2.1 Illustrative examples of capital expenditure items in line with the DfE interpretation of the CIPFA code of practice are included at **Annex M**.

13.3 Voluntary Aided Schools

13.3.1 For voluntary aided schools, the liability of the Authority for repairs and maintenance (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. Eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de-minimus limit applied by DfE to categorise such work. For voluntary aided schools, all repairs and maintenance up to £2,000 (excluding fees and VAT) should be paid from the delegated budget. The exceptions to this are playing fields and changing rooms, which remain the responsibility of the Local Authority. The boundaries of playing fields however are the responsibility of the Governors.

13.4 Capital Works

13.4.1 In exercising its responsibilities for repairs and maintenance the Governing Body are required to have regard to such provisions of the Local Authority's Asset Management Plan related to the school.

SECTION 14 COMMUNITY FACILITIES

14.1 Introduction

14.1.1 Schools that choose to exercise the power conferred by s.27 (1) of the Education Act 2010 to provide community facilities will be subject to a range of controls: -

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

14.1.3 However, under s.28 (1), the main limitations and restrictions on the power will be: -
a) Those contained in schools' own instruments of government, if any; and
b) Any prohibitions, restrictions and limitations made elsewhere in the Stockport Scheme for Financing.

14.1.4 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.

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

14.2 Consultation with the Local Authority – financial aspects

14.2.1 Section 28(4) of the Education Act 2010 requires that before exercising the community facilities power, Governing Bodies must consult the Local Authority, and have regard to advice given to them by their Local Authority.

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

14.2.3 The school should notify the Corporate Director of Services to People in writing of their intention to consider using the Governing Bodies community facilities powers. The notification should include details of the proposed use of the powers and any third party involvement.

14.2.4 The Corporate Director for Services to People, or their representative, will respond to the school's notification. They will arrange a mutually convenient date for the Corporate Director for Services to People, or their representative, to meet with the school to discuss the proposals and provide advice in accordance with the requirements set down in this scheme for financing schools. The Authority cannot levy a charge for the advice given.

14.3 Funding Agreements – Local Authority powers

- 14.3.1 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.
- 14.3.2 Any such proposed agreement should be submitted to the Local Authority in writing for its comments; and must give the Local Authority a maximum of 6 weeks to respond. The formal notice should include a statement of purpose and a business plan for the proposed use of the community facilities power. The Local Authority cannot impose a right of veto on such agreements, either directly or through requiring a right to countersign the agreement. However, if an agreement has been or is to be concluded against the wishes of the Local Authority, or has been concluded without informing the Local Authority, and which in the view of the Authority is seriously prejudicial to the interests of the school or the Local Authority, then that may constitute grounds for suspension of the right to a delegated budget. Schools are required to inform the Local Authority what action has been taken following Local Authority advice.

14.4 Other prohibitions, restrictions and limitations

- 14.4.1 The Governing Body should endeavour to protect the financial interests of the Authority. The Authority may require that in a specific instance of use of the community facilities power, the Governing Body concerned shall make arrangements to protect the financial interests of the Authority. Arrangements for protection may include the setting up of a limited company formed for the purpose, or obtaining indemnity insurance for risks associated with the project in question, as specified by the Local Authority. Guidance on the setting up of companies is contained in the School Financial Regulations and Guidance. Section 28 provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the scheme for financing schools.

14.5 Supply of financial information

- 14.5.1 Schools that exercise the community facilities power must provide the Local Authority, every six months, with a summary statement, showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next six months.
- 14.5.2 The Local Authority, on giving notice to the school that it believes there to be cause for concern as to the school's management of the finances of the community facilities power, will require such financial statements to be supplied every three months and, if necessary require the submission of a recovery plan for the activity in question.

14.6 Audit Arrangements

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

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

14.7 Treatment of Income and Surpluses

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

14.7.2 Schools will be able to carry such retained net income over from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the Local Authority, at the end of each financial year, transfer all or part of it to the budget share balance.

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

14.8 Health and Safety Matters

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

14.8.2 The Governing Body has responsibility for the costs of securing a Disclosure check (previously CRB clearance) for all adults involved in community activities taking place during the school day. Governing Bodies would be free to pass on such costs to a funding partner as part of an agreement with that partner.

14.9 Insurance

14.9.1 It is the responsibility of the Governing Body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. The school should seek the Authority's advice before finalising any insurance arrangement for community facilities.

14.9.2 The Local Authority may undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges

those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school.

14.10 Taxation

14.10.1 Schools should seek the advice of the Local Authority and the local VAT office on any issues relating to the possible imposition of Value Added Tax on expenditure in connection with community facilities; including the use of the Local Authority VAT reclaim facility.

14.10.2 If any member of staff employed by the school or Local Authority in connection with community facilities at the school is paid from funds held in a school's own bank account (whether a separate account is used for community facilities or not), the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules.

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

14.11 Banking

14.11.1 Schools should make banking arrangements in accordance with section 3.4 of this scheme. A school may have just the one account provided there are adequate internal accounting controls to maintain separation of funds.

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

14.12 Extended Schools

14.12.1 Where schools provide community facilities as part of the extended schools program they should be accounted for in accordance with the guidance given at **Annex N**.

This is the formal document underpinning the financial relationship between schools and the Authority. If you have any queries or require clarification please contact Schools Finance, e-mail schools.finance@stockport.gov.uk or telephone 0161 474 3947

For staff employed under the community facilities power, the default position is that any costs must be met by the Governing Body, and can be funded from the school's delegated budget if the Governing Body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. Section 37 now states:

(7) Where a local education authority incur costs—

(a) In respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or

(b) In respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes, they shall recover those costs from the Governing Body except in so far as the Authority agree with the Governing Body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.

(7A) Any amount payable by virtue of subsection (7) by the Governing Body of a maintained school in England to the Local Authority may be met by the Governing Body out of the school's budget share for any funding period if and to the extent that the condition in subsection (7B) is met.

(7B) The condition is that the Governing Body are satisfied that meeting the amount out of the school's budget share will not to a significant extent interfere with the performance of any duty imposed on them by section 21(2) or by any other provision of the Education Acts.

(9) 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.

List of Stockport Schools – Updated as at 01.04.2017

Freshfield Nursery School
Hollywood Park Combined Nursery Centre
Lark Hill Nursery School
Offerton Hall Nursery School
Reddish Vale Nursery School

Abingdon Primary School
Adswold Primary School
Alexandra Park Primary School
All Saints Church of England Primary School Marple
All Saints Church of England Primary School Stockport
Arden Primary School
Banks Lane Infant School
Banks Lane Junior School
Bolshaw Primary School
Bradshaw Hall Primary School
Bredbury Green Primary School
Bridge Hall Primary School
Broadstone Hall Primary School
Brookside Primary School
Cale Green Primary School
Cheadle Heath Primary School
Cheadle Primary School
Cheadle Catholic Infant School
Cheadle Catholic Junior School
Dial Park Primary School
Didsbury Road Primary School
Etchells Primary School
Fairway Primary School
Gatley Primary School
Great Moor Infant School
Great Moor Junior School
Greave Primary School
Hazel Grove Primary School
High Lane Primary School
Hursthead Infant School
Ladybridge Primary School
Ladybrook Primary School
Lane End Primary School
Lark Hill Primary School
Ludworth Primary School
Lum Head Primary School
Mersey Vale Primary School
Moss Hey Primary School
Nevill Road Infant School
Nevill Road Junior School
Norbury Hall Primary School
Norris Bank Primary School
North Cheshire Jewish Primary School
Oaktree Primary School

Our Lady's Catholic Primary School
Outwood Primary School
Pownall Green Primary School
Prospect Vale Primary School
Queensgate Primary School
St Elisabeth's Church of England Primary School
St Mark's Church of England Primary School
Meadowbank Primary School
Moorfield Primary School
Romiley Primary School
Rose Hill Primary School
St Ambrose Catholic Primary School
St Bernadette's Catholic Primary School
St Christopher's Catholic Primary School
St George's Church of England Primary School
St John's Church of England Primary School
St Joseph's Catholic Primary School, Reddish
St Joseph's Stockport Catholic Primary School
St Mary's Church of England Primary School
St Mary's Roman Catholic Primary School Stockport
St Mary's Catholic Primary School Marple Bridge
St Paul's Church of England Primary School Brinnington
St Peter's Catholic Primary School
St Philip's Catholic Primary School
St Simon's Catholic Primary School
St Thomas' Church of England Primary School Heaton Chapel
St Thomas' Church of England Primary School Stockport
St Winifred's Roman Catholic Primary School, Stockport
Thorn Grove Primary School
Tithe Barn Primary School
Torkington Primary School
Vale View Primary School
Vernon Park Primary School
Warren Wood Primary School
Westmorland Primary School
Whitehill Primary School
Woodley Primary School

Bramhall High School
Harrytown Catholic High School
Marple Hall School - A Specialist Language College
Priestnall School
St Anne's Roman Catholic High School, Stockport
St James' Catholic High School - A Specialist Humanities College
Stockport School
Werneth School

Castle Hill High School
Heaton School
Lisburne School
Oak Grove School
Valley School
Windlehurst School

The powers and responsibilities of the Schools Forum 2013/14

| | Function | Local Authority | Forum | DfE Role |
|---|---|--|--|--|
| 1 | Formula Change (including redistributions) | Proposes and decides | Must be consulted. [Voting restricted to schools members plus PVI members] | None |
| 2 | Contracts | Propose at least one month prior to invitation to tender, the terms of any proposed contract | Gives a view | None |
| 3 | Financial Issues relating to: arrangements for pupils with special educational needs; arrangements for use of pupil referral units and the education of children otherwise than at school; arrangements for early years provision; administration arrangements for the allocation of central govt grants. | Consult annually | Gives a view and informs the Governing Bodies of all consultations carried out in lines 1, 2 & 3 | None |
| 4 | Minimum funding guarantee | Proposes any exclusions from MFG for application to DfE | Gives a view | Approval |
| 5 | De-delegation for mainstream schools for: contingencies administration of free school meals insurance licences/subscriptions staff costs - supply cover support for minority ethnic pupils/underachieving groups behaviour support services library and museum services | Will propose | Primary and secondary school member representatives will decide for their phase. | Will adjudicate where Forum does not agree LA proposal |
| 6 | Central spend on funding for significant pre-16 pupil growth equal pay back-pay places in independent schools for non-SEN pupils early years expenditure | Proposes | Decides | Adjudicates where Forum does not agree LA proposal |

| | Function | Local Authority | Forum | DfE Role |
|----|--|---|---|--|
| 7 | Central spend on admissions servicing of schools forum carbon reduction commitment capital expenditure funded from revenue contribution to combined budgets schools budget centrally funded termination of employment costs schools budget funded prudential borrowing costs | Proposes up to the value committed in 2012/13 and where expenditure has already been committed | Decides for each line | Adjudicates where Forum does not agree LA proposal |
| 8 | Carry forward a deficit on central expenditure to the next year to be funded from the schools budget | Proposes | Decides | Adjudicates where Forum does not agree LA proposal |
| 9 | Scheme of financial management changes | Proposes and consults GB and Head of every School | Approves | Adjudicates where Forum does not agree LA proposal |
| 10 | Membership : length of office of members | Decides | None (but good practice would suggest that they gave a view) | None |
| 11 | Membership: appointment of Schools and Academies Members | Appoints those elected by members of the relevant sub groups. Facilitates election where required and appoints member if there is a tie or the election does not take place by a date set by the LA | None | None |
| 12 | Membership: Non Schools Members | Seeks nominations from the relevant bodies then appoints | None (but good practice would suggest that they gave a view) | None |
| 13 | Voting Procedures | None | Determine voting procedures | None |
| 14 | Chair of Forum | Facilitates | Elects (<i>may not be an elected member of the council or officer</i>) | None |

ROLE OF GOVERNORS

Introduction

We often are asked what Governors' financial responsibilities are given that schools are now largely self-managing and responsible for their own budget. We hope you find this short guide useful.

1. Finance role of the Governing Body

The Governing Body has a strategic role in the financial management in schools and therefore its key responsibilities include:

- setting financial priorities through the:
 - School Development Plan (SDP), also known as the School Improvement Plan (SIP)
 - 3 year financial plan
 - The annual budget
- deciding on how the school's delegated budget should be spent, in accordance with their SDP and the statutory curriculum requirements laid down by government
- approving and monitoring the annual budget
- ensuring the budget is managed effectively
- ensuring the school meets all its statutory obligations, and through the headteacher complies with its Local Authority's financial regulations or standing orders
- determining virement and expenditure thresholds
- evaluating the effectiveness of spending decisions.

2. Responsibilities – Setting the annual budget (Approving the budget proposed by the Finance Committee)

The Governing Body is responsible for setting your school's budget annually. *The Full Governing Body may delegate the approval of the first formal annual budget plan to an approved committee.*

Most schools have a finance or resources committee which reports to the full Governing Body. After governors and the school management team have completed the strategic planning for the next year, the finance committee will review the plan and any options proposed. They will then report back to the full Governing Body with a detailed budget for consideration and approval.

3. Finance Committee

The finance committee is non-statutory and as such the Governors are able to determine their individual requirements and to delegate the financial responsibilities of the Governing Body to one or more committees, if desired.

Terms of reference for the finance committee would normally include:

- i) To provide guidance and assistance to the Headteacher and the Governing Body in all matters relating to budgeting and finance.*
- ii) To prepare and review financial policy statements, including consideration of long term planning and resourcing.*
- iii) To consider each year's School Development Plan/Ofsted Action Plan priorities, and present an annual budget to the Governing Body for approval*
OR
- i) To consider each year's School Development Plan/Ofsted Action Plan priorities and to formally approve the first annual budget. (Providing such approval has been delegated to the finance committee by the full Governing Body – see scheme section 1.5.9).*
- ii) To monitor the income and expenditure of all public funds (i.e. budget share, Standard Funds, DFC) and report the financial situation to the Governing Body each term.*
- iii) To recommend the level of delegation to the Headteacher for the day-to-day financial management of the school.*
- iv) To ensure the audit of non-public funds for presentation to the Governing Body and to receive, and where appropriate respond to, periodic audit reports of public funds.*
- v) To vire funds, if necessary, within the limits set by the Governing Body.*
- vi) Prepare and submit the School's Annual Statement of Internal Controls (SIC) and Best Value (BV) Statement to Governing Body/Local Authority.*
- vii) Review and report to full Governing Body plans, outcomes and decisions following annual benchmarking comparative exercise*

The finance committee gives your Governing Body an on-going involvement in financial issues. It should arrange to meet frequently enough to discharge its responsibilities (in most schools at least once a term) and should compile reports for the main Governing Body on all areas within the remit of the finance committee. All decisions made must be reported to the next meeting of the main Governing Body, usually via sufficiently detailed minutes.

4. Budget Monitoring

Prompt, accurate and up-to-date financial information should be readily available at the appropriate levels within your school. To achieve this, your school will require clearly defined and properly used channels of reporting to the finance committee and Governing Body.

The finance committee should meet at least termly to review the income and expenditure against the budget.

| 5. Finance Checklist for Governing Body and Finance Sub Committee Meeting: | | |
|---|---|---|
| | Full Governing Body Meeting | Finance Sub Committee Meeting |
| Summer Term | Approve minutes of subcommittee meeting Monitoring school budget <ul style="list-style-type: none"> • Approval of new budget • Approval of financial delegation form, best value statement, and statement of internal control. • Approval of school fund audit arrangements • Approve Buyback of Services from Local Authority | Review and/or Update <ul style="list-style-type: none"> • Outturn Statement • CFR (consistent financial reporting) Report • Financial delegation form, best value statement, petty cash limits and statement of internal control. • Financial roles and responsibilities • Staffing Structures and issues • Expenditure and Income actuals and year end projections • Cash flow • Review pupil number forecasts • Service level agreements and contracts • DFC Expenditure • Set Budget |
| Autumn Term | Approve minutes of subcommittee meeting Register of Business Interest Updated Monitoring school budget <ul style="list-style-type: none"> • Review Budget to date, including forecast to year end position • Present school fund audited accounts for agreement | Review and/or Update <ul style="list-style-type: none"> • Expenditure and Income actuals and year end projections • Cash flow • Amendments to budget • Benchmarking and prepare action plan • Staffing issues • Financial management competency grids • Financial management training requirements |
| Spring Term | Approve minutes of subcommittee meeting Monitoring school budget <ul style="list-style-type: none"> • Review Budget to date, including forecast to year end position • Approval of provisional budget for next financial year | Review and/or Update <ul style="list-style-type: none"> • Expenditure and Income actuals and year end projections • Cash flow • Amendments to budget • Local Authority service level agreements • Cash flow • Review Benchmarking • Finance manual • Financial risk assessment • Policies for charging, lettings and security |

GUIDANCE ON UNOFFICIAL SCHOOL FUNDS

STOCKPORT METROPOLITAN BOROUGH COUNCIL

INTERNAL AUDIT

PROCEDURE NOTE

VOLUNTARY FUNDS – SCHOOL FUND GUIDANCE.

Guidance on the Management, Audit and Accounting Arrangements for the School Fund.

Definition.

- In accordance with the accepted definition 'a non-official account or school fund is any fund containing other than official monies of the Local Authority which is controlled wholly or in part by the Headteacher by reason of his/her employment in a school'.
- Although such funds are not public money parents and other benefactors are entitled to receive the same standards of stewardship in regard to them.

Responsibility of Governors.

- Governors have responsibility for the oversight of the management of the Fund.
- The Headteacher is accountable to them for the good management of the Fund.
- It is recommended that the Governors are kept regularly informed of the condition of the Fund. Therefore, in addition to the annual report required under the Scheme, interim reports should be made. These reports should include details of income received, major items of expenditure and the balance of the Fund supported by certified reconciliations.

Responsibility of the Headteacher.

- Ultimately the Headteacher is responsible for the control of all non-official monies in the school and should therefore ensure that the appropriate standard of stewardship is being applied to the Fund.
- Wherever possible the Headteacher should delegate the actual operation of the accounts to members of staff. In such instances arrangements should be adequate to ensure control appropriate to the ultimate responsibility.
- The Headteacher should examine the accounting records periodically to ensure the accuracy of the balances. Such examination affords protection to the Headteacher and the staff.

Purpose of the Fund.

- Funds are intended to finance activities that are not generally supported by financial assistance from the Local Authority.
- Income is generally derived from fund raising and voluntary contributions. Official and unofficial monies should not be mixed. Any income, which properly relates to the school's delegated budget, should not be credited to a voluntary fund.
- Expenditure is incurred on extra-curriculum activities, provision of additional equipment and transport, charitable donations and support to financially disadvantaged pupils.
- Expenditure should be appropriate and be for the benefit of the pupils. Inappropriate expenditure would include any payments to staff, purchases for the personal use of staff, purchases from friends or relatives of staff

unless by way of tendering.

- The account may be used to record transactions in respect of recreational school trips / visits.

Management of the Fund.

- The administration procedures and responsibilities should be clearly documented. There should be adequate division of duties and staff should be made aware of their responsibilities including authorisation of expenditure.
- Unduly large balances should not be built up. As far as possible resources should be spent for the benefit of the pupils in the school at the time the money is raised.
- The accounting year should run for the academic school year.
- Documented policies should be approved for:
 - authorisation requirements needed prior to arranging trips.
 - accounting requirements for school trips
 - circumstances under which the Fund can be used to make subsidies or donations.
 - procedures for allocating free or subsidised places on school trips
 - procedures for the treatment of surplus cash having regard to the charging regulations.
- Personal cheques should not be cashed through the Fund.
- Personal loans should not be made from the Fund.
- Accounting records and bank stationery should be held securely and access restricted.
- Accounting records should be:
 - maintained in a permanent format, a ledger or computer spreadsheet, and recorded at the time of the transaction.
 - supported by full documentation for all transactions of income and expenditure.
 - reconciled monthly, to the bank statements and the reconciliation certified by the Headteacher.
- If the Fund is administered correctly there are grounds to claim that it should not be subject to corporation tax.
- The Fund is not eligible to reclaim VAT on expenditure (unless registered for VAT). However the Fund may make purchases through the Local Authority by issuing an official order for the goods and making payment from the Fund to the delegated account of the cost net of VAT. The goods then belong to the Local Authority. This procedure should never be used for personal staff purchases.
- Advances for expenditure should only be made after authorisation from the Headteacher. Full records should be made at the time of the advance and when the transaction is completed.
- Payment should not usually be made in advance or together with orders because of the possibility of suppliers going into liquidation.
- The Authority's Fidelity Guarantee insurance policy provides cover for the Fund. Where a school does not use the Local Authority's insurance services they should

ensure similar external insurance cover is separately provided.

- The school may consider the likelihood of any other losses such as theft by a third party, or loss of deposits due to commercial events. In the first instance these may be expensive in the light of any possible risks. In the second the engagement of travel companies who are members of regulatory bodies should minimise the risk.

Banking Arrangements.

- The bank account(s) should be in the name of the Fund and bear the address of the school.
- The terms and conditions pertaining to the bank account(s) should be obtained in writing from the bankers.
- The bank account must be operated in credit at all times.
- Cheques should be crossed and endorsed "account payee only".
- A copy of the bank mandate should be retained.
- Cheques should require two signatories, both of which should be employees of the school. Wherever possible more than two people (but not more than four) should be designated as appropriate signatories, one of these should be the Headteacher.
- Cheques must not be signed before details of payee and amount have been entered.
- Cheques requiring signature must be presented with adequate supporting documentation to evidence that the goods have been properly ordered and received.
- Funds in excess of day to day requirements or earmarked for specific purposes should be held in an interest bearing account and arrangements should be made to have the interest paid gross.
- Banking arrangements should be reviewed periodically to ensure that the service and location is satisfactory.

Handling of Cash.

- Cash should not be kept on school premises during the school holidays and should be kept to a minimum at all other times, especially overnight.
- Money should be kept in a locked safe or other securely locked place.
- Fund money is listed in the Authority's insurance money policy. However the excess on the policy is currently £500.
- Arrangements should be made to ensure that all income collected is banked promptly and intact. Unless such income is used to top up cash floats in which case a reconciliation of banking to income less cash retained should be undertaken.
- Payments should be made wherever possible by cheque so reducing the need for cash to be held.
- Cash floats should be banked prior to the summer holidays.
- All receipts for school trips/visits and the like should be officially received into the Fund and deposited in the bank no matter how short the period of deposit. Subsequent payments and any refunds to pupils should be made by cheque to accord protection to all concerned.

Annual Audit and Statement of Account.

- An audit should be conducted annually.
- An auditor should be appointed. Suitable appointments would be:
 - Small accountancy firms.
 - Appointee of the Governors who is independent of the operation of the Fund.
 - A qualified parent.
- In the interests of accountability the auditor should not be an employee of the School nor should "mutual" auditing of accounts be undertaken.
- The auditor should complete an Audit Certificate that should be in a format similar to the Audit Certificate form that has been issued to schools.
- After the audit the Receipts and Payments Account and Reconciliation Statement that should be in formats similar to the Receipts and Payments Account and Reconciliation Statement forms that has been issued to schools, with the year-end bank statement should be presented to the Governors together with the Audit Certificate.
- The Chair of Governors should complete the appropriate section of the Audit Certificate.
- The Headteacher should ensure that the audited accounts; the Receipts and Payments Account and Reconciliation Statement with the final bank statement together with Audit Certificate, are copied promptly to the Local Authority after the Governing Body has accepted them.

Summary of Requirements.

- The Fund should be kept in accordance with the Guidelines.
- The accounting year should correspond to the academic year.
- A Receipts and Payments Account and reconciliation statement should be prepared annually.
- The Governing Body should appoint an auditor who is independent of the school. The Fund should be audited annually.
- After the audit the Receipts and Payments Account, the Reconciliation Statement with the final bank statement together with the Audit Certificate should be presented annually to the Governors.
- The Chair of Governors should complete the appropriate section of the Audit Certificate.
- A copy of the Receipts and Payments Account, the Reconciliation Statement with the final bank statement together with the Audit Certificate should be sent to the Local Authority.

Further Advice.

- If you need any further advice, regarding this or other matters, Internal Audit (telephone 474-4076) will be pleased to help you.

| |
|---------------------------------|
| ABC SCHOOL – SCHOOL FUND |
|---------------------------------|

RECONCILIATION STATEMENT

SUMMARY OF FUND ((RECONCILED) BALANCES

| | |
|--------------------|----------------|
| | £ |
| Current Account | |
| Reserve Account | |
| Cash in Hand | |
| Fund balance as at | _____ ===== |

SUMMARY OF RECEIPTS AND PAYMENTS

| | |
|--|----------------|
| | £ |
| Balance b/f as at | |
| Add total receipts in the year | |
| Sub total | _____ |
| Less total payments in the year | |
| Balance as per ledger as at | _____ ===== |

Prepared by : Position: Date:

Reviewed by: Position: Date

RECONCILIATION STATEMENT

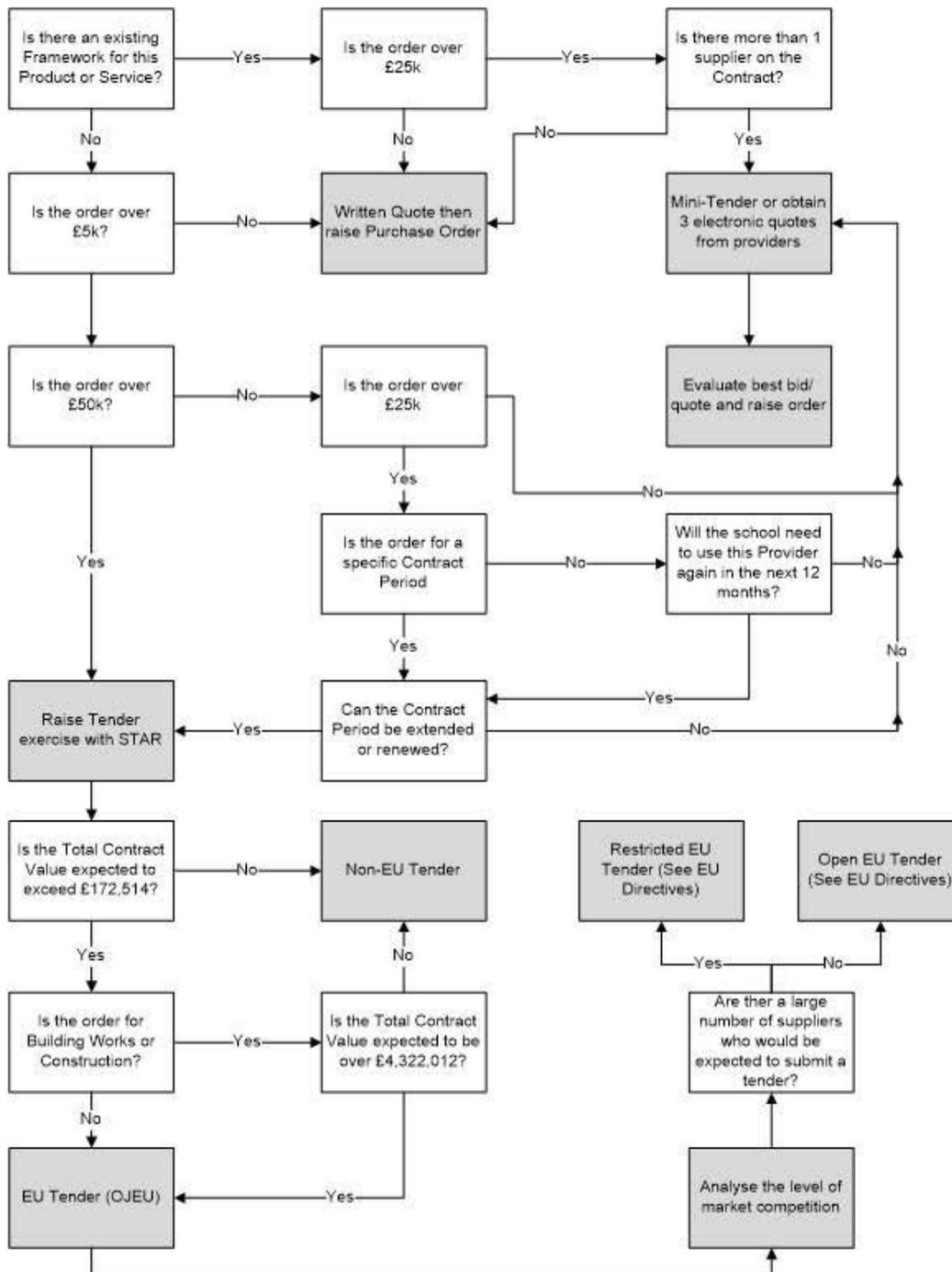
| | | |
|-------------------------------------|-------|-------|
| | | £ |
| Balance as per bank statement as at | | |
| Add banking(s) not cleared | £ | |
| | _____ | _____ |
| Sub total | | |
| Less unpresented cheques | | |

| | | | | | |
|--|--|--|--|-------------|--|
| | | | | | |
| Totals | | | | | |
| Prepared by: Position: Date: Reviewed by: Position: Date: | | | | Current a/c | |
| | | | | Reserve a/c | |
| | | | | | |
| | | | | Cash held | |
| | | | | | |
| | | | | | |
| | | | | Bal c/f | |

SUMMARY OF CONTRACT PROCEDURE RULES IN TERMS OF VALUE OF CONTRACTS



Procurement Flowchart for Schools



If you have any Queries about this process, contact STAR Procurement on 0161 912 1616 or Contact Christopher Conway (Category Manager for People Services) on 07793 981 066

Outside office hours please email procurement@star-procurement.gov.uk

School staff are bound by the financial regulations, which govern all of the schools financial business, irrespective of the source of funding. Headteachers and Governing Bodies are responsible for ensuring that procurement within their school is carried out in a professional manner, and that the correct purchasing procedures are followed determined by the total value of the contract.

Budget Recovery Plan

INTRODUCTION

This Budget recovery Plan is necessitated by circumstances (outlined below) which, if not acted upon, will result in the budget scenario outlined in **Appendix 1**

Provide detail.....

These proposals are subject to checking by the Local Authority and approval by the Governing Body.

BACKGROUND

The school finds itself in this situation for a number of reasons as outlined below:

RECOVERY

The Governing Body is required to balance the budget, and in drawing up this plan to enable it to do so, I have focused on the following key priorities:

Year one

*

Year two

Year three

*

We hope to pay the deficit back by the end of xxxxxx as shown in **Appendix 2**.

Headteacher

Chair of Governors

Budget projections without adjustments as at

APPENDIX 2

Budget projections following the implementation of the recommendations contained within this report.

Model Credit Card Policy

Appendix A

Application for approval to Obtaining and Operating a school credit card to

Name of School:

I hereby confirm that the Governing Body has approved the school obtaining a credit card/charge card from the school's bank on . The card will only be used for purchasing for the purposes of the school budget, where there is a pecuniary advantage. The card will not be used for general purchasing which can be processed under the ordering and payments within the school's accounting system.

Signed:

Name:

Chair of Governor

Date:

For Local Authority Use Only

I hereby authorise the Governing Body of School to obtain and operate a credit card in accordance with the terms of Scheme for Financing Schools.

.....
Borough Treasurer

Model Credit Card Usage Policy

The Governing Body of _____ School has agreed to obtain a credit card to be used in connection with spending of the school budget. The credit card shall only be used where it is more efficient / effective to obtain goods / services.

The credit card shall be managed and used in accordance with the Council's Financial and Contract Procedure Rules.

The credit card shall not be used to:

- procure goods / services from suppliers where the normal ordering / payment system can be utilized
- Circumvent the Council's /School's procurement rules.

The Schools shall keep appropriate records to provide a proper management trail and retain documentation in accordance with the Council's retention policy for financial records.

The credit card shall be issued in the name of the Headteacher of School.

The credit limit shall be £ _____ (**maximum of £3,000**).

Adminstration of Credit Card

1. The Headtecher must sign a declAration to confirm that he / she understands the conditions of issue and will abide by the approved policy.
2. Procedures for the operation of the card shall be clearly documented in the School's Finance Manual.
3. The card shall not be used to withdraw cash.
4. The card shall be held securely on the premises and access restricted to the card holder. The PIN, password and security code shall not be recorded and / or disclosed to anybody else.
5. The bank shall be notified promptly of the loss / theft of the card to avoid liability for any misuse.
6. Credit cards usage shall be limited to transactions where there is a financial saving and evidence of this shall be retained for management purposes.
7. Transactions on credit cards statement shall be independantly checked by (post title) against the transaction documentation and the reconciliation form completed for certification by the Headteacher. Any discrepancy on the credit card statement shall be reported promptly to the Governing Body.
8. The Governing Body shall be informed promptly if credit card statements are not received and the bank should be contacted to ascertain the reason why.
9. Due care shall be taken when using the credit card for internet and telephone transactions.

10. The issuing bank should be informed in writing not to honour transactions in excess of the credit limit.
11. Expired credit cards shall be destroyed and reported to the Governing Body.
12. The bank shall be informed in writing to cancel the card when the Headteacher leaves or the card is no longer required. In such instances the credit card must be destroyed and reported to the Governing Body.
13. The credit card shall not be used personal use. Any inappropriate use of the card may lead to disciplinary being action and / or facilities withdrawn.
14. The _____ (post holder) is authorised to liaise with the bank and copies of all communication shall be retained securely in accordance with the Council's retention policy for financial documentation..
15. Any loyalty rewards obtained arising from the use of the credit card shall be used for the benefit of the school.
16. The balance on the credit card shall paid off in full each month to avoid interest charges and to ensure that the credit facility is available when required.

School Credit Card

I, the Headteacher of School acknowledge receipt of the credit card issued in my name. I agree to use the credit card with the school's approved policy and the Council's Financial Procedure Rules

Signed

Date

School Credit Card Reconciliation Form

| |
|--------|
| School |
|--------|

| |
|-------|
| Month |
|-------|

| |
|--------------------------|
| Approved Credit Limit: £ |
|--------------------------|

| |
|--------------------------------------|
| Expenditure incurred in the month: £ |
|--------------------------------------|

| |
|--|
| Have you breached credit limit: yes/no (delete as appropriate) |
|--|

| |
|--|
| Expenditure incurred not yet showing on statement: £ |
|--|

To be sent along with school Bank Reconciliation

I certify that:

- There are no unidentified transactions on the credit card statement. There are unidentified transactions which are being followed up and the outcome will be reported to the Governing Body promptly (delete as appropriate).
- The expenditure on the credit card has been incurred for the purposes of the school.
- Supporting receipts are available at the school.
- VAT has only been reclaimed where appropriate and is supported by a valid receipt.
- The credit card has been paid off in full and no interest charges have been incurred.
- The authorised credit card limit has not been exceeded.
- The transactions appearing on the statement has been inputted onto the financial system at the school.

| |
|---------------|
| Certified by: |
|---------------|

| |
|-------------|
| Headteacher |
|-------------|

| |
|-----------------|
| Period covered: |
|-----------------|

| |
|-------------------|
| Date Prepared by: |
|-------------------|

Prudential Borrowing Scheme – Guidance for Schools

1 Introduction

- 1.1 These procedures have been developed to provide clear guidelines to schools when seeking to borrow funds from the council to acquire capital assets.

2 What Applications will be considered?

- 2.1 Applications will only be considered for expenditure on the acquisition, creation or enhancement of assets that can be capitalised (subject to a de minimus level) providing that it will yield benefit to the Council and services it provides for a period of more than one year for example improvements to Land and buildings, computer hardware, furniture and equipment.
- 2.2 Applications cannot be considered for assets with a capital cost /purchase price less than £10,000³ unless it is part of one large scheme where the total costs will exceed £10,000
- 2.3 In all cases, services will be required to complete an application form and demonstrate that the proposal is affordable, achievable and sustainable.
- 2.4 Applications will only be considered for projects, which have received the formal approval of the schools' Governing Body. A copy of the resolution should be enclosed with the completed application form (**See Appendix 1**). Applications can be submitted and considered in advance of this with signatures of the Headteacher and Chair of the Governing Body.
- 2.5 All applications must in the first instance be submitted to the Corporate Support Services, schools finance team, email to: schools.finance@stockport.gov.uk

3 How are the annual repayments calculated & repayments made?

- 3.1 The annual repayment cost will be calculated on an annuity basis over the operational life of the asset. The interest rate will be the Public Works Loan Board annuity rate Plus ½% on the date the application is approved (**see Appendix 2**).
- 3.2 No charge will be made in the year of acquisition but the interest from the date of purchase until 31st March will be added to the first annuity charge (**see Appendix 2**).
- 3.3 Schools can opt to pay principal for a part year charge in the year of purchase to reduce the overall cost to the service.
- 3.4 The principal outstanding and interest accrued to date can be repaid in full at any time throughout the life of the loan up until the final year.

³ This figure is based on the Council's level for de minimus capital expenditure, which is subject to annual review.

3.5 Schools will be charged via a journal transfer that will be recorded on the AFT document received in the August following the date the loan has been agreed and each subsequent year until the loan is repaid in full.

3.6 As the Local Authority finances the capital expenditure in totality, Schools cannot use Devolved Formula Capital (DFC) for prudential borrowing repayments. Any schools that wish to use DFC should request a lower loan in the first instance with a view to financing part of the total cost of the project with DFC.

4.0. Conditions of the scheme

4.1 Repayments must be made immediately on receipt of request for payment or further interest becomes chargeable and the full balance of the loan plus interest to the end of the agreed term may become immediately payable.

4.2 Funding must be used for the purpose for which the application was made otherwise the full balance plus interest accrued to date will become immediately payable.

4.3 The level of schools prudential borrowing is no longer subject to restriction and will be assessed based on the business case provided. As a guideline however, the Local Authority will look very closely at Schools that are proposing to earmark more than 5% of their revenue budget (excluding pupil premium) to service borrowing charges.

4.4 The Local Authority will rigorously test each business case and schools will not be permitted to borrow beyond the useful life of the asset being acquired / enhanced as defined by the Council's accounting policies. In addition, where proposals affect the property estate they will be referred to the School Organisation team for endorsement as part of the evaluation.

4.5 The schools financial position including previous years closing balance, current years' budget plan and outstanding debts will be considered in the evaluation.

4.6 Schools must adhere to any Local Authority guidance to ensure the scheme complies with construction design and management regulations, health and safety requirements and has "landlords" approval to undertake works.

4.7 The Local Authority retains the right to refuse any application based on

(i) The Council's Treasury Management Strategy and compliance with the Prudential Code, which aims to ensure that capital investment plans, are affordable, prudent and sustainable.

(ii) The proposal not being in line with Education asset management objectives.

4.8. On all schemes over £0.250m, Schools are required to prepare a brief report to inform the Local Authority of completion of works and any matters arising.

4.9. Internal audit will review compliance with the conditions of the prudential borrowing scheme as part of their routine programme of school visits.

- 4.10 It should be noted the Council will demand repayment of the prudential borrowing in full before a maintained school converts to academy status, unless the Council agrees to renegotiate the terms of the loan.

5.0. Sources of information

- 5.1 In all circumstances schools are advised to contact the Borough Treasurer, FAO the Group Accountant- Schools for advice and indicative rates.
- 5.2 On behalf of the Borough Treasurer, the Financial Management Team will
- ◆ Calculate the total cost and annual cost of the loan.
 - ◆ Undertake modelling to assist with decision making for example the cost of different options.
 - ◆ Provide assistance completing the application form.

6.0. How are schemes approved?

- 6.1 All applications will be reviewed in the first instance by the Schools Finance Team to assess against the scheme conditions. Schools Finance Team will liaise with School Organisation as appropriate. The scheme of delegation for the approval of schemes is

| | |
|----------------------|---|
| <=£0.100m | Corporate Directors, Services to People and Corporate and Support Services |
| > £0.100m <= £0.250m | Executive Councillors Policy, Finance and Reform and Education Portfolio's in conjunction with the Corporate Directors, Services to People and Corporate and Support Services |
| >= £0.250m | Council Executive |

- 6.2. For schemes >= £0.250m Schools Finance Team will prepare a brief Executive Report with the recommendation.

- 6.3. The approximate timeline from the receipt of any applications through to approval is typically:

| | |
|----------------------|--------------|
| <=£0.100m | 1-3 weeks |
| > £0.100m <= £0.250m | 3-6 weeks |
| >= £0.250m | 8 – 10 weeks |

Schools Prudential Borrowing Business Case

| | |
|---|-----|
| <u>School:</u> | |
| <u>Description of project / assets to be purchased:</u> | |
| <u>Justification and benefits of the project:</u> | |
| Project cost In total (A) | £ |
| <u>Less:</u> funds from other sources (please specify) (B) | |
| | £ |
| | £ |
| | £ |
| Balance required from Council (A – B) | £ |
| Expected asset life (C) | Yrs |
| Length of loan (D) | Yrs |
| Estimated annual repayment (as advised by the Local Authority) (E) | £ |
| School budget share (excluding pupil premium) (F) | |
| % of revenue budget to be assigned to repayments (E / F) | % |

Affordability: what funding/savings/reductions have been identified to build the repayments into the schools operating budget

| | |
|--|---------------|
| Will the project go ahead if this application is unsuccessful? | |
| Has it been explained to the Governing Body that the repayments would be unavoidable commitments for the term of the loan? | |
| Do the school and Governing Body understand that borrowing will become repayable in full to the Council if the school should convert to academy status? | |
| Date of Governing Body Approval | |
| <u>Signatures:</u> | |
| Headteacher : | Date : |
| Chair of Governing Body: | Date : |

For Office Use Only:
Date application received:

Decision:

Signed:

Date:

Illustration of Repayments

| | |
|--|---------------------------|
| Purchase price | £30,000 |
| Life of asset | 5 years |
| Interest rate | 1.67% |
| Date of purchase (2012/13) | 1 st June 2012 |
| Annual Charge | *£6,303.92 |
| Interest from date of acquisition to 31 st March 2013 (added to year 1) | £415.90 |
| Total Cost | £31,935.49 |

| Financial Year | Annual Repayment |
|-----------------------|-------------------------|
| | £ |
| 2013/14 | **6,719.82 |
| 2014/15 | 6,303.92 |
| 2015/16 | 6,303.92 |
| 2016/17 | 6,303.92 |
| 2017/18 | 6,303.91 |
| Total | 31,935.49 |

* Final year £6,303.91

** Includes interest from date of acquisition to 31st March 2013

VAT for Schools

Guidance and Frequently Asked Questions

Compiled by Accountancy, Corporate and Support Services

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| | |
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| VAT Coding and Rates, what to code to which rate | |
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VAT Coding

The following is a non-exhaustive list of the different types of transactions encountered in school and how to code them for VAT on SIMs.

For capital projects, catering, lettings, uniform, musical instruments and school photographs please see the individual sections later in the booklet.

NON BUSINESS

All transactions between Stockport MBC and Stockport schools or between two Stockport schools, whether expenditure or income, should be coded non business for VAT.

When processing an invoice for a business that is NOT VAT registered, code expenditure to non-business for VAT (including registered charities not registered for VAT).

Where schools sell goods (goods must be essential to education) to pupils at cost or below then the income is coded non business.

ZERO RATED

- Children's Clothes (subject to size restrictions)
- Most essential food including fruit
- Printed books (exercise books)
- Transport (provided vehicle can carry more than 10 passengers)
- Mains Water Supply
- Construction of new self-contained buildings (not refurbishment) for VA schools only (does not include professional fees)

EXEMPT

- Stamps and franking machine postage
- Recharge of teaching staff for teaching purposes to another educational establishment (school or university).
- External training from another educational establishment or Local Authority.
- Fund Raising by schools
- Charges made for extended school services where service provided by the school
- Income from other Local Authorities
- Donations (provided they are not given in exchange for any goods or services)
- Income for school visits related to the curriculum

LOWER RATE VAT (5%)

- Energy to VA schools and smaller schools.

STANDARD RATE VAT (20%)

- Bottled Water
 - Postage and Packing service
 - Recharge of teaching or admin staff to other educational establishments for admin purposes
 - External training from a company or individual if VAT registered
 - Supplies to staff and visitors
 - Most other goods and services (not essential to the delivery of education)
 - Lockers
 - Charges made to pupils for extended school activities by 3rd parties
 - Supply of goods to pupils not essential to education
 - Income for school visits not related to the curriculum (e.g. Proms, Disco's, bowling etc.)
-

CAPITAL PROJECTS and DEVOLVED FORMULA CAPITAL (DFC)

VA Schools

Invoices from Contractors

When a VA school's Governors are constructing a completely new self-contained building and the building will be used for non-business purposes, and then the construction work can be coded as zero rated unless funded by DFC. Please note a new classroom block, sports hall or other building used for community use would not qualify for zero rating.

Refurbishment or a new block that is not self-contained incurs standard rate VAT.

Spending from the Revenue Budget

VAT should **NOT** be reclaimed on invoices paid from the revenue budget for **capital** items (over £2000). I.e. an invoice to pay for an interactive whiteboard for £2500 should be processed as non-business for the gross amount, rather than standard rated for the net amount, so that the VAT is not reclaimed.

Spending from the DFC Budget

The DfE fund 90% of a VA schools' capital expenditure and the School Governing Body are expected to find the remaining 10% from their own resources.

Unlike most schools, VA schools are not able to recover VAT through the LA on capital works. Capital works at VA Schools are deemed to be the statutory responsibility of the School Governors, not SMBC. Grants received by VA Schools for capital works (e.g. DFC) include funds to cover the irrecoverable VAT costs. Therefore, VAT should not be claimed on expenditure paid for through DFC.

The School Standards and Framework Act 1998 (SSFA) makes the Governing Body of a VA school responsible for all capital expenditure in relation to school premises, with the exception of playing fields and related buildings on those fields, for which the LA is responsible. To qualify as capital expenditure the project should be at least £2000 and be for capital items, this includes ICT hardware.

Capital expenditure for which GB is responsible:

- The existing buildings (internal and external)
- Those buildings previously known as "excepted" (Kitchens, dining areas, medical/dental rooms, swimming pools, caretakers' dwelling houses)
- Perimeter walls and fences, even if around the playing fields
- Playgrounds
- Furniture, fixtures and fittings – including ICT infrastructure and equipment
- Other capital items (which can include capital work to boilers or other services)

Capital expenditure for which LA is responsible:

- Maintenance of playing fields (including sports pitches and hard surfaced games areas)
- Buildings on those fields and works related to their use
- Capital expenditure below £2000

Revenue expenditure is deemed to be the day to day running costs of the school (e.g. costs of staff, training, consumables, teaching resources, utilities etc.) and any capital-related expenditure less than £2000. So, therefore whilst any expenditure of £2000 or less is always to be classified as revenue, any expenditure above £2000 will need to be considered and a view taken as to whether this is revenue or capital expenditure.

See Appendix 1 for more information regarding VAT liability for VA schools and examples of revenue and capital items.

CAPITAL PROJECTS and DEVOLVED FORMULA CAPITAL (DFC)

Non VA Schools

All construction work is standard rate VAT, but VAT can be claimed back via the VAT submittal form each month.

Expenditure through DFC is standard rated and VAT can be claimed back as above.

Trust Schools

The formation of a Trust school does not currently bring about any changes to the way in which the school receives both its revenue and capital funding. A Trust school will continue to receive its funding from the Local Authority, but the funding is delegated to the Governing Body, not the Trust.

Currently there is no difference from that of a none VA school, in the way that a Trust school recovers VAT on day to day purchases or capital works.

Expenditure through DFC is standard rated and VAT can be claimed back via the VAT submittal form each month.

The only exception is as follows. Where construction costs include VAT at the standard rate, the VAT can only be claimed back on work funded by the Local Authority and not on construction work funded by external grants secured by the Trust or by any other funds generated by the Trust.

- School Meals
School meals cannot make a profit otherwise all children's meals become subject to VAT at the standard rate.
 - If catering is done in house (i.e. you employ your own cook) then pupil meals should be coded non business and staff and visitor meals should be coded at standard rate.
 - If you buyback your school meals through the LA/SSK contract, then any bills are non-business, VAT on income is accounted for by the authority.
 - If you buy your meal service from a third party then the service for pupil and adult meals are charged at standard rate VAT.
 - If a third party provides meals direct to your pupils/staff without involving the school then **ALL** meals are standard rate VAT (including pupils).

 - Catering as part of a letting
 - Providing tea, coffee, biscuits or cakes does not qualify as catering and is exempt.
 - Providing sandwiches, hot meals, etc. is a catering service and should be stated as a separate cost on the invoice for room hire. Only the catering is liable to VAT at standard rate.
-

All room or facility hire to SMBC or another Stockport MBC School should be coded as non-business e.g. concessionary lettings.

Any catering supplied should be separate on the invoice and VAT charged (see previous page – Catering as part of a letting)

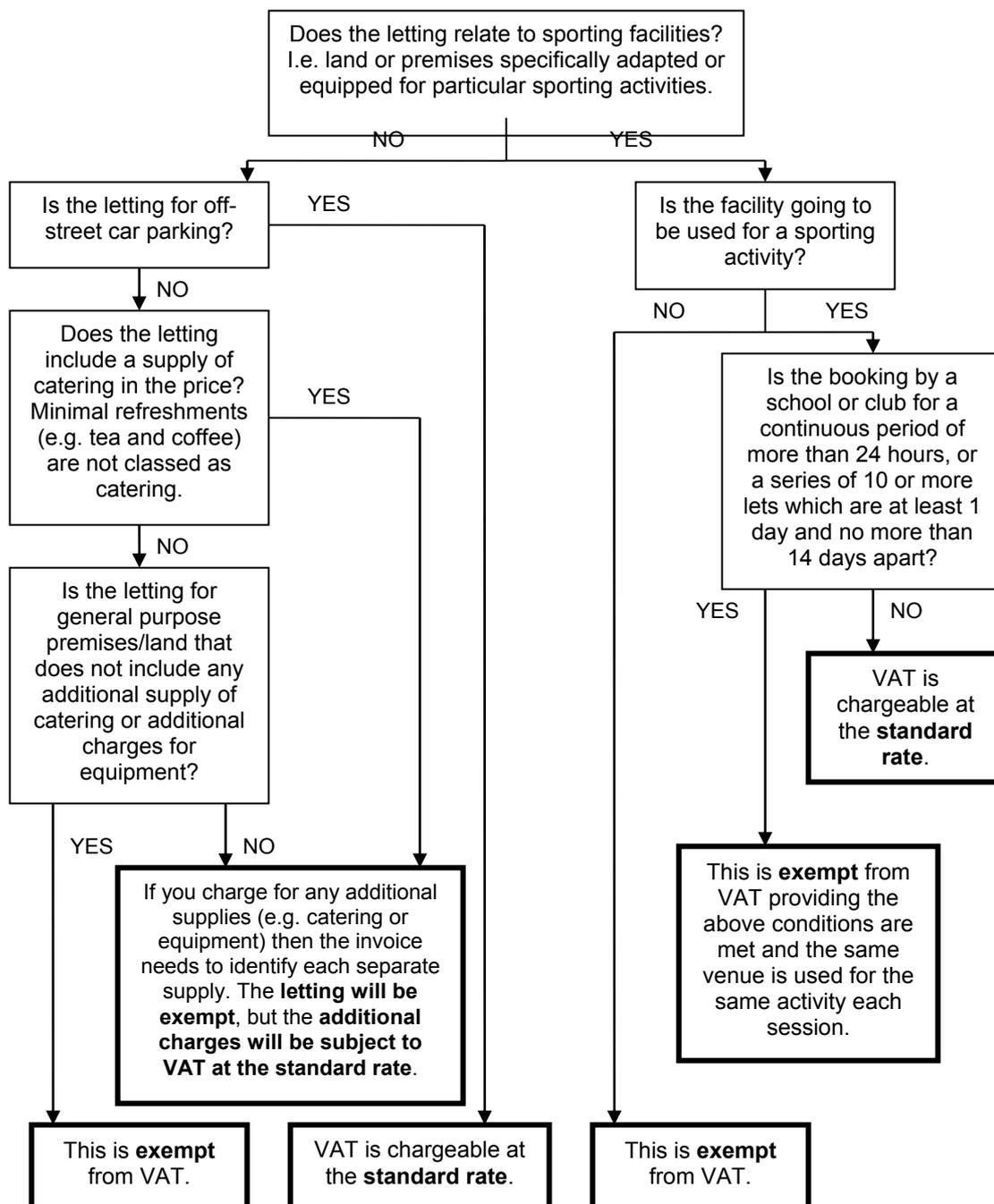
For VAT charges on other lettings please see the flow chart on the next page.

See Appendix 2 for a Lettings of Sports Facilities VAT Exemption form.

The letting of sports facilities and the hiring of rooms have their own special rules. There are also different approaches for Foundation/Trust and Voluntary Aided schools as opposed to Community schools.

For Foundation/Trust and VA Schools Lettings outside school hours are made by the governors of a school rather than the Local Authority, as the buildings are seen to belong to the governors or foundation body. Income should normally be paid into the school's private funds and the following VAT liabilities therefore only apply if the private fund is registered for VAT.

Lettings by Community schools on the other hand are generally seen to be made by the Local Authority/ school and the income should normally be paid into a schools delegated budget. The VAT liabilities for lettings are then as follows.



- For all nursery, primary and primary special schools
 All uniform can be sold with zero rated VAT.
- For all secondary and secondary special schools
 All uniform which meets the criteria below can be sold as zero rated any larger sizes must be sold at standard rate VAT and the VAT accounted for on the income.

| Boys Clothing | Chest | | Waist | |
|---------------|-------|-------|-------|-------|
| Shirts | 104cm | 41" | | |
| Knitwear | 104cm | 41" | | |
| Jackets | 109cm | 43" | | |
| Top Coats | 114cm | 44.5" | | |
| Trousers | | | 72cm | 28.5" |

| Girls' Clothing | Chest | | Waist | |
|-----------------|-------|-------|-------|-----|
| Shirts | 105cm | 41.5" | | |
| Knitwear | 105cm | 41.5" | | |
| Jackets | 110cm | 43.5" | | |
| Top Coats | 115cm | 45" | | |
| Dresses | 98cm | 39.5" | | |
| Skirts | | | 71cm | 28" |
| Trousers | | | 71cm | 28" |

- All uniform sold to staff incurs VAT at standard rate.

These guidelines apply to portable instruments.

- Where the school purchases time from a peripatetic music teacher, charging the pupil for a lesson, musical instruments may be purchased through the school. The school can claim the VAT back and sell it to the parent exempt from VAT. (If the instrument is purchased from the SMBC Music Service then the purchase invoice is coded as non-business)
 - Where a school is acting as a middle man and the pupil pays the music teacher direct, the school **cannot** purchase instruments and sell them on exempt of VAT.
 - Where a pupil is using the instrument for normal curriculum lessons or to participate in a school band then the school may purchase instruments on behalf of the parent.
-

- **Community Schools**
Commission received from a photographer is subject to VAT at standard rate and must be put through the budget.
 - **VA Schools and Trust Schools**
Commission received from a photographer can be paid into the school fund account as the letting is on behalf of the governors. Therefore no VAT liability is incurred unless the school fund is independently registered for VAT.
 - **If the school takes pictures and sells them to parents then income is subject to VAT at standard rate.**
-

- **Petty Cash**
 - VAT can be claimed back on petty cash expenditure provided that the receipt has a VAT number on it and the item is less than £250.
See Appendix 3 for an example of a valid VAT receipt
 - There is no VAT for on street parking on meters.
 - Off street parking has standard rate VAT applied and this can be claimed back if the ticket has the VAT number on it provided it is £25 or less.

 - **PTA/General Donations**
 - All donations to schools are exempt from VAT (provided they are not given in return for goods or services)
 - If the PTA wishes to buy equipment for the school then it must donate the money to school and the school orders the goods and claims back any VAT.
 - The school cannot purchase goods for use by the PTA or other external body.

 - **Registering school fund for VAT**

If the amount of income subject to VAT in the school fund exceeds £67,000 over a 12 month period, then the fund must be registered for VAT in its own right.

 - **Ticket sales for concerts and performances**
 - **Primary Schools**

In Primary Schools, typically there are Christmas and end of year performances. Tickets are usually limited to parents and relatives and cost a couple of pounds. Ticket money should be processed through official LMS funds and treated as non-business for VAT. This is on the basis that the plays are all part of the children's learning experience and further to the course of their education.

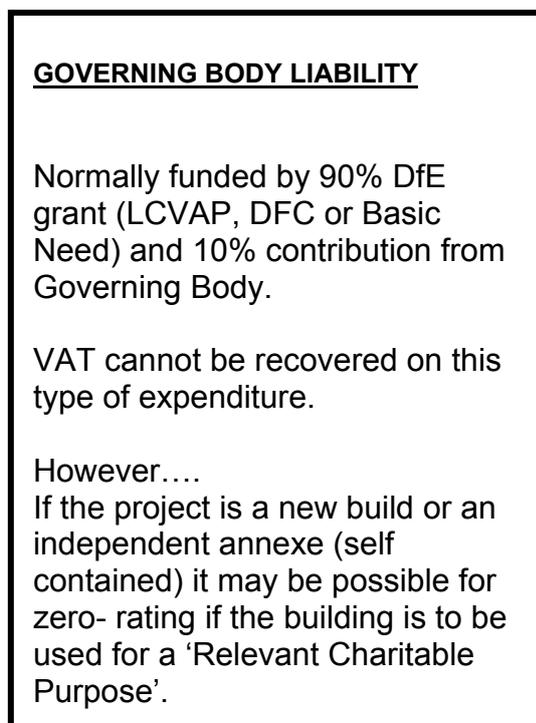
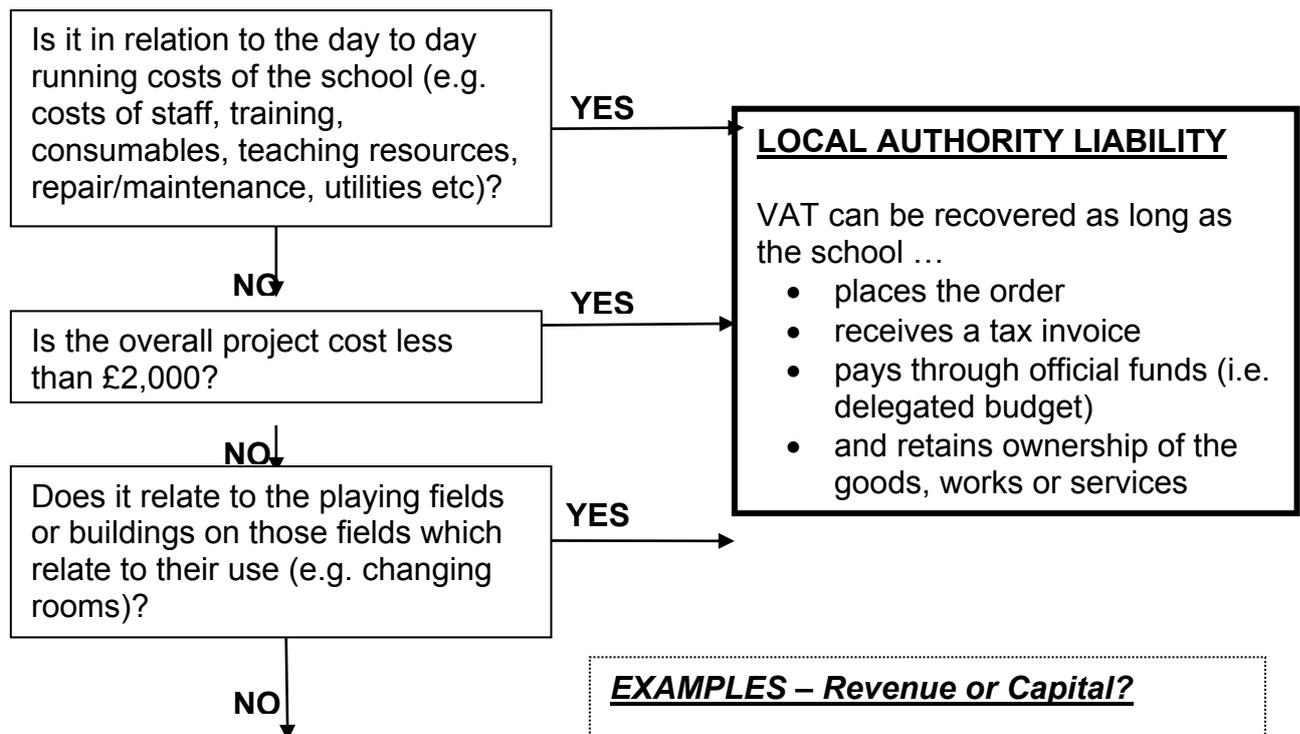
If schools do not make a charge for tickets but merely seek donations at the end of the play this money can be treated as a true donation and is thus treated as non-business for VAT. This money should still be processed through official LMS funds.
 - **Secondary Schools**

In Secondary Schools, performances tend to be on a larger scale and they are generally outside of school hours. Typically there will be some significant amounts of expenditure incurred in putting on the performances. Income and expenditure should be processed through official LMS funds with VAT recovery available on expenditure but also VAT has to be declared on ticket sales.

Only if the performance is totally promoted by the PTA or other fund raising body can funds raised be processed through unofficial funds. If that is the case then all expenditure must be processed through unofficial funds and no VAT recovery is available. Schools should be aware that they might need to register their unofficial funds for VAT purposes if they exercise this practice.

 - **SIMS**

Appendices 4 & 5 provide information on how to account for VAT on the schools SIMS financial system and how such information be recorded and submitted on the VAT reimbursement form
-

WORKS OR SERVICES AT VOLUNTARY AIDED SCHOOLS - VAT RECOVERY**EXAMPLES – Revenue or Capital?**

Localised repairs to a roof (patching or mending) should usually be met from revenue funds, because this would be regarded as normal repair and maintenance work. If the whole roof, or a substantial part of a large roof, needs to be replaced, then this should be regarded as a capital item.

Small repairs to playgrounds (filling individual potholes etc.) should usually be met from revenue funds, because this would be regarded as normal repair and maintenance work. If the whole of the playground needs to be resurfaced, then this should be regarded as a capital item.

A boiler has unexpectedly broken down, and requires a new part which will cost £1,800. This could have been regarded as either revenue (because it is repair and maintenance) or capital. The cost, however, dictates that it must be revenue because it is below the 'de minimis' threshold of £2,000.

Replacing a few damaged chairs or desks would be regarded as a revenue cost because it is normal wear and tear. If, however, as part of a refurbishment of a whole classroom, all of the furniture is to be replaced then it can be included as part of the capital project.

It is important to note that the £2,000 de-minimis limit described above should not be used to attempt to artificially disaggregate capital expenditure in order to recover VAT. For example, a single supply of ICT equipment should not be split into smaller contracts for individual IT items of £2,000 or less, or construction works similarly split, in order that, invoiced separately, this could be treated as revenue expenditure.

LETTING OF SPORTS FACILITIES – VAT EXEMPTION

The letting of sports facilities is standard rated for VAT purposes.

However if all of the conditions detailed below are met the letting may be treated as VAT exempt.

1. You must be either:
 - a) a club,
 - b) an association or an organisation representing affiliated clubs or constituent associations, such as a local league.

For an organisation to be recognised as a) or b) above proof must be provided that one or more of the following statements apply

- They are affiliated to a National Governing Body/League
 - A membership subscription is charged
 - They have a memorandum of association/constitution
 - They have designated officials such as a secretary and a treasurer
- 2 You must book a series of 10 or more sessions in advance
 - 3 Each session is for the same sport or activity
 - 4 Each session is in the same place, although a different pitch, court or lane is acceptable.
 - 5 The interval between each session is at least one day but not more than 14 days. There is no exception for intervals greater than 14 days, which arise through events that can be reasonably predicted such as closure for public holidays. However, if we have to cancel your session due to unforeseen unavailability of the facility e.g. due to bad weather this would not break this condition.
 - 6 The series must be paid for in full whether or not the right to use the facility for any specific session is actually exercised. No refunds can be given in any circumstances.
 - 7 The organisation to which the facilities are let has exclusive use of them during the sessions.
 - 8 VAT exemption **is not** applicable to any organisation that is run as a profit making business.

I / We have read the conditions outlined above and apply to be exempt from paying VAT as we do fulfil the conditions

Signed _____ Date _____

On behalf of _____

Sample VAT Receipt

| | | |
|-------------------------------|-------|--------------------|
| A RETAIL SHOPPING PARK | | |
| MAIN ROAD | | |
| STOCKPORT | | |
| SK1 3XX | | |
| Telephone 0161 474 4029 | | |
| VAT NUMBER 110 4048 34 | | |
| 02/09/08 | 11.44 | Till 03 |
| | | Transaction 4621 |
| | | 012 KAREN |
| SALE | | |
| 36 CM WINDOW WIPERS | | |
| 00953364 | | |
| | 2.25 | £2.25 |
| | | TOTAL £2.25 |
| Cash | | £2.25- |
| Bonus Card Customer | | |
| 1111200071553119 | | |
| VAT Analysis | | |
| 1.91 @ 17.50% = 0.34 | | |

A valid VAT invoice/receipt must show the following details:

- an invoice number which is unique and follows on from the number of the previous invoice
- the seller's name or trading name and address
- the seller's VAT registration number
- the invoice date
- the customer's name or trading name and address
- a description of the goods or services

For each different type of item you sell, you must show the:

- unit price or rate, excluding VAT
 - quantity of goods or the extent of the services
 - rate of VAT that applies to the items being sold
 - total amount payable, excluding VAT
 - rate of any cash discount
 - total amount of VAT charged
-

Processing VAT due on Income on SIMS

• **Cash Book Journal**

When putting income subject to VAT on SIMs by way of a cash book journal amend the VAT code to the correct rate and ensure that you tick the 'gross' income button

The screenshot shows the 'Manual Journal Processing' window in SIMS FMS. A 'Cash Book Journal Line Details' dialog box is open, showing the following fields:

- Ledger Code: 701406 Lettings
- VAT Code: 6 VAT Output Normal 17.5 (17.50%)
- Fund Code: 01 LA Allocation
- Cost Centre: 114 Other sources of finance
- Amount: 100.00 (with 'Gross' selected)
- Debit/Credit: Debit (selected)
- Narrative: Ad Hoc Sports Lettings
- Cost Centre: 0.00
- Combination: 0.00

Callouts from external boxes point to the 'VAT Code' field (labeled 'Choose correct VAT Output code') and the 'Gross' radio button (labeled 'Gross Amount').

A warning is then displayed, click on OK.
The VAT line will be displayed on the journal.
Save and post the journal.

• **Non Invoiced Income**

When adding income subject to VAT to a receipt, such as telephone income ensure that the VAT code is the correct one before saving and paying in.

The screenshot shows the 'Receipt Details' window in SIMS FMS. The 'VAT Code' field is set to '6 VAT Output Normal 17.5 (17.50%)'. A callout from an external box points to this field with the label 'Choose correct VAT Output code'.

Entering the VAT Reimbursement on SIMs

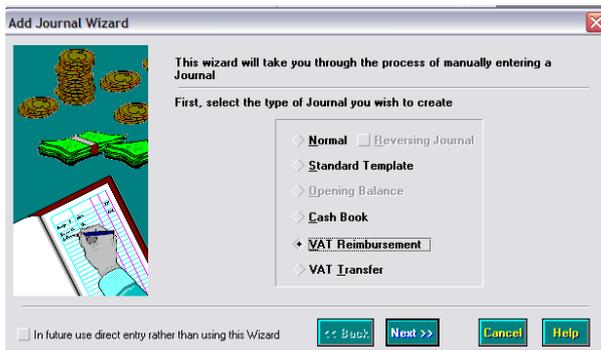
VAT Reimbursements are determined by the amount of input and output VAT shown on the VAT submittal report.

Before inputting on SIMs always check the amount and the split from the relevant VAT submittal report.

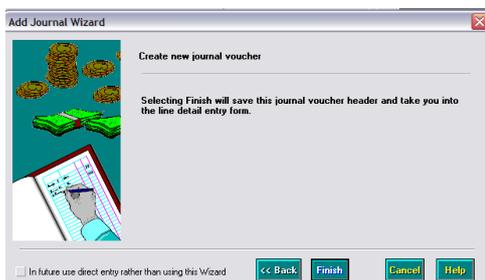
The following notes outline the process for entering outstanding VAT for both income and expenditure VAT codes.

Focus\General Ledger\Manual Journal Processing

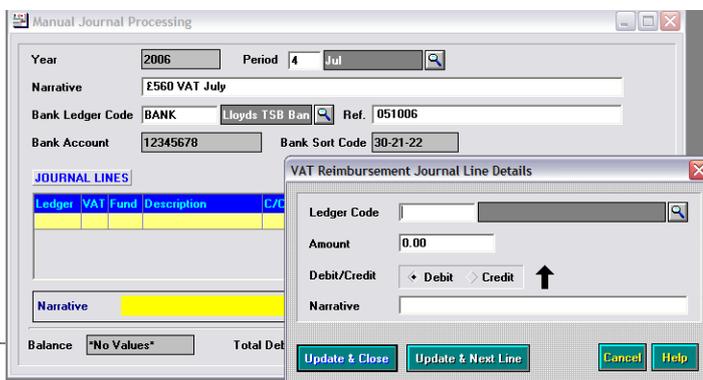
- Click on the **Plus** button (Top of Screen)
- Click on **VAT Reimbursement**
- Click on **Next**



- Enter a **Narrative** e.g. amount - VAT for April 2009
- Click on **Next**
- Select the **Bank Ledger Code**
- Enter a **Ref** e.g. date
- Click on **Next** then **Finish**



- Click on the **Plus** button on the right of the screen to enter the Journal line detail
- Select **VAT code** (VAT Input Normal 15%)
- Enter the amount of the VAT reimbursement shown for the Input Normal code



- Click on **Credit**
- Enter a relevant narrative e.g. VAT for April 2009
- If you have no income VAT (Output) to record, then click on **Update and Close**
- Check that the information on screen is correct, then click on the **Blue Tick** to save
- Then **Post**

If you do have income VAT (Output)

- Click on the **Update and Next Line** button
- Select **VAT** (VAT Output Normal 15%)
- Enter the amount of the VAT reimbursement shown for the Output Normal code
- Click on the **Debit** button
- Enter a relevant narrative e.g. VAT for April 09
- Click on **Update & Close**
- Check that the journal details are correct, i.e. a Balanced Journal with the correct amount, then click on the **Blue Tick** button to save

The screenshot shows the 'Manual Journal Processing' window. The 'Year' is 2006 and the 'Period' is 4 Jul. The 'Narrative' is 'E560 VAT July'. The 'Bank Ledger Code' is 'BANK' and the 'Bank Account' is '12345678'. The 'Bank Sort Code' is '30-21-22'. The 'JOURNAL LINES' table is as follows:

| Account | VAT Code | Description | Debit | Credit |
|---------|------------------------|-------------|--------|--------|
| BANK | Lloyds TSB Bank | | 0.00 | 560.00 |
| 501 | Vat Input Normal 17.5% | | 560.00 | 0.00 |

The 'Balance' is 'Balanced'. The 'Total Debits' and 'Total Credits' are both 560.00.

Click on the **Post** button to post the Journal

Insurance Schemes

Schools can purchase the following five categories of cover from Stockport Corporate and Support Services through the Insurance Services team, Service Level Agreement: Material Damage, Employer's Liability, Public Liability, School Journeys and Balance of Risks Insurance. Other categories of cover can be arranged subject to an additional charge.

The SLA insurance provides:

| POLICY | COVER AGAINST | COVER FOR | EXCESS |
|---------------------------------|---|--|------------------------------|
| 1. MATERIAL DAMAGE | Perils include: - Fire, Lightning, Explosion, Aircraft, Riot, Civil Commotion, Strikers and Locked Out Workers, Malicious Damage, Earthquake and Storm. | Physical loss or damage to buildings and contents owned by the school. Temporary accommodation and additional resources due to business interruption. | None |
| Engineering | Explosion, collapse and damage to school's own property. | Periodic inspections and issue of reports on lifts, boilers, air pressure plant and playground equipment. | £100 Each and every claim |
| | | | |
| 2. EMPLOYERS' LIABILITY* | Legal liability for death, bodily injury, illness or disease. | Employees and volunteers in the course of their employment. | None |
| | | | |
| 3. PUBLIC LIABILITY* | Legal liability for death, bodily injury, illness or disease and damage to material property. | Third parties in connection with school business. | None |
| Officials Indemnity | Actual or alleged negligent act, error or omission. | Staff or governor while carrying out their statutory duties. | None |
| Fidelity Guarantee | Loss of money or other property as a direct result of fraud or dishonesty. Includes approved school funds. | By an employee or governor. | None |
| Money | Loss or damage. | Cheques, bank notes, coins etc. | £500 |
| | | | |

| POLICY | COVER AGAINST | COVER FOR | EXCESS |
|----------------------------|---|---|--|
| 4. SCHOOL JOURNEYS | Includes: medical expenses, cancellation due to illness/injury, loss or damage to personal property. | Pupils, teachers and volunteers while on authorised journeys. Hazardous pursuits must be notified to Insurance Section. | None |
| Personal Accident | Accidental bodily injury resulting in death or disablement. | All staff, governors and students on work experience. Teachers while organising activities on a voluntary basis. | None |
| 5. BALANCE OF RISKS | Perils include: - Theft, Malicious Damage, Accidental Damage, Storm & Flood, Impact, Earthquake, Aircraft, Riot and Civil Commotion, Burst or Overflowing of Water. | School contents. | £100/£250 (or 10%) Each and every claim for infant, junior, primary & secondary. |

**Please note: With regard to Public Liability Insurance the expected minimum level of cover is £5 million and with regard to Employers Liability Insurance the recommended minimum level of cover is £10 million.*

Other Categories of Cover

Sickness Insurance

Cover for absence from school due to personal accident or illness of Teaching and Support Staff Further details of policy can be found on Office Online

Laptops Insurance

Laptops to be used for staff insured under this scheme are covered for loss or damage in the following locations:

- In school
- In transit between school and the home of the assigned teacher
- In the home of the assigned teacher

Further details of policy can be found on Office Online

GUIDE TO GOVERNORS EXPENSES

ALLOWANCES FOR GOVERNOR EXPENSES

Governing Bodies that have a delegated budget can choose whether or not to pay allowances to governors and associate members of the Governing Body. The DfE considers it good practice for Governing Bodies to pay allowances, as governors should not be out of pocket for the valuable work they do.

Examples of Governor Expenses:

- care arrangements for a dependent relative (including childcare or babysitting);
- telephone charges, photocopying and stationery;
- travel and subsistence (i.e. reimbursement for meals purchased that would not have otherwise been bought).

The list in the paragraph above is not an exhaustive list of possible allowances, under provisions schedule 11 of the School Standards and Framework Act 1998. Payments can only be paid in respect of expenditure necessarily incurred for the purposes of enabling the person to perform any duty as a governor. This would not include payments to cover loss of earnings for attending meetings.

Travel expenses must be paid at a rate not exceeding the maximum level of HM Revenue & Customs authorised mileage rate. The rates are changed annually and can be found on HM Revenue & Customs website at www.hmrc.gov.uk

Governing Bodies may pay less than the authorised mileage rate if they wish, but they may not pay more than the maximum level of those rates. If a Governing Body has any doubt about whether or not payments made under its scheme attract a tax liability, it should contact HM Revenue & Customs for advice. Other expenses should be paid on the provision of a receipt (at a rate predetermined by the Governing Body and set out in its scheme) and should be limited to the amount shown on the receipt.

Governing Bodies should make provision from within their delegated budget if they anticipate expenditure in making adjustments for disabled Governors or in providing support to those Governors whose first language is not English.

Where a Governing Body does not have a delegated budget, the allowances referred to above may be paid by the Local Authority at a rate determined by them.

Confidential Reporting Policy “Whistleblowing”

Introduction

This document should be read in conjunction with the corporate Confidential Reporting Policy. The rights & responsibilities outlined within the corporate procedure are inherent within this procedure; this document outlines particular responsibilities for school based employees.

Statement

This Governing Body is committed to the highest possible standards of openness, probity and accountability. Any school governors who have serious concerns about the school are expected to come forward and voice those concerns. They will be able to do so in confidence and without fear of reprisal

Legislation

UK Public Disclosure Act 1998 came into force on 2nd July 1999. The Act promotes the public interest

Scope

This policy is additional to the existing mechanisms that exist for raising particular issues e.g. the grievance procedure exists for issues around employment, parental complaints are managed through the Governor Complaint procedure & Schools Management Team, child protection issues should be directed in the first instance to the Principal Education Welfare Officer

This procedure covers major concerns as illustrated below:

- Conduct which is an offence or breach of the law
- Disclosures relating to miscarriage of justice
- Health & safety risks, including risks to the public as well as other employees
- Damage to the environment
- Unauthorised use of public funds
- Unethical conduct

Thus any serious concerns you have about the operation of the school or conduct of school staff or members of the Governing Body can be reported under this policy

How to raise a concern

As a first step you should normally raise concerns with your immediate manager or Headteacher. However depending on the seriousness and sensitivity of the issue it may be appropriate to raise the issue with the Chair of Governors. In extreme cases you should approach the Corporate Director for Services to People (or an appropriate representative).

Concerns are best raised in writing. All staff is encouraged to use the following format:

- The background and history of the concern
- The reason why you are particularly concerned about the situation

If you are not able to put your concern in writing you should meet with the appropriate person as detailed above

You are encouraged to put your name to your allegation. Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Governing Body in line with the corporate guidelines.

You may wish to consider discussing your concern with a colleague or trade union representative, you may wish to bring a representative along to any meetings you may have.

The School recognises that reporting a concern can be difficult. If what you are saying is true you should have nothing to fear. If you raise a concern in good faith you will have nothing to fear.

All concerns raised will be treated in confidence and every effort made not to reveal your identity if you so wish. However you need to be aware that you may need to come forward as a witness.

How the school will respond

The School will respond to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.

Where appropriate the matter raised may:

- Be investigated within school
- Be referred to the appropriate Service within the Council for further investigation
- Be referred to the external auditor
- Be referred to the police
- Form the subject of an independent enquiry

If the matter is dealt within the school the appropriate member of the school management team or Governing Body will respond to the concern. If the matter is referred to the Council the corporate process will be followed.

If you are not satisfied with any action taken or you feel it is right to take the matter outside the Council, the following are possible contact points:

- your local councillor
- the external auditor
- your solicitor
- your trade union
- your local Citizens Advice Bureau
- relevant professional bodies or regulatory organisations
- a relevant voluntary organisation (e.g. Public Concern at Work 0207 404 6609)
- the police

If you do take the matter outside the Council, you should ensure that you do not disclose confidential information. Check with your chosen contact point regarding this.

CIPFA CODE OF PRACTISE – CAPITAL EXPENDITURE ITEMS

Local Authority capital /revenue split and items which are the separate responsibility of governors in VA schools

Illustrative examples in line with DfE interpretation of the CIPFA code of practice

NB actual interpretation of CIPFA code of practice for these purposes will be for each Local Authority

| ELEMENT | CAPITAL: AS CIPFA CODE OF PRACTICE | REVENUE: REPAIRS & MAINTENANCE |
|----------------|---|--|
| Roofs | | |
| <u>Flat</u> | Structure. New (not replacement) structure | Repair/replacement of small parts of an existing structure |
| | Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure | Replace small areas of rotten or defective timber, make good minor areas of spalling concrete where reinforcing bars exposed |
| | Screed / insulation in a new building/extension | Repair/replacement of screed/ insulation where defective. |
| | Screed / insulation. Replacement/repair of substantially all. Improve effectiveness of insulation | Work to improve insulation standards, during replace small areas of roof. |
| | Finish on new build. Replacement of all/substantially all on existing roof | Replacement of roof finish on existing building. Re-coating chippings to improve life expectancy |
| | Edge Trim/ Fascia on new build | Repairs/ replacement. (UPVC) Repainting. |
| | Edge Trim/ Fascia, Replacement of all/substantially all on existing roof | Repairs/ replacement. (UPVC) Repainting. |
| | Drainage on new build | Clearing out gutters and downpipes. Replacement/repair/ repainting of/ individual gutters/pipes |
| | Other e.g. Flashings, Roof lights on new build Replacement of all/substantially all on existing roof | Repair/ Replacement/ cleaning of individual items |

| ELEMENT | CAPITAL: AS CIPFA CODE OF PRACTICE | REVENUE: REPAIRS & MAINTENANCE |
|----------------|---|---|
| <u>Pitched</u> | Structure. New (not replacement) structure | Repair/replacement of small parts of an existing structure |
| | Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure | Replace/ repair small areas of rotten/ defective joists, rafters, purlins etc. Not complete trusses |
| | Insulation in a new building/extension | Repair/replacement/ increasing thickness of insulation in an existing roof |
| | Insulation. Replacement /repair of substantially all. Improve insulation to current standards | |
| | Roof finish in a new building/extension, replacement of all/substantially all on existing roof | Replace missing/ damaged small parts |
| | Bargeboards/ Fascias in a new building/extension, replacement of all/substantially all on existing roof | Repairs/ replacement/ Repainting |
| | Drainage in a new building/extension | Clearing out gutters and downpipes. Replacement/repairs of individual pipes/gutters |
| | Drainage. Replacement of all/substantially all on existing roof | |
| | Other e.g. Flashings, Roof windows in a new building/extension, replacement of all/substantially all on existing roof | Repair/ Replacement /cleaning |
| <u>Other</u> | Provide new covered link etc. between existing buildings | Minor repairs, maintenance to existing covered link |
| | Rebuild or substantially repair structure of existing covered link | |
| | Add porch etc. to existing building | Minor repairs, maintenance to existing structure |
| | Rebuild or substantially repair structure of existing porch | |

| ELEMENT | CAPITAL: AS CIPFA CODE OF PRACTICE | REVENUE: REPAIRS & MAINTENANCE |
|-------------------------|--|--|
| Floors | | |
| <u>Ground Floor</u> | Structure and dpc in new building | Repair/replacement of small parts of an existing structure |
| | Structure and dpc - Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure | |
| | Screed and finish in new build, replacement of all/substantially all on existing floor - e.g. replacement of most carpets/ tiles in a room | Replacement and repair of screed and finishes/ Replacement of mats / matwells. Maintenance e.g. re-varnishing wooden floors. |
| <u>Upper Floor</u> | Structure - as ground floor | As ground floor |
| | Screed and Finish - as ground floor | Repairs of finishes/ Replacement - as ground floor |
| Ceilings | | |
| <u>Top/ only storey</u> | Suspension | Repair/ replacement incl. From water damage, & necessary decoration |
| | Membrane | |
| | Fixed | Repair/ replacement incl. from water damage |
| | Access panels | Repair/ replacement |
| <u>Lower storeys</u> | Suspension | Repair/ replacement |
| | Membrane | |
| | Fixed | Repair/ replacement |

| ELEMENT | CAPITAL: AS CIPFA CODE OF PRACTICE | REVENUE: REPAIRS & MAINTENANCE |
|--------------------------|--|--|
| <u>All</u> | Specialist removal/ replacement of damaged/ disturbed Asbestos based materials, planned or emergency | Inspection/ air testing Applying sealant coats to asbestos surfaces for protection |
| External walls | | |
| <u>Masonry/ cladding</u> | Structure Underpinning/ propping for new build | Repairs Preventive measures e.g. tree removal |
| | External Finish on new build | Repair/replacement of small parts of an existing structure. E.g. re-pointing/ re-cladding a proportion of a wall where failure has occurred. |
| | External Finish on existing builds where needed to prevent imminent or correct actual major failure of the structure. e.g. re-pointing/re-cladding work affecting most of a building /replacement build | |
| <u>Windows and Doors</u> | Framing - new build | Repair/ replacement of individual frames. Repainting frames |
| | Framing - structural replacement programme | Repair/ replacement of individual windows. Repainting frames |
| | Glazing - new build | Replacing broken glass |
| | Glazing Upgrading existing glazing | |
| | Ironmongery Improved security | Repair/ replacement, upgrading locks etc. |
| | Jointing including mastic joints | |
| | Internal and external decorations to new build | Internal and external decoration to include cleaning down and preparation. |
| <u>Masonry chimneys</u> | Structure | |
| | Jointing including expansion and mortar joints/ pointing/ DPC | Repair/ re-pointing |

| ELEMENT | CAPITAL: AS CIPFA CODE OF PRACTICE | REVENUE: REPAIRS & MAINTENANCE |
|----------------------------|---|---|
| Internal walls | | |
| <u>Solid</u> | Complete including various internal finishes, linings and decorations | Repairs and redecoration to internal plaster/ linings tiles, pin boards etc. |
| | Refurbishment and alterations | Minor alterations |
| <u>Partitions</u> | Complete structure including linings, framing, glazing, decoration etc. | Repairs and redecoration. |
| | Refurbishment and alterations | Minor alterations |
| <u>Doors & Screens</u> | Framing/ Screens/ Doors to new buildings including glazing, ironmongery, jointing and internal decorations | Internal maintenance and redecoration. Repair/ replacement of defective doors and screens |
| <u>All</u> | Glazing to meet statutory Health & Safety requirements | Replacement of broken glass |
| Sanitary Services | | |
| <u>Lavatories</u> | In new buildings provision of all toilet fittings, waste plumbing and internal drainage. | Repair/ replacement of damaged sanitary ware, fittings, waste plumbing etc. |
| | Large scale toilet refurbishment | Small areas of refurbishment |
| | Provision of disabled facilities, and specialist facilities related to pupils with statements | Repair/ replacement of damaged fittings, waste plumbing etc. |
| <u>Kitchens</u> | | |
| | Kitchens in new buildings complete with fittings, equipment, waste plumbing and internal drainage. Internal finishes and decorations. | Maintain kitchen to requirements of Local Authority – All Schools that are in the School Meals contract with the LA and have their food prepared by Solutions SK Limited must return to the Council their budget for repairs and maintenance of the “heavy end” kitchen equipment. Cleaning out drainage systems Redecoration |
| | General refurbishment | Repairs |
| | Large and costly items of equipment | Repairs/ replacement parts |

| ELEMENT | CAPITAL: AS CIPFA CODE OF PRACTICE | REVENUE: REPAIRS & MAINTENANCE |
|-------------------------------|---|---|
| Mechanical services | | |
| <u>Heating/ hot water</u> | Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues etc. | General maintenance of all boiler house plant including replacement of defective parts. Regular cleaning. Energy saving projects |
| | Safe removal of old/ damaged asbestos boiler and pipe-work insulation, where risk to Health & Safety. | Monitoring systems Health & safety issues |
| | Planned replacement of old boiler/ controls systems past the end of their useful life | Replacement of defective parts |
| | Emergency replacement of boiler plant/ systems | |
| <u>Cold water</u> | Provision of cold water services, storage tanks, distribution, boosters, hose reels etc. in major projects | Maintenance and repair/ replacement of defective parts such as servicing pipes. Annual servicing of cold water tanks. |
| <u>Gas</u> | Distribution on new and major refurbishment's, terminal units | Repairs, maintenance and gas safety All servicing |
| <u>Ventilation</u> | Mechanical ventilation/ air conditioning to major projects | Provision of local ventilation. Repair/ replacement of defective systems and units |
| <u>Other</u> | Swimming pool plant and its complete installation, including heat recovery systems | Repair/ replacement of parts to plant, pumps and controls. Water treatment equipment and all distribution pipe-work. Simple heat recovery systems. Solar heating plant and equipment. |
| Electrical services | | |
| <u>General</u> | Main switchgear and distribution in major projects. | Testing/ replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings. |
| | Replacement of obsolete and dangerous wiring systems, including distribution boards | All testing, earthing and bonding to meet Health & Safety. All servicing. |
| <u>Power</u> | Control gear, distribution, fixed equipment, protection | All testing, repair and replacement of small items of equipment |

| | etc. | |
|------------------------------|---|--|
| ELEMENT | CAPITAL: AS CIPFA CODE OF PRACTICE | REVENUE: REPAIRS & MAINTENANCE |
| <u>Lighting</u> | Provision of luminaires and emergency | Replacement of luminaires, all testing, adjustments and improvements to emergency |
| <u>Other</u> | Lightning protection in new build | Repair/ replacement |
| | Alarm systems, CCTV, lifts/ hoists etc. | Repair and maintenance |
| | New installation of communication systems, radio/ TV, call, telephone, data transmission, IT etc. and provision in new build. | Repair/ replacement/ maintenance, including all door access systems |
| External Works | | |
| <u>Pavings</u> | Provision of new roads, car parks, paths, court, terraces, play pitches, steps and handrails, as part of major project, including disabled access | Maintenance and repair Car park and playground markings. |
| <u>Miscellaneous</u> | Provision of walls, fencing, gates and ancillary buildings as part of major project | Maintenance and repair of all perimeter/ boundary/ retaining walls, fencing and gates. |
| <u>Drainage</u> | Drains, soakaways, inspection chambers and sewage plant as part of new projects | Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. Cleaning of the above and unblocking as necessary. |
| <u>Open air pools</u> | Structure, Hygiene/ safety in new build | Hygiene, cleaning, maintenance and repairs, including replacement parts. Simple energy saving systems. |
| <u>Services distribution</u> | Heating mains gas mains water mains electricity mains, renewal of any above. | Annual servicing |

Notes

This illustrative list is the DfE interpretation of the CIPFA Code of Practice and Local Authorities should refer to the Code when defining capital and revenue.

Where Local Authorities use de-minimus limits for defining capital and revenue in their financial accounts, the same de-minimus limits must be used in defining what is delegated. The application of a de-minimus limit may change the examples given in the first two columns of the illustrative list.

EXTENDED SERVICES FINANCIAL FRAMEWORK

Background

The Education Act 2010 gave school Governing Bodies the powers to provide community facilities that would benefit the school and local community.

Governing Bodies cannot provide services that might interfere with their main duty to educate pupils or their responsibility to promote high standards of educational achievement at the school

Extended school activities are carried out under the Governing Body's community facilities powers, the Stockport's Scheme for Financing Schools (section13) sets out the statutory requirements placed on schools wishing to exercise these powers.

Accounting for Extended Activities

The Schools, Children and Families Act 2010 – Section 4 determines:

At least once in every school year the Governing Body of a maintained school in England shall consider whether, and if so how, they should exercise the power to provide and fund any community facilities, including Extended Services.

Extended Activities can be provided directly by the school or as commissioned provision through a third party. Where a third party is the provider they will have responsibility for the financial management of the activity.

Schools may cross-subsidise community facilities provision from any form of delegated funds after seeking Governing Body approval.

It is recommended that directly provided extended school activities are accounted for within the schools existing financial system (SIMS FMS6). It will be necessary to set up separate cost centre/s.)

Governing Body will need to approve the budget for a school in total, which should be sub-divided between "school" and "community facilities" for governor information where appropriate.

All costs and funding streams are identified and allocated to school or community facilities" including a reasonable apportionment of any share costs including staffing, premises, services and consumables. For nursery schools any contribution from the school budget needs to be clearly identified and agreed by the Governing Body.

Schools may carry-forward any surplus from one financial year to another and hold it as a separate community facility surplus. This may be used for "school" purposes.

The flow chart below gives an overview of the accounting arrangements for extended activities that are **directly provided** by the school.

School internal financial regulations will need to be reviewed to reflect community

- Budget approval and virement (including approval of any contribution from school budget to community facilities for nursery schools)
- Budget monitoring reports for governors
- Authorisation of orders and invoices
- Use of community facilities surplus for school purposes.
- Financial Arrangements – Voluntary Management Committee (VMC)
- If you have a VMC:

VMC will need to approve and manage budget and is responsible for financial viability of operation.

School must be represented on VMC

Separate accounting records are maintained completely independent to Authority accounts.

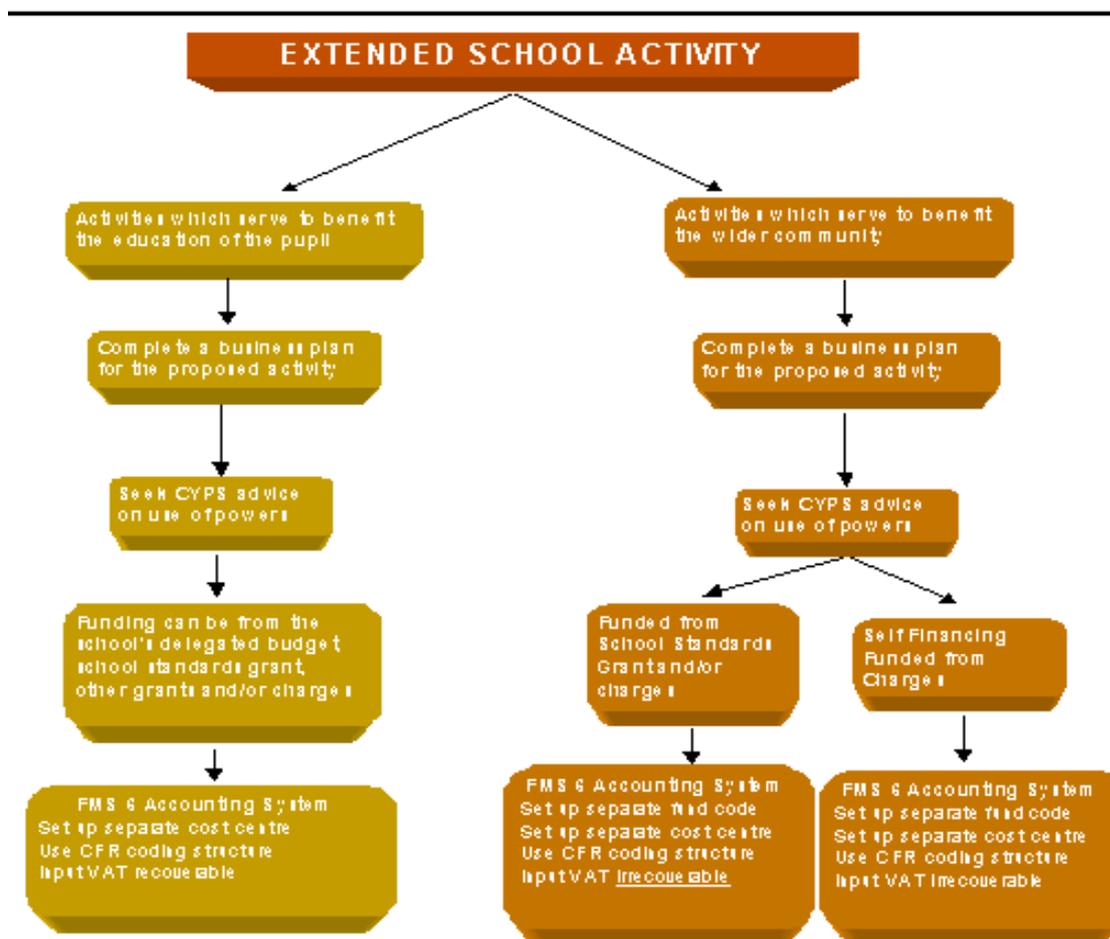
Separate bank account is set up

Treasurer is appointed and accounts are audited independently

VMC meets all direct costs and is billed for any proportion of shared costs relating to staff, use of premise

School may subsidise or allow free letting provided that “overall” lettings costs are recovered from users in total, i.e. would need to charge above costs to other users.

EXTENDED SCHOOL ACTIVITIES ACCOUNTING FLOW CHART



Note: If the Governing Body of a maintained school engages in extended school activities in its own right, and the income generated is retained by the governing body, Input VAT is not recoverable.

If Governors take on an extended school facility on behalf of the Children and Young Peoples Directorate under the Local Authority "powers of well being" and Service Level Agreements are set up then VAT can be recovered through the local authority VAT arrangements.

Providing Extended Services

If you are providing a service such as child care or a before or after school club you must ensure that you have a business case which takes full account of the costs the activity, such as staff costs; national insurance; indemnity insurance; superannuation, staff development and SLA costs for payroll and HR support.

Commissioned Activities

Where Schools commission extended school activities from a third party provider, the provider will be responsible for the financial management and viability of the enterprise the school must ensure that the provider has suitable financial and personnel arrangements in place to provide that service. Charges made by the school to the

provider must at least cover any extra costs incurred by the school in running the extended facilities. Schools should account for any costs incurred and charges made separately from the school budget share. A separate cost centre should be used in the schools SIMS FMS6 system to separately identify income and expenditure related to the extended school activity. Schools should balance the recovery of expenditure to cover the basic running costs against the principle of providing a service for the local community, taking account of what is deemed affordable when they finalise agreements with their providers.

Charging Arrangements

Charges (where they can be made under legislation) must not exceed actual cost. The basis of charge must be included in the school's charging policy together with any remissions policy for hardship cases.

In relation to charging for study support activities, parents can be charged for activities that occur outside school hours when these activities **are not necessary part of the National curriculum or religious education**.

Study support must be provided free of charge for high school pupils.

As a general rule schools are encouraged to raise nominal charges for extended school activities to cover basic costs in order to enable maximum access at affordable rates.

Financial Returns

The Stockport Scheme for Financing Schools requires schools operating community facilities and services to provide the Services to People Directorate (CYPD) with financial information about the activities every six months. The information should be in the form of a summary statement showing actual income and expenditure for the previous six months and an estimate of income and expenditure for the next six months.

Accounting for VAT on Extended School Activities

If the Governing Body of a school provides community facilities as an extended school activity in its own right and the income generated is retained by the Governing Body, then input VAT (VAT on purchases) **is not recoverable.**

Schools operating extended activities in this way will need to set up their SIMS FMS6 extended school activity codes for expenditure with a non-recoverable VAT indicator.

If the Local Authority / CYPD operates the community facility and retains the income or the Governing Body takes on the community facility on behalf of the Local Authority / CYPD (under the Local Authorities “powers of wellbeing” and with a Service Agreement), then input VAT would be recoverable under the Local Authority VAT scheme. In addition if the community facility is for childcare, input VAT is recoverable as following the Chancellors 2005 Budget Statement Local Authorities may now treat this as a non-business activity and recover VAT under the Local Authority refund provisions.

VAT on the Supply of Staff

In Voluntary and Community Schools the law requires that all staff is employed by the Local Authority / CYPD. Where the Governing Body is operating extended school facilities they may use existing staff or new staff to run the facilities. Recharges to the extended facility for the cost of these staff are not subject to VAT.

In Voluntary Aided and Foundation Schools the Governing Body is generally the employer. If the school requires additional staff to run the extended facility and the Local Authority provides them then that is a supply for VAT purposes and may be subject to VAT depending on what is being supplied.

All other goods and services provided to Governing Bodies for the purpose of extended school facilities are subject to VAT at the appropriate rate.

RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS

This guidance note summarises the position relating to the charging of voluntary early retirement and redundancy costs. It sets out what is specified in legislation and provides some examples of when it might be appropriate to charge an individual school's budget, the central Schools Budget or the Local Authority's non-schools budget.

Section 37 of the 2002 Education Act says:

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

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

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

The default position, therefore, is that premature retirement costs must be charged to the school's delegated budget, while redundancy costs must be charged to the Local Authority's budget. In the former case, the Local Authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy. Ultimately, it would be for the courts to decide what a good reason was, but the examples set out below indicate the situations in which exceptions to the default position might be taken.

Charge of dismissal/resignation costs to delegated school budget

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

Charge of premature retirement costs to Local Authority non-schools budget

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

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.

A de-delegated contingency could be provided, if Schools Forum agrees, to support individual schools where "a Governing Body has incurred expenditure which it would be unreasonable to expect them to meet from the school's budget share".

For staff employed under the community facilities power, the default position is that any costs must be met by the Governing Body, and can be funded from the school's delegated budget if the Governing Body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. Section 37 now states:

(7) Where a local education authority incur costs—

(a) in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or

(b) in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes, they shall recover those costs from the Governing Body except in so far as the authority agrees 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.

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

GLOSSARY OF TERMS

SOME KEY TERMS AND PHRASES

The explanations given for the following key terms and phrases are intended to assist understanding. These explanations are not meant to be legally definitive.

| | |
|-----------------------------|---|
| Accounts - | means statements setting out records of income and expenditure. |
| Audit regime - | means the procedures adopted to monitor and evaluate the adequacy and effectiveness of schools' accounting systems and internal financial controls. |
| Best value - | means the statutory duty placed on local authorities to secure Best Value in respect of the way in which they exercise their functions covering both cost and quality. The new duty is not intended to apply to those functions which are exercised by the Governing Bodies of LA maintained schools. However, schools are encouraged to adopt the Best Value performance management framework. |
| Budget - | means the representation in financial terms of the Governing Body's plan for a given period of time. |
| Budgeting - | means the preparation of estimates of expenditure and income to form a budget. Guidance on budget preparation is provided by the Authority. |
| Budget plan - | means the Governing Body's spending intentions for the financial year, drawn up having regard to curriculum priorities and the overall level of resources available to the school. |
| (Individual) budget share - | means a school's share of the Individual Schools Budget for a financial year, worked out using the Authority's funding formula. |
| CIPFA - | means the Chartered Institute of Public Finance and Accountancy. |
| Capital expenditure - | means spending on building projects, including new build and (subject to the thresholds determined by the Authority) repairs and maintenance, and large items of equipment. |

| | |
|-------------------------|--|
| Central services - | means services provided to schools by the Authority, using centrally retained funds from the Schools Budget. Can also refer to the services purchased by schools from the Authority if funds for these services are delegated. |
| Competitive tendering - | means obtaining quotes from a variety of possible providers, (including, for example, the Authority and private sector companies) before awarding contracts for goods and services. |
| Delegated budget - | means the budget share allocated to a school through the application of the funding formula. The spending of the delegated budget is controlled and managed by the Governing Body. |
| Delegation - | means the process by which one body or person gives another body or person authority to take decisions on a particular matter. |
| Devolved funding - | means the funding allocated to schools for a specific purpose. Such funding cannot be used to support the general activities of the school and is often referred to as "earmarked funding". |
| Earmarked funds - | means funds allocated to the school separately from the budget share which can only be used for a particular purpose. |
| Fair Funding - | means the term used to describe the current legal framework for the operation of local management arrangements in schools. The framework is based on Section 45-53 of the School Standards and Framework Act 1998, and any subsequent amendments. |
| Financial delegation - | means the concept of financial management by which management units, eg Governing Bodies, are identified and allocated resources to control and manage against a set of objectives. The management unit is held accountable for performance in achieving its objectives. |
| Financial year - | means the 12 months from 1 April to 31 March. |
| Formula funding - | Changes to the Authority's formula arrangements can only be made following consultations with schools. The formula is no longer subject to approval by the Secretary of State but must meet detailed requirements set out in regulations. |

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| Instrument of Government - | means the legal document setting out the composition of Governing Bodies. |
| Internal Financial Regulations - | means the rules established by the Governing Body within the school to organise its financial affairs, which includes establishing proper financial management arrangements and accounting procedures, and maintaining a sound system of internal controls including safeguards against fraud. Guidance on appropriate internal financial regulations is provided by the Authority. |
| Maintained school - | means any maintained nursery, primary, secondary or special school covered by the Authority's Scheme for Financing Schools. |
| Month - | means calendar month. |
| Outturn statement - | means a statement of what the school actually spent for the whole financial year. |
| PFI/PPP - | means Private Finance Initiative/Public and Private Partnership. These are Government initiatives aimed at providing better and more cost effective public services, and improving value for money through partnership with the private sector. prescribed - means as laid out in Regulations. |
| public funds - | means monies provided by the state or local authority for specific purposes. |
| Quarter - | means a period of three months beginning on 1 April, 1 July, 1 October or 1 January. |
| Register of Business Interests - | means a list, covering both Governors and school staff with significant financial responsibilities, of all business interests such as directorships, significant share holdings, close family or personal ties with any business which may have dealings with the school. |
| Regulations - | means subordinate (secondary) legislation that derives its authority from an Act of Parliament. Local Authorities, Governing Bodies and others must keep to relevant regulations by law. |
| Revenue expenditure - | means the resources available to be spent on day-to-day running costs but not on capital projects. |
| Schools Budget - | means the total of all expenditure direct and indirect on the Authority's maintained nursery, |

- primary, secondary and special schools.
The Individual Schools Budget is distributed via the funding formula and is the Schools Budget net of any central retention for identified purposes.
- Section 251 Statement - means the Statement published each year setting out details of the Authority's planned expenditure on education, showing the amounts to be centrally retained, the budget share of each school, the formula used to calculate these budget shares and the detailed budget calculation for each school.
- A separate Statement is published after the end of the financial year showing actual expenditure at both central level and for each school, and the balances held in respect of each school. This is known as the 'out turn' statement.
- Service level agreement - means the agreement with the Authority for the delivery of a specified level of services to the school.
- Statutory provision - means provision as required by an Act of Parliament or subordinate legislation.
the 1998 Act - means the School Standards and Framework Act 1998.
- The 2010 Act - means the Education Act 2010.
- The Scheme - means the Scheme for Financing Schools in Stockport drawn up in accordance with Section 48 of the School Standards and Framework Act 1998 and approved by the Secretary of State. The Scheme describes the financial controls within which delegation operates in Stockport.
- Unofficial fund - means any school fund which is controlled either wholly or in part by members of the staff of the school by reason of their employment in the service of the Education Authority and which has not been designated by the Authority as an official fund.
- Virement - means the process of transferring funds between one expenditure heading and another.
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