

Scheme for Financing Schools

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THE SCHEME

SECTION 1: INTRODUCTION

1.1 The Funding Framework

- 1.1.1 The funding framework, which replaces Local Management of Schools, is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998 (the Act).
- 1.1.2 Under this legislation, the Local Authority (i.e. Sutton LA) determines the size of the Schools Budget and LA Budget and their non-schools education budget– although at a minimum the local authority must appropriate its entire Dedicated Schools Grant to the 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 is all expenditure, direct and indirect, on the authority’s maintained schools. The authority may retain funding for purposes defined in regulations made by the Secretary of State under s.45a of the Act. This covers the authority’s responsibilities for strategic management, access to education (e.g. admissions), special educational needs and school improvement. The amounts to be retained centrally are decided by the authority, subject to any limits or conditions (including gaining the approval of the Schools Forum or the Secretary of State in certain instances) prescribed by the Secretary of State. The balance of the Schools Budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB).
- 1.1.3 Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).
- 1.1.4 The authority will distribute amounts from their 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 right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation operates are set out in this scheme in accordance with s.48 of the Act. The scheme and any subsequent revisions are subject to approval by the Secretary of State.
- 1.1.5 Subject to provisions of the scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations, e.g. Further education provision for 19+ students.
- 1.1.6 The authority may suspend a school’s right to a delegated budget if the provisions of the scheme for financing schools have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A school’s right to a delegated budget share may also be suspended for other reasons e.g., schools with serious weaknesses or requiring special measures, but in those cases there is no right of appeal.

- 1.1.7 The authority will publish each year a statement setting out details of its planned Schools Budget and LA Budget and other expenditure on children's services, showing the amounts to be centrally retained, the budget share for each school, the formula used to calculate those budget shares, and the detailed calculation for each school. After each financial year, the authority will publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school. Both types of statement are subject to audit certification by the Audit Commission, and information in them may be collated and published by the Secretary of State.
- 1.1.8 Each school will receive a copy of the scheme for financing schools and any amendment, and each years' budget and outturn statements so far as they relate to that school or central expenditure. A separate document describing the funding formula used to distribute the individual schools budget will also be available to schools.
- 1.1.9 Regulations also require the 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 Sutton Scheme for Financing Schools

- 1.2.1 The Act¹ requires that financial controls, which regulate delegation, are set out in a scheme made by the London Borough of Sutton (LBS) and approved by the Schools' Forum. This document forms the required scheme for the LBS which schools must adhere to.
- 1.2.2 Detailed operational rules are set out in the Schools Financial Procedures Manual for Maintained Schools. Schools should periodically review their processes and procedures and update their manual accordingly.
- 1.2.3 Subject to provisions of this scheme, governing bodies of schools may meet all expenditure of an official nature from their budget share, with the exception of those items exempted from the statutory scheme. Official expenditure is defined as any expenditure appropriate to either the management or curriculum of the school
- 1.2.4 The LBS may suspend a school's right to a delegated budget if the provisions contained in this financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State².
- 1.2.5 The LBS is obliged to publish each year a statement setting out details of its planned Schools Budget and the amounts to be retained centrally.
- 1.2.6 After each financial year the Authority must publish a statement showing outturn expenditure at both central level and for each school, and the balances held in respect of each school³.

¹ S.48 of the School Standards and Framework Act 1998.

² A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSAF Act 1998).

³ Both types of statement are subject to audit certification, and information in them may be collated and published by the Secretary of State.

1.2.7 The detailed publication requirements for financial statements and for schemes are set out in regulations, but each school must receive a copy of the scheme and any amendment, and each years' budget and outturn statement so far as they relate to that school or central expenditure.

1.3 The Role of the Scheme

1.3.1 The scheme sets out the financial relationship between the Authority and the nursery, primary, secondary and special maintained schools which it funds. It contains requirements relating to financial management and controls, banking and other accounting arrangements binding on both the Authority and on schools.

1.4 Application of the Scheme to the Authority and Maintained Schools

1.4.1 The scheme applies to all community, nursery, primary, secondary, voluntary, and special schools and pupil referral units (PRUs) maintained by the authority. The schools and PRUs covered by the scheme are listed in Annex A.

1.4.2 The scheme does not apply to adult education or youth and play services.

1.5 Publication of the Scheme

1.5.1 A copy of the scheme will be supplied to the Head teacher and to the Chair of Governors of each school, and any approved revisions will be notified to each school. Further copies of the scheme can be provided to schools for an appropriate fee. The scheme is also downloadable the London Borough of Sutton website at: www.sutton.gov.uk .

1.6 Revision of the Scheme

1.6.1 Any proposed revisions to the scheme must be submitted to the Schools' Forum for approval by members of the forum representing maintained schools, after consultation with the governing body and the head teacher of every school maintained by the authority.

1.7 Delegation of Powers to the Headteacher

1.7.1 Every governing body is required to consider the extent to which it delegates powers to the Head teacher, including virements and to record its decision in the minutes of the governing body.

1.7.2 The Head teacher should also have delegated authority from the governing body to sign or countersign orders, invoices, cheques and contracts, subject to conditions set out in Section 2.

1.7.3 Any financial delegation should make clear what activities are being delegated and the financial limits where applicable. Decisions on limits to delegation should also be recorded in the relevant minutes.

1.8 Maintenance of Schools

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

SECTION 2: FINANCIAL CONTROLS

2.1 Application of Financial Controls to Schools

- 2.1.1 Governing Bodies must ensure that the financial management of their delegated budgets are conducted in accordance with the Authority's Standing Orders and the Revised Subsidiary Financial Regulations for Schools as detailed in Annex B. These are given effect through the LA's procedures and practices on financial matters as detailed in the Financial Procedure Manual for Maintained Schools
- 2.1.2 Head teachers and governors are expected to maintain due regard for the proper accountability and the control over expenditure and income of public funds.
- 2.1.3 The Strategic Director - Resources has a duty under Section 151 of the Local Government Act 1972 to ensure the correct discharge of the Council's financial activities and the above conditions would not negate in any way from his/her responsibilities.

2.2 Provision of Financial Information and Reports

- 2.2.1 Schools must provide the LA with financial information and reports as set out in Annex C, in a format determined by the Strategic Directors - Resources and People Directorate and at intervals stipulated by them. Financial Reports must be accompanied by an authorisation cover sheet, signed by the Head and Chair of Governors (where necessary, as indicated on the authorisation sheet).
- 2.2.2 Any additional reports / information required by the LA, not included within Annex C above, will be subject to a separate notification to which schools must comply.
- 2.2.3 There are tight deadlines for the end of year set out in the timetable. The reasons for these tight deadlines is that the statutory deadline for all local authorities to close their accounts had been brought forward to 31 May 2018. This is the date the Sutton draft accounts have to be submitted to the Auditor for audit, The accounts must be audited and published by 31 July 2018. It is recognised that some Schools have raised concerns about the end of year deadlines. Please send an email to schoolreturns@sutton.gov.uk if there is an issue about meeting the deadlines.

2.3 Challenge of School Financial Performance

- 2.3.1 The Local Authority has a duty to ensure the effective management of resources by schools. To this end we require schools to submit returns as mentioned above and listed at Annex C. All submissions must be completed in a timely manner and should be accurate. The Authority has a duty to challenge schools financial performance and will monitor and check school financial returns as part of the challenge process.
- 2.3.2 Where the Authority has concerns over the financial management of a school, they may require submission of financial information and reports from that school on a more frequent basis than that set out in Annex C. The school will be notified of such requirements if necessary.

2.4 Payment of Salaries; Payment of Bills

- 2.4.1 Where a school opts to contract with a payroll provider other than the Local Authority's payroll provider, they need to be mindful that there are certain obligations placed upon schools in order that the Authority can fully discharge its statutory requirements. This would include for example the right to be provided with information, as the employing body, to fulfil requirements to report employee statistical data to OFSTED and other statutory organisations and statutory National Fraud Initiative payroll data. It is advisable that schools contact the Local Authority for advice on contract specifications and the controls required to ensure the integrity of such a system, before considering such alternative arrangements.
- 2.4.2 Further details relating to the payment of salaries and personnel matters are outlined in 'The Schools HR Handbook'.
- 2.4.3 With regard to the payment of supplier invoices, settlement of these should be made within the agreed credit terms offered by the supplier. In the absence of any prescribed settlement terms, the Confederation of British Industry's Prompt Payment Terms should be applied.

2.5 Control of Assets

- 2.5.1 Each school must maintain an inventory register of its moveable non-capital assets valued in excess of £1,000 in accordance with the policies, practices and format set out within the Financial Procedure Manual for Maintained Schools.
- 2.5.2 Schools may determine their own arrangements for assets worth less than £1,000 provided a register is maintained.
- 2.5.3 Assets of the school which are to be disposed of by sale or destruction must be appropriately authorised for disposal and, where significant, should be sold following competitive tender. Specific instructions for obtaining consent and notifying disposals are included in the Financial Procedure Manual for Maintained Schools.

2.6 Accounting Policies

- 2.6.1 Governing bodies must adhere to the directives issued by the Strategic Director - Resources with regard to estimate preparation, budgeting, financial monitoring and year-end procedures.

2.7 Writing off of Debts

- 2.7.1 The writing off of debts must be in accordance with Section 11 of the Revised Subsidiary Financial Regulations. A debt should not be considered for write-off until the school staff has exhausted the recovery procedures as set out in the Financial Procedure Manual for Maintained Schools.
- 2.7.2 For any single debt not exceeding £1,000, the governing body for the school may approve the writing off of the debt.
- 2.7.3 For any single debt over £1,000 but not exceeding £10,000, the chair of governors for the school should include the details on a schedule to be endorsed by the Strategic

Director (People) and then submitted to the Strategic Director - Resources for write off approval.

- 2.7.4 Where the value of an individual debt exceeds £10,000, a draft report must be prepared by the chair of governors and submitted to the Strategic Director (People) who will table it for submission to the Strategy and Resources Committee for their consideration at the next available meeting.

2.8 Basis of Accounting

- 2.8.1 Schools should have a financial management information system which meets their requirements. The system adopted must be capable of producing the requisite reports and returns as detailed in Section 7 of the Revised Subsidiary Financial Regulations for Schools.
- 2.8.2 The returns to the LA must be based on the CIPFA code of practice in that they must be submitted on an accruals basis i.e. 'income and expenditure'. This convention requires that expenditure incurred, but not paid for in an accounting period, is brought into account as a creditor and income due, for which no cash has been received, is brought into account as a debtor.
- 2.8.3 Irrespective of the above requirements, schools are free to choose the accounting convention for their own internal accounting purposes i.e 'income and expenditure' or 'receipts and payments'.
- 2.8.4 The Consistent Financial Reporting (CFR) Regulations, which came into force on 1 April 2003, formalise CFR policy previously approved by Ministers. The regulations set out the statutory duties of schools and LAs to submit annual returns in the appropriate CFR format by specified dates.

2.9 Submission of Budget Plans

- 2.9.1 Each school must submit a formal budget plan, approved by the governing body or by a committee of the governing body, to the LA by 20 June. The budget plan must be in the recommended format of the LA showing projected income and expenditure in line with the Consistent Financial Reporting (CFR) framework.
- 2.9.2 Schools if they so wish, may take into account any estimated deficits/surpluses at the previous 31 March in their budget plan.
- 2.9.3 Format details for these plans will be issued to schools by the LA during the period November to March preceding the financial year to which they relate.
- 2.9.4 The LA will supply schools with all income and expenditure data that it holds to ensure efficient financial planning by schools.

2.10 Submission of Multi Year Budget Plans

- 2.10.1 Each school must submit a financial forecast covering each year of a multi-year period beyond the current year, approved by the governing body or committee of the governing body, by 20th June.

2.10.2 The budget for year 1 should be the same as submitted as the formal budget plan.

2.11 Efficiency and Value for Money

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.

2.11.2 It is for heads and governors to determine at school level how to secure better value for money. Detailed guidance on the application of efficiency and value for money principles are set out in Annex D.

2.12 Virement

2.12.1 A governing body may vire resources between budget headings in the expenditure process provided that such transactions are within the total approved budget share for the school.

2.12.2 Financial limits must be laid down by the governing body together with the authorisation required to vire funds between budget headings.

2.13 Audit: General

2.13.1 All schools will be subject to internal audit. The frequency of audit visits will be determined by Internal Audit. Schools will be notified in advance of proposed visit dates. The LA's external audit regime, as carried out by Grant Thornton, will also apply to schools.

2.13.2 All financial accounts, records, documents and information held by the school must be available for inspection by them and to the Strategic Director - Resources or any officer appointed by him/her.

2.13.3 The Strategic Director - Resources has a statutory duty under Section 151 of the Local Government Act 1972 to maintain an effective and efficient internal audit. The audit shall include a review and appraisal of:-

- (i) The soundness, adequacy and application of financial and other management control systems;
- (ii) The extent of compliance with and the financial effect of, policies, plans, procedures and regulations;
- (iii) The extent to which Council funded assets and interests are accounted for and safeguarded from losses due to fraud, waste, inefficiency or any other cause.
- (iv) Risk Management, Business Continuity, Procurement and Sustainability.

2.14 Separate External Audit

2.14.1 In addition to the statutory audit in 2.7 above, governing bodies may, at their discretion, elect to employ the services of an independent external auditor to

undertake a financial review of any aspect of the school's finances and obtain external audit certification of its accounts. Where a governing body decides to do this, financial provision may be made from the school's budget share.

2.15 Audit of Voluntary and Private Funds

2.15.1 The Schools Standards and Framework Act 1998 sections 45 and 53 requires that schools must arrange for annual accounts of all voluntary, private funds and trading activities e.g. school funds to be prepared, audited and presented to the full governing body for approval within six months following the year end to which the accounts relate. The governing body will be required to register any relevant funds with the Charities Commission.

2.15.2 The accounts must be signed by the custodian of the relevant account, the headteacher and the appointed auditor who should also complete an audit certificate indicating that the accounts were prepared and examined in accordance with the records produced.

2.15.3 The Consistent Financial Reporting framework requires that private funds under the control of the governing body be included.

2.15.4 Copies of the annual presented accounts should be passed to the Internal Audit Team in accordance with the Section 18 of the Revised Subsidiary Financial Regulations for Schools.

2.16 Register of Business and Pecuniary Interests

2.16.1 Governing bodies must appoint an officer at the school to maintain a register that details for each member thereof, together with the headteacher:

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

2.16.2 The appointed officer must ensure the register has been established, is regularly updated with change notifications and also reviewed annually by way of signed, dated, annual written declarations from all interested parties including 'nil' returns. The register is to be held at the school and must be made available for inspection by governors, staff, parents and appointed representatives of the LA.

Governors declarations must be made available on a publicly accessible website.

2.16.3 Further guidance on the maintenance of such a register can be found in the Financial Procedure Manual for Maintained Schools.

2.17 Purchasing, Tendering and Contracting Arrangements

2.17.1 Governing bodies must ensure compliance with the Authority's Standing Orders, Revised Subsidiary Financial Regulations for Schools and the Code of Practice relating to purchasing, tendering and contract procedures including Leasing as set

out in Annexes E and E1. Where relevant, schools should assess in advance the health and safety competence of contractors, taking account of the LA's policies and practices.

2.17.2 The term contract encompasses all forms of contractual relationships entered into by schools including, but not exclusively, work contracts, provision of goods, supplies and services, and leasing arrangements.

2.17.3 Schools may choose their own suppliers for the provision of goods and services, irrespective of whether they appear in the LA's approved list.

2.17.4 Any contract for goods or services for a value below £150,000, in any one year does not require a countersignature of any officer within the LA.

2.18 Application of Contracts to Schools

2.18.1 Any school may opt out of a LA arranged contract at any time except where they have lost that right for particular contracts in circumstances as set out below in paragraph 2.12.2.

2.18.2 Schools may not opt out of a contract for which they have agreed to be covered by and for which funding was delegated by the LA prior to 1 April 1999; for contracts which schools agree to be covered by in respect of services for which funding is delegated by the LA after 1 April 1999; and for certain contracts approved by the Secretary of State for services for which funding is delegated after 1 April 1999, irrespective of the agreement of schools.

2.18.3 Although governing bodies are empowered under paragraph 3 of schedule 10 of the School Standards and Framework Act 1998 to enter into contracts, in the majority of cases they do so on behalf of the LA as maintainer of the school and the owner of the funds in the budget share. However other contracts may be made solely on behalf of the governing body when the governing body has clear statutory obligations e.g. employment contracts made by aided or foundation schools.

2.19 Central Funds and Earmarking

2.19.1 The LA may make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget shares. Such funds (including Standards Funds) are given on the proviso that these allocations are spent on the purpose or purposes specified and that any earmarked funds not spent in-year are returned to the LA.

2.19.2 These funds must be accounted for outside from the budget share and governing bodies must be able to demonstrate compliance with this requirement.

2.19.3 The LA will not make any deductions in respect of interest costs from payments to schools of devolved specific or special grant.

2.20 Spending for the Purposes of the School

2.20.1 Governing bodies are free⁴ to spend Schools' Budget Shares 'for the purposes of the school', subject to any provisions of this scheme, and any regulations issued by the DfE earmarking funds to specific projects.

2.20.2 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 purpose of the school.

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

2.21 Capital Spending from Budget Shares

2.21.1 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 School Standards and Framework Act 1998.

2.21.2 Capital expenditure is expenditure as defined in Section 7 of the Revised Subsidiary Financial Regulations for Schools.

2.21.3 All capital expenditure from the budget share must be notified to the LA. If the total amount of such proposed expenditure in any one year should exceed £15,000, the governing body must take into account any advice from the Strategic Director – PEOPLE as to the merits of the proposed works.

2.21.4 In all cases where a project will result in increased floor area for the school, the written consent of the Executive Head – Planning & Commissioning, must be received before proceeding with the works.

2.22 Use of Charge and Debit Cards

2.22.1 School are permitted to use charge and debit cards for making payments for goods and services. The use of this facility should be limited to making purchases that cannot be secured more appropriately using the school's normal official ordering system

2.22.2 In order to ensure compliance with directives issued by the Secretary of State, any outstanding balances must be cleared by direct debit at the end of each month so that borrowing restrictions are not compromised.

2.22.3 The governing body must authorise any cards to be used having considered the potential risks and controls, any such decisions and instructions to be formally

⁴In accordance with s.50 (3) of the School Standards and Framework Act 1998 (the SSAF Act 1998)

agreed and minuted. Further guidelines are to be found in the LBS Financial Procedure Manual for Maintained Schools.

2.23 Schools Financial Value Standard (SFVS)

2.23.1 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.

2.23.2 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. All maintained schools with a delegated budget must submit the form to the local authority annually before 31 March.

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. Any suspected fraud should be reported to Internal Audit [Margaret Culleton (Head of Internal Audit) 020 8770 4956] or
Email: southwestlondonfraudpartnership@wandsworth.gov.uk

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

2.25 Notice of Concern

2.25.1 The authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Strategic Director - Resources and the Strategic Director – 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.

2.25.2 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.

2.25.3 These may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;
- placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools;

- insisting on regular financial monitoring meetings at the school attended by local authority officers;
- requiring a governing body to buy into a local authority's financial management systems; and
- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

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

2.25.5 Once a governing body can clearly evidence compliance with the requirements of a Notice of Concern, the Authority will withdraw the notice.

SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS

3.1 Coverage of Cash Instalments Paid to Schools

- 3.1.1 The instalments will primarily cover all spending, both employee and non-employee elements, met from the schools budget share. This will avoid adjustment to the instalments during the year for virements between employee and non-employee elements of the school's budget
- 3.1.2 Where possible, charges for services and reimbursements to schools will be included in schools monthly allocation payments, subject to schools agreement. Schools will be advised of these charges/reimbursements separately from the instalments of their budget share.

3.2 Frequency and Proportion of Budget Share for Each Instalment

- 3.2.1 Payment of the instalments will be monthly, on the second Thursday of each month and will be 1/12 of a school's budget share. The twelve monthly payments from mid-April to mid-March will include place-led funding and top up payments for special schools, special educational needs units and Pupil Referral Units, and will be net of deductions outlined in Section 3.1, if this is agreed with schools.
- 3.2.2 The cash advance will be made available to governing bodies on a monthly basis at a time in the month prescribed by the authority's Chief Finance Officer and which will permit prompt payment of salaries. Provision is also made to allow the payment in full of additional devolved funding, where appropriate.

3.3 Interest on Late Budget Share Payments

- 3.3.1 The LA will add interest to late payments of budget instalments, where such a late payment is the result of LA error. The interest rate used will be the current Bank of England base rate.

3.4 Budget Shares for Closing Schools

- 3.4.1 Where a date has been approved under the relevant sections of the Act to discontinue to maintain a school, the payment of budget allocations will continue up to the date of the closure. However, the maximum amount that will be transferred to the control of the governors will be the pro rata share of what would have been an annual share of the ISB had the school not been discontinued, less any deductions in respect of deficits from earlier years together with any agreed additional funding or any changes in funding advised by the DfE.

3.5 Bank and Building Society Accounts

- 3.5.1 All maintained schools covered by the scheme have local bank accounts into which their budget share instalments are paid in accordance with the provisions in sections 3.1, 3.2 and 3.3. This account may be held in the name of the school rather than the LA. All interest earned on the account may be retained by the school unless it is within an LA contract which makes other arrangements. Provisions covering local bank accounts are set out in the Revised Subsidiary Financial Regulations for Schools, section 12.

3.6 Restrictions on Accounts

- 3.6.1 The Revised Subsidiary Financial Regulations for Schools, cover the specific arrangements for operating local bank accounts. Annex F lists the banks and building societies with which schools may have bank accounts. Governing Bodies may seek approval from the Strategic Director – Resources for other banking institutions not shown in the above list.
- 3.6.2 All schools will retain a list of authorised signatories for their official bank accounts. Signatories to these accounts must be LA or school employees.
- 3.6.3 Schools are reminded that any cash held within a school bank account remains the property of the London Borough of Sutton until it is spent. Where a bank mandate is opened in the name of the school, this must clearly allow the LBS as owner of the funds to receive statements and take control of the account if the school's right to a delegated budget is suspended.
- 3.6.4 Schools wishing to use telephone, electronic on-line banking and BACS payments must ensure that procedures in place meet with the requirements as set out in the Financial Procedure Manual for Maintained schools.
- 3.6.5 Schools are permitted to open investment bank accounts in an approved bank where there is no risk to the principal sum. Any investment must be made through the school itself and not through an intermediary.

3.7 Borrowing by Schools

- 3.7.1 Governing bodies may only borrow with the consent of the Secretary of State. The Revised Subsidiary Financial Regulations for Schools, particularly sections 12 and 17, cover restrictions on borrowing and investments.
- 3.7.2 Schools are not permitted to use credit cards as this is a form of borrowing. However corporate charge / debit and procurement cards are permitted under the Scheme, see Section 2.16.

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

4.1 Right to Carry Forward Surplus Balances

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

4.1.2 Schools may enter into commitments which extend into a subsequent financial year, subject to prior notification of the commitment to the LA and providing that they can reasonably expect that the cost will be able to be funded from within their delegated budget for that subsequent year.

4.2 Obligation to Carry Forward Deficit Balances

4.2.1 Any deficit which is carried forward by a school will need to be taken into account when preparing their budget plan for the following year.

4.3 Planning for Deficit Balances

4.3.1 Schools may only plan for a deficit budget in accordance with the terms of para. 4.7. below.

4.4 Charging of Interest on Deficit Balances

4.4.1 Interest will not be charged on deficit balances held by the Authority on behalf of schools.

4.5 Writing off Deficits

4.5.1 Any budget deficit cannot be written-off by the Authority.

4.5.2 If an authority wishes to give assistance towards elimination of a deficit balance this should be through the allocation of a cash sum, from the authority's schools budget (from a centrally held budget specified for the purpose of expenditure on special schools and pupil referral units in financial difficulty or, in respect of mainstream maintained schools, from a de-delegated contingency budget where this has been agreed by the Schools Forum).

4.6 Balances of Closing and Replacement Schools

4.6.1 When a school closes any surplus or deficit will revert to the LA. It cannot be transferred as a balance to any other school, even where the school is a successor to the closing school, except that a surplus transfers to an academy where a school converts to academy status under section 4(1) of the Academies Act 2010. However, under s.47 of the SSAF Act 1998, the LA may, if it wishes, make allocations to schools equal to or less than the balances of relevant closing schools.

4.7 Licensed Deficits

- 4.7.1 Schools may not plan for a budget deficit without the approval of the Strategic Directors - Resources and People. They are therefore required to keep their spending in each year within their delegated budget for that year.
- 4.7.2 However, a planned (or licensed) deficit may be approved on the satisfaction of the following conditions:
- 4.7.3 Schools may repay the deficit over a maximum period of two years.
- 4.7.4 The deficit arrangement would only be approved by the LA in the following circumstances:
- i) Where there has been a 2% or greater reduction in the overall school roll compared to the previous academic year.
 - ii) The school's staffing costs cannot be contained within their current formula allocation after account is taken of fixed charges e.g. NNDR.
 - iii) There has been a change in character or status of the school.
- 4.7.5 The maximum size of the deficits would be 3% of the budget share for all types of school.

4.8 Loan Schemes

- 4.8.1 Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans will not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income.
- 4.8.2 If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new Academy school.
- 4.8.3 The LA has no plan to implement a loan scheme for the foreseeable future.

4.9 Credit Union Approach

- 4.9.1 Schools may group together to utilise balances held in their local bank account for a credit union approach to loans. The LA requires external auditor's certification of any such scheme.

SECTION 5: INCOME

5.1 Income from Lettings

- 5.1.1 All income generated in respect of lettings of school premises will be retained by the school (except for nominal fees in respect of community use lettings) and recorded in the school's budget share. Income from lettings should not be payable into voluntary or private funds held by the school. This is also subject to alternative provisions arising from any joint use of Public Private Partnership agreements.
- 5.1.2 Schools will be reimbursed by the LA for community use lettings. The level of re-imburement may take account of subsidies available to schools from other lettings e.g. voluntary. This cross-subsidy is only permitted where there is no net cost to the budget share.
- 5.1.3 Schools may let their premises at their own discretion. Governing bodies of community schools must have regard to directives issued by the LA as to the use of school premises, as permitted under the School Standards and Framework Act 1998 for various categories of schools. These directives are also commended to governing bodies of aided and foundation schools.

5.2 Income from Fees and Charges

- 5.2.1 Schools may retain income received in respect of fees and charges except where a service is provided by the LA from centrally retained funds. This income received should be paid into the school budget share with any VAT accounted for where appropriate.
- 5.2.2 Governing bodies should have regard to any current policy statements or charging policies produced by the LA. It is for the governing body to decide whether to fund remission charges from the budget share or private funds for those activities where this option is available. Reference should be made to the schools remissions policy in making these decisions.

5.3 Income from Fund Raising Activities

- 5.3.1 Schools may retain any income generated from fund raising activities e.g. car boot sales and record this in the accounts of the school.

5.4 Income from the Sale of Assets

- 5.4.1 Schools may retain the proceeds from the sale of assets except where the asset was purchased with non-delegated funds, or the asset concerned is land or buildings forming part of the school premises and is owned by the LA, as is the position for community schools. In this case, it is for the LA to decide whether the school should retain the proceeds.
- 5.4.2 Income received from the sale of assets purchased with delegated funds may only be spent for the purposes of the school.

5.5 Administrative Procedures for the Collection of Income

- 5.5.1 The administrative procedures for the collection, accounting and banking of income accruing to the school must be in accordance with Annex B, Section 11 of the Revised Subsidiary Financial Regulations and the guidelines set out in the Financial Procedure Manual for Maintained Schools. Schools should contact the Council's VAT Officer for guidance as to whether they should charge VAT on lettings and on the services which lead to fees and charges together with VAT implications of fund raising activities and the sale of assets.

SECTION 6 THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General Provision

- 6.1.1 The scheme allows the budget share of a school to be charged by the LA without the consent of the governing body only in circumstances stated in 6.2. The scheme requires the LA to consult schools as to the intention to charge, and notify schools when it has been done.
- 6.1.2 As the circumstances in which charges may be made are detailed below, and schools will be consulted before charges are made, there is no proposal to have a disputes procedure in place.
- 6.1.3 The LA may be the subject of a direction under s.496 of the Education Act 1996, in the event of the LA acting unreasonably in the exercise of any power given by the scheme.
- 6.1.4 School budget shares will be charged the actual cost of salaries and wages for school-based staff.
- 6.1.5 The LA may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of the Schools Forum.

6.2 Circumstances in which charges may be made

- 6.2.1 Where premature retirement costs have been incurred without the prior written agreement of the LA to bear such costs (the amount chargeable being only the excess over any amount agreed by the LA).
- 6.2.2 Other expenditure incurred to secure resignations where the school had not followed LA advice.
- 6.2.3 Awards by courts and industrial tribunals against the LA, or out of court settlements, arising from action or inaction by the governing body contrary to the LA's advice.

Awards may sometimes be against the governing body directly and would fall to be met from the budget share if it was the result of LA advice not being followed.

- 6.2.4 Expenditure by the LA in carrying out health and safety work or capital expenditure for which the LA is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.
- 6.2.5 Expenditure by the LA incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the LA or the school has voluntary controlled status.
- 6.2.6 Expenditure incurred by the LA 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 LA.

Charging the budget share cannot take place where the LA has no relevant insurable interest, e.g. in the buildings of a foundation school.

- 6.2.7 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the LA.
- 6.2.8 Recovery of penalties imposed on the LA by the Contributions Agency, HM Revenue and Customs, Teachers Pensions, the Environment Agency or regulatory authorities as a result of school negligence.
- 6.2.9 The correction of LA errors in calculating school budget shares, where these errors related to the current financial year, and/or the one immediately preceding it.
- 6.2.10 Additional transport costs incurred by the LA which arise from decisions by the governing body on the length of the school day, and failure to notify the LA of non-pupil days resulting in unnecessary transport costs.
- 6.2.11 Legal costs which are incurred by the LA because the governing body did not accept the advice of the LA (see also section 11)
- 6.2.12 Costs of necessary health and safety training for staff employed by the LA, where funding for training had been delegated but the necessary training not carried out.
- 6.2.13 Any expenditure or compensation to a third party arising from non-performance or cancellation of a contract by a school. This mainly relates to central contracts arranged on behalf of schools by the Authority, e.g. for photocopiers.
- 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.

For each of these circumstances (except 6.2.11) the LA would have to be able to demonstrate that the Authority had necessarily incurred the expenditure now charged to the budget share. This means that where the Authority cannot incur a liability because the statutory responsibility rests elsewhere, no charging is possible. Therefore the position on charging will vary between categories of school.

- 6.2.15 Cost of work done in respect of teachers pension remittance and records for schools using non-LA payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.
- 6.2.16 Costs incurred by the LA 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.
- 6.2.17 Costs incurred by the LA due to submission by the school of incorrect data.
- 6.2.18 Recovery of amounts spent from specific grants on ineligible purposes.

- 6.2.19 Cost incurred by the LA 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 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 Governing bodies are eligible to reclaim any VAT they incur on their official expenditure from their budget share. The only exception to this would be expenditure incurred by governing bodies of voluntary aided schools when carrying out their statutory responsibilities to maintain the external fabric of their buildings or capital works at Voluntary Aided (VA) and Foundation schools funded directly by the DfE.
- 7.1.2 Schools with their own bank accounts would pay input tax on supplies received (expenditure) and account for output tax on supplies made (income) where applicable. A monthly VAT return would be produced by each school detailing the input and output tax during the period. This must be submitted to the LA within two weeks of the end of the period to which it relates. Schools would then be reimbursed for the net balance of any tax due to them monthly in arrears.
- 7.1.3 The treatment of VAT must be in accordance with the procedures detailed within the Revised Subsidiary Financial Regulations and the Financial Procedure Manual for Maintained Schools.

7.2 Construction Industry Scheme (CIS)

- 7.2.1 From 6 April 2007, Statutory Instrument 2005/2045 regulation 21 expressly excludes from the Scheme any payments made for construction operations by the governing body or Headteacher of a maintained school. As such, the Scheme should **not** be operated in respect of such payments. Additionally, Voluntary Aided Schools are not treated as contractors for the purposes of Finance Act 2004/S59 (1)(l) and do **not** have to operate the Scheme.

7.3 Self Employed Persons/Consultants

- 7.3.1 Schools cannot make payments to individuals (non employees) without considering their income tax/NIC status because there is a statutory duty to ensure PAYE is operated where applicable. Non-compliance would result in the school being liable to penalties imposed by HM Revenue & Customs (HMRC). A worker's employment status, that is whether they are employed or self-employed, is not a matter of choice. A person may be self employed in one employment but an employee in another. Whether someone is employed or self-employed depends upon the terms and conditions of the relevant engagement. Therefore, when placing contracts, schools must satisfy themselves as to the correct employment status **before the point of engagement and not at the point of request for payment.**
- 7.3.2 HMRC provide guidance on their website on Employment Status, including a tool to assist with determining the correct status to apply. This guidance can be found [on the HMRC website](#).

7.4 Apprenticeship Levy

- 7.4.1 The Apprenticeship Levy is charged by HMRC. Guidance to schools on responsibility for the Levy is available [here](#), including a section setting out how different types of

schools are treated under the scheme. Schools should ensure they are taking any necessary action through their payroll provider.

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

8.1 Provision of Services from Centrally Retained Budgets

8.1.1 The LA will determine on what basis services from centrally retained funds will be provided to schools. The provision should be drawn in a way that clearly encompasses existing PRC and redundancy payments, which may not ordinarily be thought of as services. The Authority in providing the services will not discriminate on the basis of categories of schools, except where such discrimination is justified by differences in statutory duties.

8.2 Timescales for the Provision of Services Bought Back from the LA Using Delegated Budgets

8.2.1 Any arrangement with a school to buy services or facilities from the LA 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. However, schemes may contain an extension to five and seven years respectively for contracts for supply of catering services.

8.3 Packaging

8.3.1 The LA will endeavour to offer any services for which funding has been delegated to schools either on an individual buy-back or package basis.

8.3.2 When a service is provided for schools for which expenditure is not retainable centrally by the LA, it must be offered at prices which are intended to generate income that is no less than the cost of providing those services. The total cost of the service must be met by the total income, even if schools are charged differently.

8.4 Service Level Agreements

8.4.1 Service level agreements must be in place by the end of March to be effective for the following financial year, schools will be given at least one month prior to this time to consider the terms of agreements.

8.4.2 In the case of any service or facility provided to a school under a service level agreement, whether free or on a buyback basis - the terms of the agreement starting on or after the inception of the scheme will be reviewed at least every three years if the agreement lasts longer than that.

8.4.3 The services provided by the LA, whether free or on a buy-back basis, will be provided on an extended agreement and on an ad hoc basis. Where services (bought back) are provided on an ad hoc basis they will be charged at a different rate to those provided on an extended agreement.

8.5 Teachers' Pension Information

8.5.1 In order to ensure that the performance of the duty on the Authority to supply Teachers Pensions with information under the Teachers' Pensions Regulations 1997, the following conditions are imposed on the Authority and governing bodies of

all maintained schools covered by this Scheme in relation to their budget shares and came into effect on 1 November 2002:

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

SECTION 9: PUBLIC PRIVATE PARTNERSHIPS & PRIVATE FINANCE INITIATIVES

The LA has the power to issue regulations periodically relating to Private and Public Partnerships (PPP) and Private Finance Initiative (PFI) projects. The LA would seek positive endorsement on a school by school basis for such schemes. These proposals might include variations to the scheme and would be subject to the agreement of governing bodies. Agreements may cover such matters as charges relating to such schemes and the treatment of monies withheld from contractors due to poor performance.

SECTION 10: INSURANCE

10.1 Insurance Cover

- 10.1.1 Where funds for insurance are delegated to the school's governing body, the LA will require schools to demonstrate that the cover and limits are comparable to those offered by the LA's school insurance scheme. The need to demonstrate compliance will only arise if insurance is purchased outside of the LA's scheme.
- 10.1.2 In the event of non-compliance within a period of 30 days from the requested proof, the LA will take steps to arrange suitable insurance cover in compliance with 10.1.1 and recover the cost from the school or its governing body under Section 6.2.6 of this Scheme.
- 10.1.3 The current school insurance scheme guide and any further information required is available from the insurance service upon request by calling 0208 770 5353 or by email to insurance@sutton.gov.uk
- 10.1.4 The Revised Subsidiary Financial Regulations for Schools in Annex B (Section 14) covers other provisions for school insurance arrangements. Schools will be responsible for keeping the Strategic Director – Resources informed of changes to insurable risks.

10.2 Risk Management

- 10.2.1 School governors and staff should identify the risks currently faced by schools and the measures necessary to manage serious risks. The school should establish a formal risk register which must be updated on a regular basis. Furthermore, schools should adopt a strategy of risk reduction and management where appropriate and cost effective.
- 10.2.2 Schools may also be required to participate in corporate risk reviews and support the elimination of risk. Further guidance on Risk Management may be found in Section 5, Appendix B of the Financial Procedure Manual for Maintained Schools.

SECTION 11: MISCELLANEOUS

11.1 Right of Access to Information

11.1.1 In addition to the periodic exchanges of information as defined in Section 2.1.2 between the school and the LA, governing bodies must supply all financial and other information, if required, to enable the Authority to assure itself as to the school's management of its delegated budget share and/or the use made of any capital expenditure by the Authority.

11.2 Liability of Governors

11.1.2 Since the governing body is a corporate entity and because of the terms of S.50 (7) of the School Standards and Framework Act, governors of maintained schools will not incur any personal liability in the exercising of their power to spend the delegated budget share provided they can demonstrate they acted in good faith.

11.3 Governors' Expenses

11.3.1 Under schedule 11 of the School Standards and Framework Act, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share; payment of any other allowances is not permitted.

11.3.2 Schools are also not permitted to pay expenses duplicating those paid by the Secretary of State in respect of additional governors appointed by him/her to schools under special measures.

11.3.3 The level of allowances is set out in the Financial Procedure Manual for Maintained Schools.

11.4 Responsibility for Legal Costs

11.4.1 Legal costs incurred by the governing body may be charged to the school's budget share unless the governing body acts in accordance with advice from the LA.

11.4.2 In the event that there is a conflict of interest between the school's governing body and the Local Authority and the governing body decide to obtain independent legal advice then the costs of that advice and any proceedings will fall to the school's budget share.

11.5 Health and Safety

11.5.1 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.

11.5.2 In schools where the LA is the employer, governing bodies are required to have due regard to the statutory duties and responsibilities placed on the Authority in relation to health and safety and the Authority's policy on health and safety matters when expending their budget share.

11.5.3 For the Aided and Foundation schools, where the governors are the employers, they have a statutory responsibility to maintain a safety policy statement.

11.5.4 Where it has become apparent to the LA that a governing body has failed to carry out works that are a school's responsibility and there is a high health and safety risk, the LA will notify the governing body of the school. If the work has still not been carried out after a reasonable period the LA will arrange for the work to be carried out and invoice the school accordingly. If this lack of school's maintenance has resulted in a severely accelerated capital defect, the school will also be required to make a contribution, in line with the LA's Asset Management Plan policy statement.

11.6 Right of Attendance for Chief Finance Officer

11.6.1 The Strategic Director - Resources, or his/her appointed representative, will have the right to attend meetings of governing Bodies or sub- groups of governing bodies in an advisory capacity on any matter of a financial nature relevant to exercising his/her responsibilities under Section 151 of the Local Government Act 1972. Prior notice of such an attendance will be given to governors.

11.7 Delegation to New Schools

11.7.1 Under Section 49 of the Act, a new school must receive a delegated budget in the funding period prior to the funding period within which it opens (i.e. the funding period during which it first admits pupils), unless the authority has obtained the Secretary of State's approval to make arrangements in place of those in the regulations.

11.8 Special Education Needs

11.8.1 Schools are required to use their best endeavours in spending the budget share, to secure the special education needs of their pupils. This is a statutory requirement and may lead to suspension of delegation where a situation is serious enough to warrant it. This would not normally relate to an individual pupil.

11.9 'Whistleblowing'

11.9.1 School governors and staff who wish to raise concerns in the public interest about financial management or financial propriety at their school should refer to the Financial Procedure Manual for Maintained Schools, Section 2 Appendix F, Blowing the Whistle and the corresponding Annex on Fraud Awareness detailing the procedure to be followed for such allegations. Further advice on Fraud Awareness and Whistleblowing is available from Internal Audit.

11.10 Child Protection

11.10.1 Schools are expected to release staff to attend child protection conferences and appropriate training events.

11.11 Use of School Premises by a Third Party

11.11.1 As described in section 5.1 all income from lettings will be retained by the school. Permission to let the school is not required from the LA. However, where it is planned that an area of the school building or grounds is to be used exclusively by a third

party, permission must be sought from the LA who, in the case of community schools, would need to organise a formal lease with the third party.

11.12 Redundancy/early retirement costs

11.12.1 The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. If the authority proposes to depart from this, then the scheme should contain a provision setting out the circumstances in which exceptions will be made. Further guidance is provided at Annex H.

SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

- 12.1 All funding for revenue repairs and maintenance is delegated to individual schools.
- 12.2 The majority of capital is allocated to the LA who decide which priorities to fund in line with the authority's Asset Management Plan policy statement. Schools also receive significant amounts of devolved formula capital.
- 12.3 For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes in line with the Code of Practice on local authority accounting, published by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 12.4 Capital expenditure includes structural alterations to buildings such as re-roofing works or installing double-glazing and most spending on fixed assets. It also covers the total or major replacement of furniture and equipment. Spending on the day-to-day maintenance of assets or on the repair or the replacement of individual items of furniture and equipment does not count as capital expenditure.
- 12.5 The Schools' Forum set a minimum level of £2,000 for capital expenditure, the only exception to this minimum being the purchase of IT equipment which could have a lower value but still be claimed as capital expenditure.
- 12.6 Schools are expected to support lower value capital maintenance work from their devolved formula capital allocations up to £15,000 for primary and special schools and £35,000 for secondary schools (thresholds correct as of November 2010).
- 12.7 For larger value maintenance projects schools would be expected to contribute £15,000 or 15% of the project value whichever is higher up to a maximum contribution of £30,000 per scheme for primary and special schools or £35,000 or 30% of the project value whichever is higher up to a maximum of £70,000 per scheme for secondary schools.
- 12.8 Caretaker's Houses: The split of responsibility for capital and revenue expenditure is as for the school building, including 'off-site' houses. Where the LA is responsible for letting the caretaker's house the caretaker is responsible for the internal decoration under the service tenancy. The small income received in rent for properties under the ownership of the Borough is credited to the overall People budget and is balanced by the cost to administer the scheme, particularly when a tenancy needs to be terminated.
- 12.9 Voluntary Aided Schools: From April 2002 all revenue expenditure is LA liability and delegated to schools. Therefore, Voluntary Aided schools will be responsible for all revenue repairs as detailed in Annex I. Subject to funding, grant is available from the DfE for 90% of capital repairs, prioritised according the Asset Management Plan and in partnership with the diocesan representatives. The DfE has set a de minimis limit for works that can be regarded as capital of £2,000.

SECTION 13: COMMUNITY FACILITIES

13.1 Introduction

13.1.1 Schools which choose to exercise the power conferred by S27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under s.28 (2), if made can specify activities which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult its LA and have regard to advice from the authority. Thirdly, the Secretary of State issues guidance to governing bodies about a range of issues connected with exercise of the power, and a school must have regard to that.

13.1.2 However, under s28(1), the main limitations and restrictions on the power will be

- a) those contained in schools' own instruments of government, if any; and
- b) in the maintaining LA's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998. Paragraph 2 of the Schedule 3 to the Education Act 2002 extends coverage of schemes to powers of governing bodies to provide community facilities.

13.1.3 Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools.

13.1.4 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.

13.1.5 Unless specific provision is agreed, the LA will not meet the capital costs associated with maintaining the building for areas specifically used for community facilities.

13.1.6 The mismanagement of community facilities funds may be grounds for the suspension of the right to a delegated budget.

13.2 Consultation with the LA - Financial Aspects

13.2.1 Section 28 (4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the local education authority, and have regard to advice given to them by their LA.

13.2.2 Schools are required to inform the Strategic Director, People at the earliest opportunity if they intend to consider the provision of community facilities. Schools will be required to submit their proposals in writing to the Strategic Director and other departments at the appropriate stage in the process.

13.2.3 Schools must inform the LA of the action that has been taken following the receipt of the LA advice. The LA may not levy a charge for advice.

13.3 Funding Agreements - LA Powers

13.3.1 The provision of community facilities linking a funding agreement with a third party should be submitted to the LA for its comments subject to a notice period of 28 days. Although the LA does not have the power of veto for these agreements, schools are

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

13.4 Other Prohibitions, Restrictions and Limitations

13.4.1 Where a governing body makes use of the community facilities power, the governing body concerned shall make arrangements to protect the financial interests of the Authority or school. This should be achieved by either carrying out the activity concerned by way of a limited - company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question as specified by the LA.

13.5 Supply of Financial Information

13.5.1 Schools which exercise the community facilities power are required to provide the LA every six months with a summary statement, in a form determined by the Authority, showing the income and expenditure for the school arising from the facilities in question for the previous six months, and on an estimated basis, for the next six months.

13.5.2 If the LA gives notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, then the Authority will require the above mentioned financial statements to be supplied every three months, and, if the Authority sees fit, will also require the submission of a recovery plan for the activity in question.

13.6 Audit

13.6.1 It is the responsibility of the governing body to grant access to the school's records in respect of community facilities power in order to facilitate internal and external audit of relevant income and expenditure.

13.6.2 Any funding agreements with other persons involved in the community facilities power must contain adequate provision for access by the LA 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 thereof.

13.7 Treatment of Income and Surpluses

13.7.1 Schools are allowed to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the LA or some other person.

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

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

13.8 Health and Safety Matters

13.8.1 The health and safety provisions of the scheme extend to the community facilities power.

13.8.2 The governing body is responsible for the costs for securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day. Governing bodies are free to pass on such costs to a funding partner as part of an agreement with that partner.

13.9 Insurance

13.9.1 It is the responsibility of the governing body to ensure adequate insurance arrangements against risks arising from the exercise of the community facilities power. Any such expenditure should not be funded from the school budget share.

13.9.2 The LA has the power to undertake its own assessment of the insurance arrangements made by the school in respect of community facilities. Should the Authority judge such arrangements to be inadequate, the LA may make their own provision, any resultant costs to be charged to the school's non-public funds.

13.10 Taxation

13.10.1 Schools should seek advice of the LA and the local VAT office on any issues relating to the possible imposition of Value Added Tax in connection with community facilities.

13.10.2 Any member of staff employed by the school or the LA in connection with community facilities at the school and who is paid from funds held in a school's own bank account will be subject to the payment of income tax and National Insurance in accordance with national requirements.

13.11 Financial Arrangements

13.11.1 Children's Centres and other similar organisations will be subject to the Revised Subsidiary Financial Regulations for Schools as set out in Annex B where applicable.

13.11.2 Schools should maintain separate bank accounts for budget share and community facilities to enable separate accounting arrangements to be adopted.

13.11.3 No borrowing of funds in connection with the community facilities power shall be made other than with the written permission of the Secretary of State and through the Strategic Director - Resources.

ANNEX A: SCHOOLS COVERED BY THE SCHEME

SCHOOLS COVERED BY THE SCHEME FOR FINANCING SCHOOLS APPROVED UNDER SECTION 48 OF THE SCHOOL STANDARDS AND FRAMEWORK ACT 1998

Maintained Nursery Schools	DfE Reference Number
Spencer Nursery	1000
Thomas Wall Nursery	1001

Maintained Primary Schools	DfE Reference Number
All Saints Benhilton C of E Primary	3301
Bandon Hill Primary	2000
Beddington Infants	2040
Culvers House Primary	2048
Devonshire Primary	2023
Dorchester Primary	2038
Foresters Primary	2043
Hackbridge Primary	2016
High View Primary	2019
Holy Trinity C of E Junior	3303
Muschamp Primary	2049
Nonsuch Primary	2042
Robin Hood Infants	2037
Robin Hood Junior	2041
St Cecilia's Catholic C Primary	3500
St Dunstan's C of E Primary	3304
St Elphege's Catholic Junior	3503
St Elphege's Catholic Infants	3504
St Mary's Catholic Junior	3501
St Mary's Catholic Infants	3502
Stanley Park Junior	5201

Maintained Secondary Schools	DfE Reference Number
St Philomena's Catholic High School	5406
The John Fisher School	5402

Maintained Special Schools	DfE Reference Number
Sherwood Park	7002

Maintained Pupil Referral Units	DfE Reference Number
The Limes	1100
Sutton Tuition And Reintegration Service	9900

ANNEX B: FINANCIAL REGULATIONS

REVISED SUBSIDIARY FINANCIAL REGULATIONS FOR SCHOOLS UNDER PARAGRAPH 2 OF SCHEDULE 14 AND SECTIONS 45 - 53 OF THE SCHOOL STANDARDS AND FRAMEWORK ACT 1998

1 Introduction

- 1.1 The Council's Financial Regulations and Subsidiary Financial Regulations for Schools operating under the Scheme for Financing Schools have been examined in conjunction with the requirements of paragraph 2 of Schedule 14 and Section 48 of the Schools Standards and Framework Act 1998. With effect from April 2004, all schools were given their own bank accounts. These regulations are applicable to all Sutton Maintained schools that are subject to the above Act.
- 1.2 These regulations have been revised in accordance with the requirements of Section 151 of the Local Government Act 1972.

2 Accounting

- 2.1 The organisation and supervision of all accounting arrangements shall be the responsibility of the Strategic Director - Resources.
- 2.2 All school governors and staff must comply with the requirements of the Strategic Director - Resources regarding the maintenance and format of financial systems, records and procedures.
- 2.3 Governors and staff are responsible for ensuring the accuracy and integrity of information entered into and contained within the Council's and / or school's accounting and management information systems.

3 Internal Audit

- 3.1 The Strategic Director - Resources is the officer delegated by the Council as responsible for maintaining an adequate and effective system of internal audit of the Council.
- 3.2 The Strategic Director - Resources and any officer to whom the duty of internal audit has been delegated shall have access at any reasonable time and authority to apply any test or check to the accounts, cash, stock, securities or other property, records and computer systems as s(he) may deem necessary, and to obtain any explanation that he/she may require. The Head of Internal Audit shall have authority to report to the chair of The Executive if necessary.
- 3.3 Upon the completion of a full Internal Audit review, a draft report will be issued to the Headteacher who will be required to respond within one calendar month from the date of receipt detailing management action to be taken on the recommendations made.

- 3.4 Further to 3.3 above, a final report will be submitted to the respective chair of Governors and Headteacher, copy to the Strategic Director – People.
- 3.5 Whenever any irregularity or suspected irregularity arises concerning the exercise of the functions of the Council, the Chair of Governors or the Headteacher of the school concerned shall immediately notify the Strategic Director - Resources who shall arrange for such steps to be taken as he/she considers necessary by way of investigation and report.
- 3.6 Governors and school staff must comply with the Council's Anti-Fraud and Corruption Policy and Information Security Policy. Also the Fraud Awareness document is in Section 2, Appendix 1 of the Financial Procedure Manual for Maintained Schools.

4. Internal Control

- 4.1 It is the responsibility of all Chairs of Governors and Headteachers to ensure all systems, electronic or otherwise and procedures include adequate arrangements to ensure proper internal control which meet such requirements as prescribed by the Strategic Director - Resources.
- 4.2 In all procedures there must be adequate separation of duties to ensure no one person is able to handle any financial or property transaction from inception to completion.
- 4.3 Chairs of Governors are responsible for ensuring that systems and procedures within their school or for which they are responsible for, are adequately detailed in writing.

5. Value for Money

- 5.1 All school governors and members of staff are responsible for ensuring their school achieves value for money in carrying out its functions.

6. Probity

- 6.1 All school governors and members of staff have a duty to ensure the financial and business transactions of the school are carried out with integrity, are properly recorded and that the school is not brought into disrepute.

7. Estimates

- 7.1 The Strategic Director - People, in conjunction with the Strategic Director - Resources shall prepare the annual estimates of the Local Schools Budget and shall submit them to Strategy and Resources Committee for approval.
- 7.2 Any decision of the Strategy and Resources Committee to alter or increase any of the existing services of the Council in such a way as may result in an increase in the expenditure to be provided for in the Local Schools Budget for the next or subsequent financial years shall be subject to the approval of the Council. The Council shall consider all such decisions in connection with their consideration of the Revenue Estimates for the next financial year as a whole and shall receive a special

report from the Strategic Director - Resources on the financial implications of all such decisions.

- 7.3 Once the Local Schools Budget has been approved, the Strategic Director - People, in conjunction with the Strategic Director - Resources, will notify each school within the Scheme of its budget share on the basis of the resource allocation formula embodied in the Scheme.
- 7.4 Governing bodies or a committee of the governing body must prepare and approve a detailed budget for each financial year in accordance with an agreed format and submit this to the Strategic Director (People) by 30 June. Governing Bodies may not plan for a budget deficit without the prior approval of the Strategic Directors of PEOPLE and Resources.
- 7.2 Governing bodies may vire resources between budget headings providing that such transactions are within the total approved budget share for the school. Details of any significant virements as defined by the Strategic Director (People) from time to time must be notified to him/her within two weeks of the approval by the school. Financial limits must be laid down by the governing body together with the authorisation required to vire funds between budget headings.
- 7.3 Governing bodies shall be responsible for supervising the expenditure and income of their schools and are required to keep their spending in each year within their budget share for that year, adjusted for any surplus/deficit carried forward. In exceptional circumstances however, governing bodies may request the Strategic Director - People to approve, in conjunction with the Strategic Director - Resources, an additional allocation from the Central Reserve.
- 7.4 Governing bodies will report immediately to the Strategic Director - People on any potential overspending against their budget share so that appropriate action may be taken.
- 7.5 Governing bodies are authorised to incur expenditure up to the total of their budget share in each financial year.
- 7.6 Governing bodies will provide the Strategic Director - People with periodic reports in line with the monitoring and evaluation procedures laid down by the Strategic Director - People in consultation with the Strategic Director - Resources.
- 7.7 Governing bodies must provide the Strategic Director - Resources with details of their monthly transactions incorporating VAT expenditure analysed over the school's income and expenditure codes. The LA will recover VAT incurred by schools from HM Revenue & Customs and re-imburse them monthly in arrears.
- 7.8 Governing bodies may not incur expenditure for capital purposes without the prior approval of the LA, where such capital expenditure will result in an increased budget share being allocated to the school through the resource allocation formula.
- 7.9 Capital expenditure includes structural alterations to buildings such as re-roofing works or installing double-glazing and most spending on fixed assets. It also covers the total or major replacement of furniture and equipment. Spending on the day-to-day maintenance of assets or on the repair or the replacement of individual items of furniture and equipment does not count as capital expenditure.

8 Procurement for Works, Supplies or Services

- 8.1 All procurement must be undertaken in accordance with the Council's Contract Standing Orders (where applicable) and in addition the requirements set out in Annex E, Code of Practice – Letting of Contracts in the Scheme for Financing Schools.
- 8.2 Official London Borough of Sutton order forms or other official order forms approved by the Strategic Director - Resources stating the estimated amount involved and any contract or agreed prices relating thereto must be issued for all goods or services required and shall not be issued unless covered by relevant financial provision. The raising of official orders to be in accordance with the requirements detailed in the Financial Procedure Manual for Maintained Schools'
- 8.3 Official orders are only to be used for goods and services within the school; governors and other members of staff at the school must not use official orders or use LA contracts to obtain goods and services for their own private use.
- 8.4 Official orders shall be signed or certified only by an authorised officer as defined in Subsidiary Financial Regulation 16.

9 Contracts

- 9.1 All contracts must be in writing and signed on behalf of the school in accordance with the conditions set out in the Council's Standing Orders and this Scheme for Financing Schools.
- 9.2 All contracts not exceeding £150,000 entered into by governing bodies must be in accordance with the Standing Orders of the Council which specify procedures for advertising, tendering and the form of contract documents. In addition, the requirements and procedures relating to contracts below £150,000 as set out in Annex E of the scheme must be complied with.
- 9.3 All payments to contractors on account of contracts shall be made on a certificate by the appropriate authorised certifying officer in a form approved by the Strategic Director - Resources. Where payments are made on account, a record of cumulative payments made against the order or job must be maintained.
- 9.4 Any variation on, addition to, or omission from a contract duly authorised shall be given to the contractor by, the responsible authorised certifying officer in writing and a copy supplied to the Strategic Director - Resources.
- 9.5 Any variation on, addition to, or omission from a contract duly authorised which is estimated to vary the amount of an accepted tender or estimate by an amount in excess of 5% shall be reported to the Strategy and Resources Committee via the Strategic Director - People by the governing body as soon as possible together with a revised estimate of the possible cost.

- 9.6 All contractors' final accounts shall be made available to the Strategic Director - Resources by the governing body concerned.
- 9.7 Where a firm of consultants are employed to supervise work carried out by a contractor for the governing body, it shall be a condition of their employment that they comply with the Council's Standing Orders, Financial Regulations and Contract Management Handbook. Furthermore before a final certificate of cost is issued the authorised certifying officer of the school concerned shall examine the contractor's account and other documents. The authorised certifying officer of the school concerned shall certify his agreement to all certificates before approving them for payment.
- 9.8 Where an individual contract exceeds £250,000 in value, the responsible governing body shall report progress on the contract together with any financial implications to the relevant Performance Committee through the Strategic Director - People for the duration of the contract.

10 Payment of Accounts

- 10.1 The method of payment will be determined by Strategic Director – Resources. It shall be the responsibility of the governing body or the members of staff delegated to sign on their behalf as defined in Regulation 16 of this document for ensuring that they or their staff approve accounts for payment on behalf of the school are legally and properly payable.
- 10.2 The LA is to be notified of the names and designations of officers authorised to sign invoices together with copies of their specimen signatures.
- 10.3 All creditor invoices/contracts must be stamped with a payment certification grid stamp (or equivalent) or have a payment certification slip attached to them and be completed in accordance with the Financial Procedure Manual for Maintained Schools.
- 10.4 The person/persons certifying an account for payment shall be different from the person who signed the order authorising the expenditure.
- 10.5 No person authorised to sign documents may certify for payment expenditure relating to themselves.
- 10.6 The certification shall mean that:-
- (i) The goods supplied, work undertaken or services rendered have been satisfactorily received/carried out in accordance with the Official Order.
 - (ii) The prices/charges are correct and in accordance with the estimates, quotations or contracts.
 - (iii) All discounts have been claimed.
 - (iv) VAT / income tax regulations have been correctly applied.
 - (v) The expenditure has been correctly allocated.
 - (vi) The account has not previously been certified for payment.

- (vii) Previous payments on account have been deducted.
 - (viii) The proper entries have been made in the inventories of stores records, where appropriate.
- 10.7 Payments to suppliers must be in accordance with the requirements detailed in Section 12 - Banking Arrangements.
- 10.8 The Strategic Director - Resources can recover from the governing body the value of any account paid by the school which is not in accordance with the Council's Standing Orders and these Financial Regulations.
- 10.9 Any penalties imposed by either HM Revenue & Customs, or the Contributions Agency because of accounting errors or the treatment of income tax, National Insurance Contributions and VAT by schools will be recharged to the appropriate school's budget share.
- 10.10 Any account paid by the school from its budget share must be retained securely at the school for a period of six years following the financial year in which it was paid and must be available for inspection on request at any reasonable time by any Member of the Council, appointed representatives of the Strategic Directors, PEOPLE and Resources, the Authority's external auditors and officers of H M Revenue & Customs

11 Income - Collection and Banking

- 11.1 The collection of all monies due to the Council shall be in accordance with arrangements approved by the Strategic Director - Resources.
- 11.2 All moneys received on behalf of the Council shall, without delay, either be paid to the LA in the name of the Strategic Director - Resources, or subject to his/her instructions, be banked in an account approved by him/her.
- 11.3 Particulars of all charges for work done, services rendered, goods supplied and other amounts due shall be promptly notified to the Strategic Director - Resources in a form approved by him/her. Accounts for income due to the school shall be rendered through the Strategic Director - Resources or in a format or arrangement approved by him/her.
- 11.4 All receipt forms, tickets and other documents of a similar nature shall be in a form approved by the Chief Executive and Strategic Director - Resources.
- 11.5 The writing-off of debts due to the Council shall be as detailed below:-
- 11.6 A debt should not be considered for write-off until the school staff have exhausted the recovery procedures as set out in the Financial Procedure Manual for Maintained Schools.
- 11.6 For any single debt not exceeding £1,000, the governing body for the school may approve the writing off of the debt.

- 11.7 For any single debt between £1,001- £10,000, the chair of governors for each school should include the details on a schedule to be endorsed by the Strategic Director - PEOPLE and then submitted to the Strategic Director - Resources for approval.
- 11.8 Where the value of an individual debt exceeds £10,000, a draft report must be prepared by the chair of governors and submitted to the Strategic Director - People who will table it for submission to the Strategy and Resources Committee for their consideration at the next available meeting.

12 Banking Arrangements - 'Local Bank Account'

- 12.1 An indicative list of the financial institutions that are likely to be acceptable to the Strategic Director - Resources are set out in Annex F.
- 12.2 Governing bodies must inform the Strategic Director - Resources of the bank/building society chosen.
- 12.3 Cheque signatories shall be appointed by the governing body and details of all nominated persons together with specimen signatures must be passed to the Strategic Director - Resources.
- 12.4 The system of cheque production must be approved by the Strategic Director - Resources with individual cheques being signed by two cheque signatories (see below), approved by the governing body, who are employed at the school or the LA; the school's cheque signatories should be independent of the staff who authorise official orders or certify accounts for payment. Governing bodies may agree for individual cheques to be signed by one signatory subject to a maximum limit of £250.
- 12.5 Blank cheques must be kept in the school safe and under no circumstances should be pre-signed.
- 12.6 Governing bodies must make their selected bank/building society aware of Financial Regulation 3.2 requiring access by the Strategic Director - Resources or his/her appointed representative to the account(s) details and transaction information.
- 12.7 Governing bodies must not make arrangements for overdrafts, loans or any other forms of credit or deferred purchases including credit or cash cards unless they are not used as borrowing i.e. any balances are paid off immediately and no interest is accumulated, without the written permission of the Secretary of State as outlined in Section 17.
- 12.8 Payments by Standing Order, Direct Debit (except LBS) BACS, or any electronic means can only be authorised by any two of the school's cheque signatories who must be independent of the staff who authorise official orders or certify accounts for payment.
- 12.9 All methods of electronic or automated banking must be approved by the Strategic Director - Resources. These methods include Internet and telephone banking. Furthermore, governing bodies must be able to provide evidence that the system has been approved by their bankers and the school has adequate systems and procedures in place to prevent any loss or damage at the school arising from fraud, irregularities, corruption, loss and waste including inefficiency or any other cause.

- 12.10 Governing bodies will retain all interest earned on their accounts unless they have an account within a LA contract which makes other provisions; conversely they are liable for any bank charges that may be incurred.
- 12.11 Governing bodies will order their own cheque stationery from their chosen financial institution and the accounts may be held in the name of the school rather than the LA, although monies in such accounts remain the property of the LA until spent. All cheque stationery must be in accordance with the prevailing APACS (The Association for Payment Clearing Services) standards. Cheques may also be personalised for example with the school's crest.
- 12.12 A cheque control register must be maintained at each school and cheques must be kept securely when not in use.
- 12.13 A cashbook or equivalent must be maintained at the school which must be reconciled monthly with the bank statements.
- 12.14 Local cheque accounts may be used for any item of expenditure included in the school's budget share with the exception of employee related costs. (Monthly payments to a payroll bureau or similar organisation in respect of staffing salaries, wages and emoluments are exempted).
- 12.15 The local cheque account can only have monies credited to it from the following sources:
- (i) Advances from LBS, DfE, VAT and other re-imbursments by the LA;
 - (ii) Any income generated by the school;
 - (iii) External contributions to the budget share e.g. donations;
 - (v) Credits from suppliers.
- 12.16 A reconciliation between the balance shown on the bank statement with that shown on the school's SIMS-FMS system or equivalent must be undertaken on a monthly basis with copies of this being forwarded to School Returns by the 20th day of the following month to which they relate.
- 12.17 School governing bodies who may wish to revert to using the LA's creditor payments system may only do so at the start of a financial year after providing four months written notice to the Strategic Directors – People and Resources. A similar provision would apply to any new school opting for a local bank account.
- 12.18 A governing body with a deficit bank balance would have to clear the deficit before being allowed to operate a bank account for the first time.
- 12.19 For a bank account to be granted, governing bodies would need to continually demonstrate to the Strategic Director - Resources that they have adequate staff resources to perform the additional tasks required of them in order that financial controls and systems are not compromised.

13. Salaries and Wages

- 13.1 The Strategic Director - Resources is responsible for ensuring that the payment of all salaries, wages, pensions, compensation and other emoluments are accurate, timely and in accordance with HM Revenue & Customs Regulations applicable at the time in respect of those schools using the Council's payroll provider.
- 13.2 Where schools do not utilise the payroll services of the LA, the procedures for the authorisation, certification and payment of salaries and wages must be in a format or arrangement approved by the Strategic Director - Resources.
- 13.3 Governing bodies have a responsibility to ensure the correct deductions have been made in respect of income tax and National Insurance contributions from payments made to individuals.

14. Insurance

- 14.1 The Strategic Director - Resources shall review the necessary minimum level of insurance cover for schools, including those schools that have opted for insurance funding to be delegated to them.
- 14.2 Where insurance has not been delegated to individual schools, governing bodies shall give prompt notification to the Strategic Director - Resources of the extent and nature of new risks to be insured and of any alterations affecting insurable risks in their schools, and of any loss, liability or damage which gives rise to a claim.
- 14.3 Governing bodies may insure risks not covered by the LA, the cost of these premiums to be met from the school's budget share.
- 14.4 Those schools that have opted for delegation of their insurance arrangements must provide to the satisfaction of the Strategic Director - Resources details of all their insured risks. Where these insurance's are deemed to be inadequate, the Strategic Director - Resources may require those schools to increase their insurance cover accordingly.

15 Security of Assets, Inventories and Stores

- 15.1 Governing bodies shall ensure that proper security is maintained at all times for all buildings, furniture, equipment, stocks, stores and cash under their control. Where possible, assets should be marked as the property of the school. Governing bodies shall be bound by the provisions of the Data Protection Act 1998 with regard to records and information maintained at their schools.
- 15.2 The governing body of the school to whom goods and/or equipment has been entrusted shall be responsible for the care and custody of such goods and/or equipment and shall maintain records in a form approved by the Strategic Director - Resources.
- 15.3 Inventories of school property, other than stores, shall be kept by the governing body of the school concerned. The inventories shall be maintained and operated in accordance with this Scheme and procedures detailed in the Financial Procedure

Manual for Maintained Schools. An offsite copy of the inventory should be maintained in accordance with Insurance Companies requirements.

- 15.4 The Strategic Director - Resources shall at all reasonable times have access to all property of the school.
- 15.5 School assets should only be removed from school premises with the written approval of the Headteacher and are only to be used for school related business. Headteachers are responsible for ensuring a record of all assets removed from the school is maintained in a format approved by the Strategic Director - Resources.

16 Authorised and Certified Officers

- 16.1 Official orders, accounts, cheques, contract certificates and similar documents shall be authorised, signed or certified for payment only by persons approved by the governing body. Details of these persons must be passed to the Strategic Director - Resources together with copies of their specimen signatures and be regularly updated.
- 16.2 Cheque/bank signatories must be independent of the ordering and invoice processes and be employed by the school or the LA.

17 Investment Management and Borrowing

- 17.1 Investments may only be made directly in any current or deposit account of the approved bank where it can be clearly shown to provide no risk to the capital sum.
- 17.2 The use of intermediaries for investments is prohibited.
- 17.3 No borrowing of funds shall be made other than with the written permission of the Secretary of State and through the Strategic Director - Resources.

18 Unofficial /Non Public Funds

- 18.1 Schools must arrange for annual accounts of all voluntary, private funds and trading activities e.g. school funds to be prepared, audited and presented to the full governing body within six months of the year end to which the accounts relate.
- 18.2 The accounts must be signed by the custodian of the relevant account, the head teacher and the appointed auditor who should also complete an audit certificate indicating that the accounts were prepared and examined in accordance with the records produced.
- 18.3 Copies of the presented accounts should be passed to the Internal Audit Team in accordance with the requirements detailed within the Financial Procedure Manual for Maintained Schools.

19 Petty Cash Accounts

- 19.1 In addition to their local cheque books, schools may operate a petty cash account at the school to be used for minor disbursements, the level of these accounts to be determined by the governing body. The operation of these accounts is to be in

accordance with the instructions contained in the Financial Procedure Manual for Maintained Schools.

20 Security of Financial and Other information

- 20.1 Governors and staff are responsible for ensuring the security and probity of all financial and other information belonging to the school.
- 20.2 Governors and staff must comply with the LA's Computer Security Policy together with the requirements of the Computer Misuse act 1990 and the Data Protection Act 1998.

21 Withdrawal of Delegation

- 21.1 A governing body's right to a delegated budget will be suspended where in the opinion of the authority the governing body:
- (i) Has substantially or persistently failed to comply with any requirement applicable under the scheme, Standing Orders and Revised Subsidiary Financial Regulations for Schools, and/or.
 - (ii) Is not managing the school's budget share in a satisfactory manner;
 - (iii) Has received an adverse OFSTED inspection report.
- 21.2 The LA may withdraw a school's local bank account facility should this be abused.
- 21.3 Any withdrawal of delegation will be undertaken in accordance with the procedures set out in Section 17 of the School Standards and Framework Act 1998.

22 Risk Management

- 22.1 School governors and staff must ensure risks are identified and managed in accordance with the Council's Risk Management strategy.

23 Variations / Amendments to Financial Regulations

- 23.1 Any material variations/amendments to the above Revised Subsidiary Financial Regulations must receive The Executive's approval.

ANNEX C: TIMETABLE OF FINANCIAL RETURNS

Financial Returns	Ref	Submission Date	Format	Submit to
Annually				
Year end Outturn Statement	A4	14 th April	Excel	School Returns
Balance sheet	A7	14 th April	Excel	School Returns
Year End Debtors and Creditors	A8	14 th April	Excel	School Returns
Planned Use of Balances	A6	20 th May	Excel	School Returns
Consistent Financial Reporting Return		31 st May	Excel	School Returns
3 Year Budget Plan	A2	20 th June	Excel	School Returns
Statement of Internal Control		By the end of the summer term		Internal Audit
Audited accounts of Voluntary and Private Funds		Within 6 months of the end of the accounting year		Internal Audit
Termly				
Balance Sheet	A7	By the 20 th October and 20 th January	Excel	School Returns
Monthly				
Bank Reconciliation Statement for all accounts other than private fund accounts	A5	By the 20 th of the month following the month end.	Excel	School Returns
Copy of Bank Statement		By the 20 th of the month following the month end.	Scanned image	School Returns
VAT Return		By the 20 th of the month following the month end.	Scanned image	VAT Officer
As Specified				
Monitoring Statement	A3			
- June		20 th July	Excel	School Returns
- September		20 th October	Excel	School Returns
- December		20 th January	Excel	School Returns
- January		20 th February	Excel	School Returns

Note - There are tight deadlines for the end of year set out in the timetable. It is recognised that some Schools have raised concerns about the end of year deadlines. Please send an email to schoolreturns@suton.gov.uk if there is an issue about meeting the deadlines.

ANNEX D: EFFICIENCY & VALUE FOR MONEY

1. Efficiency and value for money is a statutory duty to deliver services to clear standards, covering both cost and quality, the most effective, economic and efficient means available. Legislation is in place to place a duty on local authorities to secure efficiency and value for money in respect of the way in which they exercise their functions. In relation to schools and expenditure from delegated budgets, the main features of efficiency and value for money can be summarised as a need of the governing body of a school to ensure:
 - a) the existence of a programme of performance review which will aim for continual improvement. Existing mechanisms such as school development plans and post-OFSTED inspection plans can be developed to satisfy the requirements for review. The reviews should include:
 - challenging how and why a service is provided (including consideration of alternative providers);
 - comparison of performance against other schools taking into account the views of parents and pupils;
 - mechanisms to consult stakeholders, especially parents and pupils;
 - embracing competition as a means of securing efficient and effective services;
 - (b) the development of a framework of performance indicators and targets which will provide a clear practical expression of a school's performance, taking national requirements into account;
 - (c) that the following areas are included in school development plans -
 - A summary of objectives and strategy for the future;
 - Forward targets on an annual and longer term basis;
 - Description of the means by which performance targets will be achieved;
 - A report on current performance.
 - (d) That internal and external audit takes place ensuring that performance information is scrutinised. LA oversight of school finances provides external review.

ANNEX E: CODE OF PRACTICE - LETTING OF CONTRACTS

The 'Code of Practice' relating to the letting of contracts set out below the minimum requirements that governing bodies must comply with in accordance with the Scheme for Financing Schools under Section 48 of the School Standards and Framework Act 1998. This Code is supplementary to the LA's Scheme for Financing Schools, the Contract Standing Orders of the Council and the Revised Subsidiary Financial Regulations for Schools. They apply to individual contracts between £5,001 - £181,302 in value in any one year. All contracts in excess of £181,302 irrespective of the contract period, will be subject to the Authority's Contract Standing Orders and Financial Regulations.

The Code of Practice does not apply where voluntary aided school governors, on their own behalf, enter into contracts for major works with direct government funding in which case they would need to comply with the directives of the Secretary of State.

The term contract includes all forms of contractual relationships entered into by schools, for example but not exclusively, works contracts, purchase of supplies and services, hiring, letting and leasing agreements. The Code should also be read in conjunction with The Education (School Government) (England) Regulations 1999 and associated amendments.

Schools, as public bodies, must comply with the Treaty of Rome and the Public Contracts Regulations 2015. Schools therefore must conduct procurement in line with the principles of the Treaty regarding freedom of movement of goods and services within the membership of the EU. In particular all procurement must conform to the following:-

- Openness – access to tender for public contracts must be made open to all suitably competent contractors or suppliers to express interest. This means that in principle all contracts should be advertised
- Transparency – procurement processes must clear and evaluation criteria fully disclosed.
- Non Discrimination (fairness) – all tenderers must be treated equally and without prejudice.
- Proportionality – the procurement process and evaluation criteria must be proportionate to the value and nature of the contract to be procured.

Those contracts with a value over the European Directive Threshold, (currently £181,302 for supplies and services; £615,278 for social and other specific services and £4,551,413 for works) however, need to be advertised through a European contract notice sent to the Official Journal of The European Union (OJEU). Where schools are procuring over OJEU thresholds they must ensure they comply with the Public Contracts Regulations 2015 in particular with advertising requirements, inclusion of tender award criteria and weightings in invitations to tender and the requirement for a ten day standstill period after announcing in the prescribed format the intention to award.

Schools should note however that they can often meet the overall requirement to contract in compliance with the European Procurement Directive, The Council's Contract Standing Orders or this code of contract by using contracts arranged by national framework providers such as Crown Commercial Services, YPO, ESPO,

Pro5 (or other similar organisations) or the appropriate local authority. Sutton schools have access to the London Borough of Sutton's corporate contracts for a range of supplies and services. Schools may also use the Construction and Property framework agreements for building consultancy services, major works partnering, responsive repairs, and minor building projects. Using these existing arrangements can save schools time and money which would otherwise be expended on procurement processes.

Schools will also want to take note of The Centre for Procurement Performance which has been specifically set up to improve procurement and efficiency for schools.

There is often confusion within schools as to when quotations may be obtained as opposed to following the prescribed tendering procedure.

- Up to £5,001 no formal tender procedure is required however you must be able to illustrate best value.
- As a rule three written quotations should be obtained for goods and services between £5,001 and £181,302 in value. All quotations should have an accompanying specification of requirements. The decisions as to which route to take will be based upon a combination of both value and whether you wish to evaluate cost only (Quick Quote) or cost/quality (Request for Quotation) with the ultimate responsibility resting with the governing body.
- Over £181,302 a formal tendering procedure must be followed.

Where work is commissioned by the London Borough of Sutton (e.g. larger projects for school expansion), the tendering process is performed by the staff in Resources Directorate on behalf of the school.

1. Interest of Governors in Contracts

- 1.1 Governing bodies must appoint an officer at the school to maintain a register which details for each member thereof, together with the Headteacher any business interests they or any member of their immediate family may have (see also Section 2.10 of the main scheme).
- 1.2 The appointed officer must ensure the register is regularly updated and revised annually. The register is to be held at the school and must be made available for inspection by governors, staff, parents and appointed representatives of the LA.

2. Canvassing of Members of the Governing Body

- 2.1 Canvassing of members of the governing body or any committee of the governing body, directly or indirectly, in connection with the award of any contract or the proposed award of any contract to be let by the governing body shall disqualify the tenderer for that contract. The purport of this paragraph shall be included in any contract document.

3. Relatives of Members of Governing Bodies

- 3.1 A tenderer for any contract under the governing body who knows that he or she is related to any member of the governing body, or has any personal family or business connection therewith, shall, in the application disclose the relationship. Where a tenderer fails to disclose such a relationship the tender submitted shall be declared invalid. (The purport of this paragraph to be included in any contract document.)

4. Inspection of Documents Relating to Contracts

- 4.1 Governing bodies shall allow a member of the Council for purposes of his/her duty as such member but not otherwise, on application to the chair of the governing body, to inspect any document which is in the possession or under the control of the governing body and contains material relating to any business to be transacted at a meeting of the Council, or a committee or a sub-committee of the Council. If copies of such documents are available, a member of the Council shall, on request, be supplied for the like purposes with copies of such documents.
- 4.2 Where, however, it appears to the chair of the governing body that a particular document discloses confidential information of a description for the time being falling within the Education (School Government) (England) Regulations 1999, the Regulations shall apply.
- 4.3 All reports made or minutes kept by any committee or sub-committee shall, as soon as the committee or sub-committee has concluded action on the matter to which such reports or minutes relate be open for the inspection of any member of the governing body.

5. Authorised Officer

- 5.1 It is recommended that, on letting a contract, the governing body should appoint an Authorised Officer who will be responsible for supervising and managing the contract.

6. Instructions Relating to Contracts

- 6.1 All instructions or variations from the Authorised Officer to the contractor shall be in writing and copies of all such instructions and variations to be held securely at the school.

7. General Provisions

- 7.1 Every contract made on behalf of the school under this code of practice shall be entered into by the governing body. The head teacher acting as the representative of the governing body, may enter into a contract subject to the conditions set out in Section 17.
- 7.2 Governing bodies must ensure that adequate funding is available prior to inviting any tenders.
- 7.3 Governing bodies shall ensure that a clear and unambiguous specification of the required works, goods or services is prepared before letting a contract.

- 7.4 Governing bodies may not permit the division of any contract ordinarily treated as a single contract into two or more contracts solely in order to reduce the value to below any of the values detailed within the Revised Subsidiary Financial Regulations for Schools, this code of practice or the LA's Contract Standing Order provisions.
- 7.5 A clear management trail must be evident to support tendering and contracts decisions taken. The award of any contract over £5,000 must be recorded in the minutes of the governing body.
- 7.6 The Code will not apply where it requires a school to do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU Procurement Directive.

8. Tendering Procedures

- 8.1 All tendering procedures are subject to the Council's Contract Standing Orders and Financial Regulations. These can be viewed at the London Borough of Sutton website www.sutton.gov.uk. Search for "Council Constitution" - Section 4 Part 6 covers Contract Standing Orders and Part 7 covers Financial Regulations.

9. Register of Tenders

- 9.1 Governing bodies must establish a Tender Register at their school to record tenders received. This must be made available for inspection by the LA's internal and external auditors.
- 9.2 The Register must include the following information:-
- (i) The nature of the supply, services or works;
 - (ii) The estimated cost;
 - (iii) The last date and time for receipt of tenders;
 - (iv) The date and time each tender was received;
 - (v) The names of the companies that tendered or who were invited to tender;
 - (vi) The date and time the tenders were opened;
 - (vii) The value of each tender received;
 - (viii) The names of the persons (minimum of two) who opened the tenders together with their signatures;
 - (ix) Details of the accepted tender;
 - (x) The reason for acceptance;
 - (xi) Details of any tenders returned after the deadline had expired.

10. Tendering Instructions

- 10.1 Where, in pursuance of this Code of Practice, invitation to tender is made, every invitation shall state that no tender will be received unless it is enclosed in a plain sealed envelope addressed to the head teacher or his/her nominee which shall bear the word 'Tender' followed by the subject to which it relates, but no other name or mark indicating the sender should be visible.

11. Receipt and Opening of Tenders

- 11.1 Governing bodies must designate a person who is authorised to receive and open tenders.
- 11.2 On receipt of a tender, it must be marked with the date and time received and recorded in the Register and held securely.
- 11.3 Tenders received in accordance with the above procedures will be opened at the same time by the authorised officer in the presence of the chair or vice chair of the governing body or a member of the governing body nominated by the chair thereof and the headteacher or his/her nominee.
- 11.4 All tenders received are to be recorded in the Tender Register by the authorised officer who shall sign and initial each tender opened in the register accordingly together with the names and signatures of the other officer(s) present at the time of opening.

12. Enquiries into Tenderers

- 12.1 All tenders shall be considered subject to the governing body concerned making such enquiries (if any) as it may judge necessary as to the competence of the tenderer.

13. Acceptance of Tenders

- 13.1 All tenders must be reported to the next full meeting of the governing body.
- 13.2 A tender other than the lowest tender, if payment is to be made by the governing body or the highest tender if payment is to be received by the governing body, shall not be accepted until the Governors have considered a report thereon at a meeting of the full governing body.
- 13.3 A governing body may accept a tender as being the most economically advantageous to the school after taking into account the consequential costs of accepting the tenders received.
- 13.4 No tender which exceeds 10% of the estimate shall be accepted unless a report has been considered and approved by the full governing body.
- 13.5 The acceptance of a tender does not preclude the need to place an official order in accordance with the Revised Subsidiary Financial Regulations for Schools.
- 13.6 Before accepting any tender, the chair of governors or the person appointed in his / her absence shall satisfy themselves that the financial, professional and technical standing of the contractor as well as the contractors competence and capacity are sufficient to fulfil the requirements of the contract.

14. Sub-Contracting

- 14.1 The contract conditions of each contract let shall ensure that the contractor shall not assign, or sub-contract, the provision of the service without the previous written consent of the governing body.
- 14.2 However tenderers should, where appropriate, be asked to identify elements of the contract which they may sub-contract and to identify any sub-contractors to be used.

15. Contents of Contracts, Quality Assurance and Security for their Performance

- 15.1 Every contract shall be in writing and shall specify:-
- (i) The work, materials provided, had or done;
 - (ii) The price to be paid with a statement of discounts or other deductions;
 - (iii) The time or times within which the contract is to be performed, where appropriate.
- 15.2 Where an appropriate British Standard or European Standard Specification or British Standard or European Code of Practice issued by the British Standards Institution or equivalent European Institution is current at the date of tender, every contract shall require that, all goods and materials used or supplied and all workmanship shall be to a standard not less than the British Standard or European Standard.
- 15.3 Governing bodies must ensure that all contractors provide evidence of sufficient insurance cover. For assistance setting the insurance requirement, please refer to the insurance team's guidance document, [found here](#).
- 15.4 Prospective contractors must be compliant with, and be able to demonstrate, all health and safety requirements including the Health and Safety at Work Act 1974 and the Management of Health and Safety at Work Regulations 1992.

16. Corrupt Practices

- 16.1 There shall be inserted in every written contract for the supply of goods or materials or the execution of work, a clause empowering the governing body to cancel the contract and to recover from the contractor the amount of any loss resulting from such cancellation, if the contractor shall have offered, or given, or agreed to give, any person any gift or consideration of any kind as an inducement in relation to the obtaining or execution of this or any other contract with the governing body.

17. Contract Conditions

- 17.1 Contracts over the value of £5,001 should be signed by the head teacher and the chair of governors.

18. Commencement of Work

- 18.1 No supply of works, goods or services is to commence until all contract documentation has been duly completed.

19. Leasing Agreements

- 19.1 The procedures to be followed in the case of Leasing agreements are set out in Annex E1.

20. Availability

- 20.1 Copies of this Code of Practice shall be given to the chair of governing bodies and Headteachers and they should also make it available to other members of the governing body.

ANNEX E1: OPERATING LEASING PROCEDURES

TO SCHOOLS AND OTHER PRACTITIONERS

As a result of the introduction of the Prudential Code from 2004/05 which gave Local Authorities more flexibility as to how it financed capital expenditure, Sutton no longer enter into Operating Leases on behalf of Schools for the foreseeable future. This is because in 2004/05 the Borough had not entered any leases and it is not cost effective to do this individually for schools. However, this position may change for the future. Schools can still enter leases under their own arrangements and there may now be more choice, i.e. finance leases could be an option. If there is any doubt the Finance service can still provide advice to the options available although cannot provide leasing rates.

FURTHER ADVICE

If you have any queries or problems on any aspects on leasing please contact Tony Cooke, Senior Finance Lead - Capital. 020 8770 5379
tony.cooke@sutton.gov.uk

ANNEX F: APPROVED BANKS AND BUILDING SOCIETIES

Trading as **Bank of Scotland** (part of Lloyds Banking Group)

Barclays Bank PLC

Co-operative Bank

Trading as **HBOS PLC** (part of Lloyds Banking Group)

HSBC PLC

Trading as **Lloyds Bank** (part of Lloyds Banking Group)

Trading as at **National Westminster Bank** (part of RBS Group)

Nationwide Building Society

Northern Rock (whilst publically owned)

Royal Bank of Scotland

Santander

ANNEX G: STATEMENT OF INTERNAL CONTROL

Maintained schools form part of the Local Authority which is required to prepare an annual Statement of Internal Control [SIC] and receives Dedicated Schools Grant from the Department for Education who are also required to prepare SICs. Thus, as part of the chain of accountability for their public funds, schools should also prepare SICs. As most schools do not have their own formal accounts and external audit reports, the SIC in this context refers to the financial performance set out in the school's Consistent Financial Reporting (CFR) return and the one page Financial Summary derived from it.

The SIC is primarily a factual statement setting out the processes that are in place to ensure effective financial management of the school and its resources. Draft SICs are to be discussed by the Governing Body, and agreed final SICs are to be signed by the Headteacher, Chair of the Governing Body and Chair of the Finance Committee to demonstrate that they acknowledge responsibility for financial management of the school and take that responsibility seriously. The SIC requires a view to be taken on whether the signatories "are satisfied that the internal control systems in operation at the school during the year were adequate and effective". The first is dealt with by describing processes and reviews which should be part of normal school operations and represent the good practice required by the Schools Financial Value Standard [SFVS]. The second recognises that statements of this type can never give "absolute" assurance as internal control systems, no matter how sophisticated, can never prevent or detect all errors or irregularities.

The SIC can be signed at any point during the year. Schools should update the SIC annually and should therefore have, at any given point in time, a SIC that has been signed within the previous 12 calendar months. A copy of the signed SIC should be sent to the Local Authority's Internal Audit as set out in Annex C. A pro-forma SIC is provided in Annex G1.

ANNEX G1: A SPECIMEN STATEMENT OF INTERNAL CONTROL FOR SCHOOLS

- 1 This statement relates to the internal controls for (*Insert Name*) school for the 12 months from (*date. . . .*) to (*date signed. . . .*). The Governing Body is responsible for ensuring that the school:
- keeps proper accounting records during the year which will disclose, with reasonable accuracy and at any time, the financial position of the school, have been drawn up in accordance with the DfE's CFR guidelines, and will enable it to prepare an annual income and expenditure statement that complies with DfE guidelines
 - maintains and operates an effective system of internal control to safeguard all the resources delegated, granted or otherwise entrusted to the school and ensure they are used cost effectively
- 2 The system of internal control has been developed and is coordinated by the Headteacher. It aims to provide as much assurance as is reasonably possible (not absolute assurance) that assets are safeguarded, transactions are properly authorised and recorded and that material errors or irregularities are either prevented or can be detected promptly
- 3 **Our review of the effectiveness of the systems of internal control is informed by:**
- our regular scrutiny of financial and other performance monitoring data.
 - regular reports from the Headteacher and other managers to the Governing Body.
 - the most recent report of the school's internal auditor dated (*insert date of last report*).
 - our most recent self-evaluation of the internal controls undertaken (*insert date*).
- 4 We are, therefore, satisfied that the internal control systems in operation at the school during the year were adequate and effective (**except for:**
- **List any notable weaknesses here i.e. those rated as requiring remedial action as a high priority**).
- 5 We propose over the coming year to take the following steps to address the weaknesses noted above. (***This paragraph should provide either brief details of the action taken, or proposed, to rectify weaknesses in the system of internal control, or a short explanation of why corrective action has not been considered necessary***).

By order of the Governing Body of (*Insert Name*) School

(Signed) _____ Dated _____
(Headteacher)

(Signed) _____ Dated _____
(Chair of Governing Body)

(Signed) _____ Dated _____
(Chair of Finance Committee of the Governing Body)

Note: The sections in brackets and (***Bold / italics***) need tailoring to reflect the schools particular circumstances

ANNEX H: RESPONSIBILITY FOR REDUNDANCY & 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 was a good reason, 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.

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

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

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 education 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.

(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.