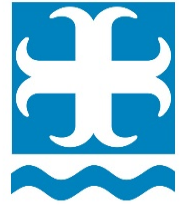


Sefton Council



SCHEME FOR
FINANCING
SCHOOLS

Updated 10.06.2019

LIST OF CONTENTS

1. INTRODUCTION

- 1.1 The funding framework
- 1.2 The role of the scheme
- 1.3 Publication of the scheme
- 1.4 Revision of the scheme
- 1.5 Roles and Responsibilities

2. FINANCIAL CONTROLS

- 2.1 Application of financial controls to schools
- 2.2 Provision of financial information and reports
- 2.3 Cash Flow Plans
- 2.4 Payment of salaries; payment of bills
- 2.5 Control of assets
- 2.6 Disposal of Assets
- 2.7 Accounting policies (including year-end procedures)
- 2.8 Writing off of debts
- 2.9 Basis of accounting
- 2.10 Submission of budget plans
- 2.11 School resource management
- 2.12 Virement
- 2.13 Audit
- 2.14 Register of business Interests
- 2.15 Purchasing, tendering and contracting requirements
- 2.16 Application of contracts to schools
- 2.17 Central funds and earmarking
- 2.18 Spending for the purposes of the school
- 2.19 Capital spending from budget shares
- 2.20 Leasing
- 2.21 Schools Financial Value Standard (SFVS)
- 2.22 Notice of concern
- 2.23 Banker Schools
- 2.24 Fraud

3. INSTALMENTS OF BUDGET SHARE; BANKING ARRANGEMENTS

- 3.1 Cash Advances to schools
- 3.2 Bank Interest
- 3.3 Budget Shares for closing schools
- 3.4 Bank accounts
- 3.5 Borrowing by Schools
- 3.6 Cash Imprest Accounts

4. THE TREATMENT OF SURPLUSES AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES

- 4.1 Balances
- 4.2 Surplus balances
- 4.3 Deficit balances and planned deficit balances
- 4.4 Surplus and deficit balances of closing schools
- 4.5 Borrowing
- 4.6 Prudential Borrowing
- 4.7 Supporting Schools with Financial Difficulties
- 4.8 Loans Schemes

5. INCOME

- 5.1 Income from lettings
- 5.2 Income from fees and charges
- 5.3 Income from fund raising activities
- 5.4 Income from the sale of assets
- 5.5 Other Income
- 5.6 Purposes for which income may be used

6. THE CHARGING OF SCHOOL BUDGET SHARES

- 6.1 General provision
- 6.2 Circumstances in which charges may be made
- 6.3 GENERAL TEACHING COUNCIL

7. TAXATION

- 7.1 Value Added Tax
- 7.2 Schools and Construction Industry Tax Scheme

8. THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY

- 8.1 Provision of services from centrally retained budgets
- 8.2 Provision of services bought back from the authority using delegated budgets
- 8.3 Service level agreements and contracts
- 8.4 Teachers' Pensions

9. PRIVATE FINANCE INITIATIVE

10. INSURANCE

- 10.1 Insurance cover
- 10.2 Insurance cover – voluntary aided schools

11. SUSPENSION OF FINANCIAL DELEGATION

- 11.1 Suspension of Financial Delegation

12: MISCELLANEOUS

- 12.1 Right of access to information
- 12.2 Data Protection
- 12.3 Liability of Governors
- 12.4 Governors' expenses
- 12.5 Responsibility for legal costs
- 12.6 Health and Safety
- 12.7 Right of attendance for Chief Finance Officer
- 12.8 Delegation to new schools
- 12.9 Special Educational Needs
- 12.10 Child Protection
- 12.11 School Meals
- 12.12 Whistleblowing

13. RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

- 13.1 Funding
- 13.2 Defining Capital
- 13.3 Voluntary Aided Schools
- 13.4 Capital Works

14. COMMUNITY FACILITIES

- 14.1 Introduction
- 14.2 Consultation with the Local Authority – financial aspects
- 14.3 Funding agreements – Local Authority powers
- 14.4 Other prohibitions, restrictions and limitations
- 14.5 Supply of financial information
- 14.6 Audit Arrangements
- 14.7 Treatment of Income and Surpluses
- 14.8 Health and Safety Matters
- 14.9 Insurance
- 14.10 Taxation
- 14.11 Banking
- 14.12 Extended Schools

[ANNEX A](#)

Sefton Schools

[ANNEX B](#)

Powers and Responsibilities of Schools Forum

[ANNEX C](#)

Role of School Governors

[ANNEX D](#)

Guidance on Unofficial Funds

[ANNEX E](#)

Procurement Rules

[ANNEX F](#)

Format of Budget Deficit recovery plan

[ANNEX G](#)

Model Charge Card Policy

[ANNEX H](#)

Prudential Borrowing

[ANNEX I](#)

VAT Guidance

[ANNEX J](#)

Insurance Schemes

[ANNEX K](#)

Guide to Governor Expenses

[ANNEX L](#)

Confidential Reporting Policy – “Whistleblowing”

[ANNEX M](#)

CIPFA Code of Practise – Capital Expenditure Items

[ANNEX N](#)

Extended Schools – Financial Arrangements

[ANNEX Q](#)

RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS

[ANNEX R](#)

Glossary of Terms

THE OUTLINE SCHEME

SECTION 1: INTRODUCTION

1.1 The Funding Framework: Main Features

- 1.1.1 The funding framework which replaces Local Management of Schools is set out in the legislative provisions in sections 45-53 of the [School Standards and Framework Act 1998](#).
- 1.1.2 Under this legislation, local authorities determine for themselves the size of their schools' budget and their non-schools' education budget – although at a minimum, an authority must appropriate its entire Dedicated Schools Grant to their schools' budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools, except for capital and certain miscellaneous items. Authorities may deduct funds from their schools' budget for purposes specified in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure). The amounts to be deducted for these purposes are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their Schools Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the schools' budget left after deduction of the centrally retained expenditure is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools' education budget must be retained centrally (although earmarked allocations may be made to schools).
- 1.1.3 Authorities must distribute the ISB amongst their maintained schools using a formula, which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works, are set out in a scheme made by the authority in accordance with s.48 of the Act and regulations made under that section. All proposals to revise the scheme must be approved by the Schools Forum, though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.
- 1.1.4 Subject to any provision made by or under the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school* and for any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act. (*Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act.)
- 1.1.5 An authority may suspend a school's right to a delegated budget if the provisions of the authority's financial scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (schedule 17 to the Act)
- 1.1.6 Each authority is obliged to publish, each year, a statement setting out details of its planned Schools Budget and other expenditure on children's services, showing the amounts to be

centrally retained and funding delegated to schools. After each financial year the authority must publish a statement showing out-turn expenditure.

- 1.1.7 The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State. A copy of each year's budget and outturn statement should be made easily accessible to all schools.
- 1.1.8 Regulations also require a local authority to publish their scheme and any revisions to it on a website, accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.

1.2 The Role of the Scheme

- 1.2.1 This scheme sets out the financial relationship between the Local Authority and the maintained schools that it funds. It contains requirements relating to financial management and associated issues, which are binding on both the Local Authority and on the schools.
- 1.2.2 Overall responsibility for the administration of the Council's financial affairs rests with the Head of Corporate Resources as the "proper officer" for the purposes of section 151 of the Local Government Act 1972, and the financial arrangements will in turn be monitored by the department through the Internal Audit section
- 1.2.3 The scheme covers all community, nursery, voluntary, foundation, community special or foundation special schools and pupil referral units (PRUs) maintained by the authority. When schools alter their status in the new framework this will not affect coverage since the schools remain the same schools only in a different category and the schools' governing bodies will remain the same corporate bodies
- 1.2.4 The schools which the Authority will be maintaining are listed for information in [ANNEX A](#) to the scheme.

1.3 Publication of the scheme

- 1.3.1 The whole statement is available online. If schools or Governors do not have access to the internet, please contact Schools' Finance e-mail: schoolfunding@sefton.gov.uk and a hard copy will be made available.
- 1.3.2 The hyperlink for the scheme is below:

<http://www.seftonschools.co.uk/sefton-services/schools-finance/fair-funding-scheme.aspx>

1.4 Revision of the scheme

- 1.4.1 All proposed amendments to the Scheme for Financing Schools document will be subject to a full consultation period with all school governing bodies and any other identified stakeholders.
- 1.4.2 All proposed revisions must be submitted to the Schools Forum for final approval. Only school forum members representing maintained schools can approve scheme changes.
- 1.4.3 Where the Schools Forum decision differs from the Local Authority proposed revision the DfE

will be asked to adjudicate.

1.4.4 It is also possible for the Secretary of State to make directed revisions to schemes after consultation. Such revisions become part of the scheme from the date of the direction.

1.5 Roles and Responsibilities

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

1.5.2 Schools Forums have an important role under the current funding regulations. Not only will they continue to have their consultative role in relation to the local distribution of school funding, they will also be able to decide on certain proposals from their Local Authority, which currently have to come to the Secretary of State for decision.

1.5.3 The roles and responsibilities of Schools Forums are summarised in [ANNEX B](#) of this document.

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

- Setting financial priorities through the:
 - School Development Plan (SDP), also known as the School improvement plan.
 - 3 Year financial plan
 - Deciding on how the school's delegated budget should be spent, in accordance with their SDP and the statutory curriculum requirements laid down by Central Government.
- Approving and monitoring the annual budget. The full Governing Body may delegate the approval of the first formal annual budget plan to an approved committee
- Ensuring the budget is managed effectively.
- Ensuring the school meets all its statutory obligations, and through the Head Teacher, complies with its Local Authority's financial regulations or standing orders.
- Determining virement and expenditure thresholds.
- Evaluating the effectiveness of spending decisions.

1.5.5 Detailed guidance is set out Role of Governing Body please see [ANNEX C](#).

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

1.5.7 The Head Teacher is required to keep the Governing Body regularly informed regarding the school's financial affairs and, in particular, to ensure the Governing Body has the information it

needs to enable it to discharge its duty to determining the school policies and strategy.

1.5.8 The main areas of responsibilities are:

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

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

SECTION 2: FINANCIAL CONTROLS

2.1. Application of financial controls to schools

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

2.2 Provision of financial information and reports

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

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

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

2.2.4 Details of minimum requirements are as follows:

Annually

- Approved annual budget by 30 June
- Schools Financial Value Standard by the end of the Financial Year (31 March)
- A copy of the three-year strategic plan by 30 June each year
- Other reporting requirements which only apply to specific groups of schools (e.g. schools in deficit) are itemised elsewhere within the Scheme.

Termly

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

Monthly

- Bank reconciliations for schools operating a full external bank account
- VAT Summaries and Balance & Reserve Reports for schools operating a full external bank account
- Charge Card reconciliations for those schools operating with a charge card.

2.2.5 Accurate and timely financial reporting is an indication of good financial management. Where schools fail to meet the reporting timetables, they are likely to fall short of the Schools Financial Value Standard (SFVS). A repetition of failure to meet reporting requirements, particularly if it affects statutory deadlines would be a reason for the issuing of a notice of concern, or even suspension of delegated management.

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

2.3 Cash Flow Plans (for schools operating their own Bank Accounts where applicable)

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

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

2.4 Payment of salaries; payment of bills

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

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

2.4.3 Schools which chose to enter into a Service Level Agreement with the Local Authority for the provision of Personnel, Payroll and Creditor services will have automatic access to the authority's on-line payroll and creditor systems (including professional advice and support on all personnel, payroll and payment related issues) and will not therefore be required to formally submit detailed analysis of expenditure and personnel data insofar as the information is available from the system

2.4.4 Schools which wish to make alternative provision for their personnel, payroll and creditor services will be required to provide full details to the authority of their actual expenditure and personnel data on the individual transaction/employee basis at the end of each term.

2.5 Control of assets

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

2.5.2 Each school will maintain an inventory of its moveable non-capital assets with a replacement value in excess of £1,000, in a form to be determined by the Authority, currently an Excel spreadsheet, Disposal of those assets will be authorised at school level according to the Authority's procedures, (see the Schools Finance Manual). An inventory for assets worth less than £1,000 must be maintained but the form of it will be at each school's discretion.

2.5.3 When determining which assets should be recorded, schools should consider items whose value is over, say, £50, except where assets are mobile and desirable but not necessarily expensive, e.g. digital cameras

2.6 Disposal of Assets

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

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

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

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

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

- the asset should be offered to sale to other schools
- the asset should be offered to sale to other Council divisions

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

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

2.6.7 Where the asset was originally purchased by the Local Authority from non-delegated funds, the income from disposal will revert to the Local Authority.

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

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

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

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

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

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

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

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

Note – the asterix () denotes hazardous waste.*

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

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

2.6.14 Schools are required to ensure:

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

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

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

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

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

2.7 Accounting Policies (including year-end procedures)

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

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

2.8 Writing off of debts

2.8.1 Governing Bodies have the authority to write-off debts in respect of items of income due to the schools delegated budget and collected by them but which are irrecoverable, in accordance with any procedures specified within the School's Financial Regulations – the current write off limit is £500. Such write-offs shall be formally considered and approved by the Governing Body, and recorded in the Minutes of the meeting concerned.

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

2.8.3 The decision to write-off any debt if it proves to be irrecoverable must be made and minuted by the Governing Body. It cannot be delegated. Where the invoice exceeds £500 the Governing Body must notify and obtain the prior approval of the Section 151 Officer, Head of Corporate Resources, before writing off the debt. Several invoices due from the same debtor adding to the total to this amount should be treated in the same manner. All requests for approval should be forwarded through the Schools' Finance Team. All write-offs must be correctly recorded in the accounts – by reversal of the original income transaction(s).

2.9 Basis of accounting

- 2.9.1 Reports and accounts as set out in 2.2 should be provided to the Local Authority on an accrual basis and budget monitoring reports must include an estimated outturn position.
- 2.9.2 Schools are free to use any accounting services provider or accounting software they think reasonable, providing any reports are submitted to the Local Authority in the required format.

2.10 Provision of Formula Budget Allocation

- 2.10.1 By no later than the 28th February prior to the beginning of each multi-year budget period, the Authority will provide the Governing Body with a statement of the school's budget share.
- 2.10.2 The budget share statement will also contain information as required by Section 251 of the Schools Standards and Framework Act 1998, the Authority will inform each maintained school of any central government grant income paid via the Local Authority for the remaining financial years covered by the multi-year budget period. The Local Authority may issue additional budget estimates from time to time.
- 2.10.3 The Local Authority will require schools to submit a financial forecast covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year by the 30th June (1st May for deficit budget plans).
- 2.10.4 The intention of this forecast is to:
- Show that schools are looking at longer term financial planning.
 - Identify to the Local Authority potential budgetary problems in future years.
- 2.10.5 The Governing Body is not permitted to set a budget which plans for a deficit at the end of the financial year, except where the Authority has authorised such a budget, see accordance with section 4.
- 2.10.6 If a Governing Body submits a multi-year budget plan which shows the school going into deficit in the second or third year of the budget plan, the budget plan must be accompanied by a plan from the school showing how it intends to avoid or deal with the forecast deficit.
- 2.10.7 The school's formal annual budget plan must be approved by the Governing Body or a committee of the Governing Body and Head Teacher of the School.

2.11 School Resource Management

- 2.11.1 Schools must seek to achieve effective management of resources, to optimise the use of their resources, and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements. (See section 2.15 below)

It is for Head Teachers and Governors to determine at school level how to secure more effective management of resources.

There are significant variations in efficiency between similar schools, and so it's important for schools to review their current expenditure, compare it to other schools, and think about how to make improvements. The DfE government website publishes a range of benchmarking tools,

available to all schools, to analyse their spending and performance, compared against other schools, both locally and nationally. This can help Governors and Head Teachers towards assessing how effective they are managing their own school resources and to seek best practice across a range of financial and performance indicators through investigation and collaboration with similar sized schools, who seem to be managing their resources and performance at a higher level.

2.12 Virement

- 2.12.1 Virement is an administrative device that provides a degree of flexibility to the budget that is required to deal with changing circumstances and/or unexpected developments. Virement means the transfer of monies from one budget head to another.
- 2.12.2 Provided overall spending is contained within the total delegated budget, the Governing Body may approve transfers of budget between budget headings. The Governing Body is required to establish and approve a written policy relating to virements. This policy should set criteria for virement, whether or not the power to vire is delegated to a sub-committee or the Head Teacher, and if so, the financial threshold above which delegation would not apply.
- 2.12.3 The policy should include provision for the Governing Body to vire sums from the school budget into non-delegated headings of 'earmarked' expenditure.

2.13 Audit

- 2.13.1 Schools are required to co-operate and provide access to all school records to both Local Authority Internal Auditors and External Auditors appointed by the Local Authority.
- 2.13.2 The Local Authority Internal Audit process is designed to satisfy the statutory requirements of the relevant Section 151 Officer, namely the Head of Corporate Resources in so far as:
- Internal financial controls are in place and are operating effectively;
 - Accounts and records have been prepared in accordance with proper accounting practices and statutory requirements;
 - Arrangements are in place to secure the effective management of resources, and to enable reports in the public interest.

2.13.3 Audit Arrangements

- The accounts of the Local Authority maintained schools will be the subject of regular internal audit to review the management of the school's finances and its stewardship of public money on behalf of the Local Authority.
- Internal audit of schools will be based on a *risk based and* rolling programme. However, it is expected that each school will be subject to an internal audit review approximately once every 3 years.
- Schools must allow internal auditors access, for the purpose of an audit, to such premises, documents and assets, as the internal auditors consider necessary.
- The Governing Body and school staff should provide internal auditors with any explanations they consider necessary, in order to fulfil their duties.

- The Head Teacher should consider and respond promptly to recommendations in audit reports and report to the Governing Body on the results of audits and *any subsequent actions required by the school*.
- The Head Teacher should immediately notify the internal auditors of any suspected irregularities involving fraud, bribery, theft and corruption.

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

2.13.5 The internal and external audit regimes will not normally be concerned with unofficial schools' funds. However, the S151 Officer will be entitled to make such enquiries as they consider appropriate.

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

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

2.13.8 Guidance on the management, accounting arrangements and audit of unofficial school funds appears in [ANNEX D](#).

2.14 Register of business interests

2.14.1 The Governing Body is required to:

- Establish and maintain a register which lists for each member of the Governing Body, the head teacher, senior management team and any finance staff any business interest they or members of their immediate family have.
- Details of any other educational establishments that they govern;
- Any relationships between school staff and members of the governing body;
- To keep the register up to date with notification of changes and through annual review of entries.
- To make the register available for inspection by Governors, Staff and Parents and the Authority and to publish the register, for example on a publicly accessible website.

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

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

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

2.15 Purchasing, tendering and contracting requirements

2.15.1 Schools must abide by the Authority's financial regulations and accounting procedures in purchasing, tendering and contracting matters. Schools must ensure that they demonstrate value for money and comply with all UK and European legislation and directives when tendering or requesting quotations.

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

2.15.2 Sections of the Authority's financial regulations and accounting procedures may be dis-applied if they would require schools

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

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

2.15.4 Schools may also seek advice on a range of compliant deals via Buying for Schools see webpage www.gov.uk/guidance/buying-for-schools

2.15.5 A summary on the application of the Local Authority's contract procedure rules in terms of value of contracts is attached in [ANNEX E](#).

2.15.6 Wherever members of staff or the governing body are in doubt as the applicability or interpretation of these rules, they should seek the advice of the authority's Procurement Team

2.16 Application of contracts to schools

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

2.16.2 The scheme may provide otherwise for:

- Contracts which schools have agreed to be covered in respect of services for which funding was delegated by the authority prior to 1 April 1999;
- Certain contracts in the scheme as approved by the Secretary of State for services for which funding has been delegated after 1 April 1999, irrespective of the agreement of

schools.

- Governing bodies are empowered under paragraph 3 of schedule 1 to the *Education Act 2002* to enter into contracts, in most cases they do so on behalf of the Local Authority as maintainer of the school and the owner of the funds in the budget share. Contracts may be made solely on behalf of the Governing Body, when the Governing Body has clear statutory obligations – for example, contracts made by aided or foundation schools for the employment of staff.

2.17 Central funds and earmarking

- 2.17.1 The Local Authority is authorised to make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget shares. Such allocations should be subject to conditions setting out the purpose or purposes for which the funds may be used: and while these conditions need not preclude virement (except, of course, where the funding is supported by a specific grant which the authority itself is not permitted to vire), this should not be carried to the point of assimilating the allocations into the school's budget share.
- 2.17.2 Such allocations might, for example, be sums for Special Educational Needs (SEN) or other initiatives funded from the central expenditure of a Local Authority's Schools Budget or other Local Authority budget.
- 2.17.3 This devolved funding is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not vired into the budget share. There should be an accounting mechanism for schools to be able to demonstrate that this requirement has been complied with.
- 2.17.4 Earmarked funds must be returned to the authority if not spent within any period stipulated by the authority over which schools are allowed to use the funding.
- 2.17.5 The Local Authority is barred from making any deduction, in respect of interest costs to the authority, from payments to schools of devolved specific or special grant

2.18 Spending for the purposes of the school

- 2.18.1 Governing bodies are authorised to spend budget shares for the purposes of the school, subject to the provisions of the scheme. The Authority may prescribe additional purpose for which expenditure may be incurred from the school budget. The Secretary of State may also prescribe such additional purposes.
- 2.18.2 The Governing Body may not incur expenditure from the school budget for purposes which are properly the responsibility of other agencies.
- 2.18.3 By virtue of section 50(3A) (which came into force on 1st April 2011), amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

Under s.50 (3) (b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. He has done so in the School Budget Shares (Prescribed Purposes)(England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes)(England)(Amendment) Regulations 2010

(SI 010/190). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools.

2.19 Capital spending from budget shares

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

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

2.19.3 In respect of Council assets:

- Acquisition, reclamation or laying out of land
- Acquisition, construction, preparation or replacement of roads, buildings and other structures
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels
- Enhancement of land or buildings:
 1. Which lengthens substantially the life of the asset
 2. Which increases substantially the open market value of the asset
 3. Which increases substantially the extent to which the asset can be used for a function of the local authority

2.19.4 The Council applies a de-minimis limit, below which, items of expenditure are not capitalised. This is £2,000 for schemes funded from Devolved Formula Capital and £10,000 for other expenditure on capital from the revenue budget. The de-minimis rule of £2,000 for schemes funded from DFC, also applies to Voluntary Aided schools (excluding Fees and VAT). The VA schools receive a separate allocation of DFC and Basic Needs Capital funding paid through their respective faith Body. The Governors of VA schools and their faith bodies are responsible for Capital spending on their schools, but on occasion, may work with the Local Authority where joint funding on common schemes across all schools is considered more cost effective.

2.19.5 Governing bodies may use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the Governing Body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998. The Local Authority stipulates that if there is expected capital expenditure from the budget share the Governing Body must notify the Local Authority and that it must take into account any advice from the Head of Education as to the merits of the proposed expenditure if it exceeds the figure of £15,000.

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

2.19.7 The reason for these requirements is to help ensure compliance with the current School Premises (England) Regulations 2012 legislation.

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

2.20 Leasing

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

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

2.21 [Schools Financial Value Standard \(SFVS\)](#)

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

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

2.21.3 All maintained schools with a delegated budget must submit the SFVS form to the local authority before the end of the Financial Year (31 March) each year

2.22 Notice of Concern

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

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

- A requirement for relevant staff to undertake appropriate training to address any identified weaknesses in the financial management of the school;
- A requirement for an appropriately trained/qualified person to chair the Finance Committee of the Governing Body;
- Placing of a condition on the schools to provide timely monthly accounts to the Local Authority;
- Termly financial monitoring meetings at the school attended by Local Authority officers;
- A requirement for the Governing Body to buy into a Local Authority's financial management systems and Finance service level agreement; and
- Imposing restrictions or limitations on the way a school manages extended school

activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

- Amendment to the school scheme of delegation in relation to the levels of permitted expenditure (both revenue and capital)
- All contracts, leases and licences to be renewed or let require approval of the Head of Education.

2.22.3 The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with. The notice will also include the required outcome in order for the notice to be withdrawn. It will also state the actions that the authority may take where the Governing Body does not comply with the notice, which may include the removal of delegation.

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

2.22.5 The notice of Concern must be agreed by the S151 Officer and Head of Education,

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

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

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

2.23 Teacher Training Schools / School Clusters – leading schools involved in banking shared funds

2.23.1 A banker school is where any grant funding received meant for several schools (e.g clusters) is held by one school.

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

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

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

2.24 Fraud

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

The Governing Body and 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.

The Local Authority has produced a model Fraud & Theft policy and this can be found at:

<http://intranet.smbc.loc/our-council/counter-fraud.aspx>

SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS

Local Authorities have adopted the CIPFA Code of Practice for Treasury Management. For the purposes of this section, Budget Share includes any place-led funding for special schools or pupil referral units

All schools covered by the scheme are allowed to have external bank accounts into which their budget share instalments, as determined by other provisions within the scheme, will be paid. Schools are not however required to have bank accounts and the scheme therefore permits schools to choose between the following options:

- No bank account (i.e. use of the authority's own banking arrangements)
- A bank account operating on an imprest basis within the authority banking arrangements (as existed under the previous Local Management of Schools arrangements)
- A full bank account outside the authority's own banking arrangements. This is the only option, which involves the transfer of budget shares into school accounts by instalments.

Schools with their own bank account will be entitled to receive instalments of their total Budget Shares, after deduction of approved charges in accordance with Section 6 of the scheme. The instalments will be varied where there is a Service Level Agreement with schools for authority payroll services, in which case the salary and wages element will be excluded from the instalment.

Advances will be made by Bank Automated Credit System (BACS).

In the event the Budget Shares of schools are adjusted during the financial year, the Budget Share instalments will be amended accordingly.

For those schools operating their own separate bank account - see sections 3.1 to 3.5 below for guidance

3.1 Frequency of Instalments into bank accounts

The local authority will make instalments of the budget share available to Governing Bodies termly. Schools may request monthly budget share instalments; providing this request is received by the authority by 31st January prior to commencement in the following April. Top up payments for pupils with high needs should be made on a monthly basis unless alternative arrangements have been agreed with the provider.

Termly instalments will be made on 15th of April, September and January, or the next working day thereafter. Monthly instalments, where requested in accordance with the paragraph above, will be made on 15th of each calendar month or the next working day thereafter.

3.2 Proportion of budget share payable at each instalment.

The budget share will be made available to schools in accordance with the proportions set out in the following table. Schools will be able to choose whether they receive their budget shares inclusive of estimated pay costs or (where they enter into a service level agreement with the authority for payroll services) net of estimated pay costs.

Instalments will be weighted to take account of the following:

- In year pay awards
- Historical spending patterns for non-employee costs

Example: Proportion of schools' budget share payable into school bank accounts using historical spending patterns.

	PAY COSTS		NON PAY COSTS	
	MONTHLY	TERMLY	MONTHLY	TERMLY
APRIL	8.30%	41.5%	10%	50%
MAY	8.30%		10%	
JUNE	8.30%		10%	
JULY	8.30%		10%	
AUGUST	8.30%		10%	
SEPTEMBER	8.30%	33.3%	8%	32%
OCTOBER	8.30%		8%	
NOVEMBER	8.30%		8%	
DECEMBER	8.40%		8%	
JANUARY	8.40%	25.2%	6%	18%
FEBRUARY	8.40%		6%	

MARCH	8.40%		6%	
-------	-------	--	----	--

All figures are for illustrative purposes only and relate to percentage of total annual budget share.

3.3 Interest clawback.

The authority will deduct from school budget shares an amount equal to the estimated interest lost by the authority in making available the budget share in advance.

Where the entire budget share is paid to schools on a monthly basis, interest will be charged to schools as follows:

Pay Costs - Interest will be charged daily on the amount paid into the bank account based on the period between the date of the payment and the actual date that salaries are due. The due date for teachers' salaries is the 23rd day of each month and for administrative and clerical staff it is the 15th of each month. For the purposes of the interest calculation it will be assumed that weekly paid staff are paid on the 15th day of each month. The rate of interest charged to schools will be the Bank of England Base Rate applicable at the time that the payments are advanced by the authority

Non-Pay Costs - Interest will be charged on the amount paid into the bank account based on the period between the date of the payment and the 15th day of each month

Where the entire budget share is paid to schools on a termly basis, interest will be charged to schools as follows:

Pay Costs - Interest will be charged daily on the amount paid into the bank account based on the period between the date of the payment and the actual dates in each term that salaries are due. For the April instalment it will be assumed that one fifth of the payment relates to each month of the Summer term (i.e. April to August inclusive), for the September instalment one quarter relates to each month of the Autumn term (September to December inclusive) and for

the January instalment one third relates to each month of the Spring term (January to March inclusive) The rate of interest charged to schools will be the Bank of England Base Rate applicable at the time that the payments are advanced by the authority

Non-Pay Costs Interest will be charged on the amount paid into the bank account based on the period between the date of the payment and the 15th day of each month within the term.

The authority will make no deduction for interest costs incurred by the authority in relation to payments to schools of devolved specific or special grant (this includes the payment of School Standards Grant, which will be made available to schools by 15th May in each year in which it is applicable).

3.3.1 Interest on late budget share payments

In the event that there is a late payment of a budget share instalment, which is the result of an error by the authority, then interest will be added to a school budget share at the Bank of England base rate applicable at the time, based on the period by which the instalment was delayed.

3.4 Budget shares for closing schools

Where a school, which has its own bank account, has secured approval for discontinuation, the Scheme allows for budget shares to be paid into bank accounts on a monthly basis, net of estimated pay costs, even where a different basis had been previously used.

3.5 Bank and Building Society Accounts

Although the authority will encourage schools covered by the Scheme to remain part of the authority's own banking arrangements, the Scheme permits schools to have external bank accounts into which their budget share instalments will be paid. Schools choosing to have external accounts shall be allowed to retain all interest payable on the account. Schools wishing to be part of an authority's banking contract (with or without an imprest account facility) will not be paid interest on the account used.

New external bank accounts can only be opened at the beginning of a financial year. Schools wishing to operate a bank account (including an imprest account) for the first time must give at least two months' notice to the Head of Corporate Resources.

Schools that have a deficit balance at the end of a financial year will not be allowed to open a full bank account at the beginning of the next financial year. Such schools will only be allowed to have a full bank account once any deficit balance is cleared.

If a school opens an external bank account the authority will, if the school desires, immediately take action to transfer to that account, an amount agreed between the school and the authority as representing the estimated surplus balance held by the authority in respect of the school's budget share. A subsequent correction will then be applied when the accounts for the relevant year are closed.

3.5.1 Restrictions on Accounts

Where schools wish to have an external bank account, the authority will provide an approved

list of banks or building societies, which should be consistent with the authority's Treasury Management policy.

Schools choosing to have their own external bank account will open the account in the name of the school and not the LA. However, if a school has such an account the mandate for that account must provide that the authority is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the authority.

Where schools choose to use an imprest account facility within the authority's banking arrangements, accounts will be set up as sub-accounts of the authority's main account, but identifiable to each school. Under Section 49(5) of the Schools Standards and Framework Act 1998, all monies paid by the LA into school bank accounts remains the property of the LA until spent.

3.6 Borrowing by Schools

- 3.6.1 Overdrafts are not permitted, for schools operating their own bank accounts, and the school must inform their bank that the account is not to be operated in overdraft.
- 3.6.2 Governing bodies may borrow money independently only with the written permission of the Secretary of State. This provision does not apply to prudential borrowing scheme that is run by the Authority (see section 4.6). Queries on the Secretary of State's power should be directed to the Department's School Capital and Buildings Division, which issues periodic advice on the matter.
- 3.6.3 This does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the delegated budget, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the Local Authority when repaying loans.
- 3.6.4 The school may apply to the Local Authority to use Charge Cards in accordance with the approved Card Policy, see section 4.5.1.
- 3.6.5 *Borrowing by schools includes the use of finance leases and is not allowable.*
- 3.6.6 *Schools are permitted to use any scheme that the Secretary of State has said is available to schools without the requirement to seek specific approval, this currently includes the Salix scheme, which is designed to support energy saving.*

School governing bodies may borrow money only with the written permission of the Secretary of State where these debts are serviced directly from school budget shares. Borrowing includes the use of finance leases and is not allowable, except for certain schemes approved by the Secretary of State. Currently only Salix loans have such approval.

This provision does not apply to any loan schemes arranged by the authority (see section 4.8)

The scheme does not allow schools to use Credit Cards, which are regarded as borrowing. However, schools are encouraged to make use of procurement/charge cards, as these reduce

transaction costs and can enable schools to benefit from significant discounts.

3.7 Other Provisions

The authority has issued separately a set of detailed rules and guidance notes to all schools covered by the Scheme - the "School Bank Account Procedure Manual". Schools opening bank accounts will be required to operate them in accordance with the Procedure Manual. The Manual will include the reporting mechanism to the authority regarding expenditure and income relating to their School Budget Share. These procedures must be adopted by schools operating their own Bank Accounts for the Head of Corporate Resources to comply with his/her statutory responsibilities under Section 151 of the 1972 Local Government Act.

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

3.8 Cash Imprest Accounts

- 3.8.1 Guidance on the operation of Petty Cash imprest accounts is contained in the Authority's financial procedure rules (See below).



3.6 Petty Cash
Instructions Jan 2019

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

4.1. Balances

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

4.2 Surplus Balances

- 4.2.1 All schools can operate external interest-bearing bank accounts. The Local Authority does have an agreement to pay interest on its Maintained schools' balances, based on the average values of balances held by each school across the year, and applying the average Bank of England Base Rate across the year minus -0.5%. Interest is paid at the year end to schools holding surplus balances as appropriate.
- 4.2.2 *Sefton Schools Forum agreed to re-introduce the Excessive Surplus Balance control mechanism with effect from 1 April 2014. The excessive surplus balance control has therefore been in place since this time, and is ongoing, until Schools Forum agree to amend or remove it in consultation with Head Teachers.*
- 4.2.3 Schools are considered to hold an "excessive surplus balance" if the reported balance as at 31st March each year exceeds:

- 12% of the total funding delegated to Primary, Special and Nursery schools at the start of the financial year.
- 8% of the total funding delegated to secondary schools at the start of the financial year.

(Total funding = all delegated budget share elements plus the pro-rata amount of pupil premium grant).

- 4.2.4 All schools with an excessive surplus balance will be notified by the LA at the end of May each year, when their final school balance position is confirmed as part of the annual closure of accounts process.
- 4.2.5 Any claw-back of Excess balances will be considered by a panel of representatives from Schools Forum and the LA, based on evidence supplied by the school as to the reasons for holding such balances and intentions to reduce them in the following year. There will then be a report taken back to Schools Forum around September, recommending appropriate actions, in time to inform the forthcoming schools formula allocations for the next Financial year.
- 4.2.6 All funding removed from school budgets will be held centrally and protected on a sector by sector basis until decision as to how such monies are to be re-deployed is agreed.
- 4.2.7 The Local Authority following discussions with Schools Forum will determine the deployment of all such funds on an annual basis.

4.3 Deficit balances and planned deficit balances

- 4.3.1 Revenue deficit balances held by schools as permitted under this scheme must be carried forward. The Local Authority cannot write off the deficit balance of any school.
- 4.3.2 The scheme precludes schools to plan for deficits unless approval is granted by the Authority as set out below. Interest will not be charged on licensed deficits, providing the conditions of the approval are met. Interest will be charged on unapproved deficits at 3% above base rate, based on the deficit accruing evenly over the financial year.
- 4.3.3 Where a school had an unanticipated deficit balance at the end of the previous financial year, or where a deficit budget balance is anticipated at the end of the current financial year, the Governing Body may apply to the Authority for permission to recover over more than one year.
- 4.3.4 The Governing Body will make a written application to the Head of Corporate Resources by the *30th April* of the current financial year requesting permission to set a deficit budget. The request needs to specify:
- a) the cause of the deficit;
 - b) the estimated value of the deficit over the multi-year period it relates to;
 - c) the length of time over which the budget recovery is proposed;
 - d) the action the Governing Body proposes to take to rectify the underlying cause of the deficit (recovery plan).

A model recovery plan template is provided at [ANNEX F](#)

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

4.4 Surplus and deficit balances of closing schools

- 4.4.1 In situations where a school closes any balance (whether surplus or deficit) reverts to the Local authority. The authority is not permitted to transfer the balance to any other school even where the school in question is a successor to the closing school, except that a surplus balance transfers to an academy where a school voluntarily converts to academy status under section 4(1) (a) of the Academies Act 2010.
- 4.4.2 The allocation regulations made under Section 47 of the Act allow schools to benefit from additional allocations, which are equal to or less than the balances of relevant closing schools. The same regulations also provide for the abatement of extra funding for new schools, to effectively recognise the deficit of a preceding school, but no such abatement equal to the deficit can be set against the normal funding of the new school.
- 4.4.3 Should any school due to close within the next 12 months have an approved deficit budget, the Local Authority shall reserve the right to implement any of the following controls:
 - a) Issue a "Notice of Concern"
 - b) Suspend the use of any capital funds without prior LA agreement
 - c) Remove delegated powers of financial management
 - d) Any other specific items to be discussed and agreed.

4.5 Charge Cards

- 4.5.1 Schools can apply to the Local Authority to be given the right to use Charge Cards where savings can be obtained from using a card. The model Charge Card policy is provided at [ANNEX G](#).
- 4.5.2 No interest charges should be incurred by the school for use of a Charge Card, with balances requiring to be fully cleared on a monthly basis.

4.6 Prudential Borrowing

- 4.6.1 Governing bodies may borrow money only with the written permission of the Secretary of State.
- 4.6.2 Schools, when seeking to borrow funds from the Council, can acquire capital assets via the prudential borrowing scheme run by the Local Authority. Applications will only be considered for expenditure on the acquisition, creation or enhancement of assets that can be capitalised (subject to a de-minimus level) providing that it will yield benefit to the Council and services it provides for a period of more than one year. E.g. Improvements to Land and buildings, computer hardware, furniture and equipment.
- 4.6.3 Applications cannot be considered for assets with a capital cost/purchase price less than £10,000 unless it is part of one large scheme where the total costs will exceed £10,000.
- 4.6.4 In all cases, schools will be required to complete an application form and demonstrate that the proposal is affordable, achievable and sustainable.
- 4.6.5 Applications will only be considered for projects, which have received the formal approval of the school's Governing Body. A copy of the resolution should be enclosed with the completed application form. Applications can be submitted and considered in advance of this with signatures of the Head teacher and Chair of the Governing Body. Further details can be found at [ANNEX H](#).

4.7 Supporting Schools in Financial Difficulty

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

4.8 Loans Schemes

The authority would be prepared to consider the management of a loans scheme. The loan scheme would be financed from voluntary contributions from school balances into a central loans pool. The contributions would attract interest and interest would be payable on any loans made. The scheme would operate on a self-financing basis and would be subject to sufficient funds being available to meet the loan and interest payment commitments. The authority would specify the following conditions:

- a) that the loan will be repaid within a period of 3 financial years in accordance with an agreed schedule as determined by the Finance and Children's Services Directors.
- b) the purpose and extent of the loan must be agreed in advance between the school governing body and the Head of Corporate Resources and Head of Education.
- c) any consequential costs to the authority arising from these arrangements will be charged to the appropriate school budget shares
- d) Loans would not be given for the purpose of reducing a school deficit

4.8.1 Credit union approach

In the event that a number of schools decide to group together to utilise externally held balances for a credit union approach to loans, they must ensure that such a scheme (if not arranged by the authority) is subject to external audit certification.

SECTION 5: INCOME

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

Where land is held by a charitable trust, it will be for the school's trustees to determine the use of any income generated by the land.

5.1 Income from lettings

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

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

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

5.2 Income from fees and charges

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

5.2.2 Education provided by schools covered by the scheme for its registered pupils shall be provided free of charge if it takes place during school hours except that a charge may be made for individual tuition in playing any musical instrument unless it forms part of the syllabus for a prescribed public examination or is provided as part of the national curriculum

5.3 Income from fund-raising activities

5.3.1 Schools are permitted to retain income from fund-raising activities. Where such activities have created a charge against the school budget, this charge must be reimbursed before the balance of income is credited to any unofficial fund. Note that VAT cannot be recovered on expenditure relating to the fund-raising activities of the unofficial fund, which has been charged to the delegated budget.

5.4 Income from the sale of assets

5.4.1 Schools may retain the proceeds from the sale of assets purchased from the school's revenue

budget share; the income must be included in the school budget plan and only spent for the purposes of the school. In cases where the asset was purchased with non-delegated funds the proceeds will accrue to the Local Authority. Note that proceeds from the sale of assets are subject to VAT at the standard rate of 20%.

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

5.4.3 Assets that are leased cannot be sold.

5.5 Other income

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

5.5.2 For schools that are included in the school meals contract with Sefton Catering Services, the school collects income on behalf of the Authority as part of the contract. All income must be collected and banked and school meals information provided on a timely basis in standard format, as set out in the contract between the Authority and schools.

5.5.3 Administrative procedures for the collection of income

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

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

5.6 Purposes for which income may be used

5.6.1 Any income raised from the sale of assets purchased with delegated funds can only be spent for the purposes of the school

SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES

6.1 General provision

6.1.1 The Local Authority *may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of the Schools Forum.* The budget share of a school may be charged by the Local Authority without the consent of the Governing Body only in circumstances set out in 6.2 below. For each of these circumstances the authority would have to be able to demonstrate that the authority had necessarily incurred the expenditure now charged to the budget share

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

6.1.3 Schools are reminded that the Local Authority cannot act unreasonably in the exercise of any

power given by this scheme, or it may be the subject of a direction under s.496 of the Education Act 1996.

- 6.1.4 The Local Authority shall make arrangements for a dispute procedure for such charges.
- 6.1.5 The Local Authority is required to charge salaries of school based staff to school budgets at actual cost.

6.2 Circumstances in which charges may be made:

- 6.2.1 Where premature retirement costs have been incurred without the prior written agreement of the Local Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Local Authority).
- 6.2.2 Other expenditure incurred to secure resignations where there is good reason to charge this to the school.
- 6.2.3 Awards by courts and industrial tribunals or out of court settlements against the Local Authority arising from action or inaction by the Governing Body contrary to the Local Authority's advice.
- 6.2.4 Expenditure by the Local Authority in carrying out health and safety work or capital expenditure for which the Local Authority is liable where funds have been delegated to the Governing Body for such work, but the Governing Body has failed to carry out the required work.
- 6.2.5 Expenditure incurred by the Local Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Local Authority. (See also 10.1).
- 6.2.6 The Authority may charge to the school budget the value of any betterment in relation to items replaced or repaired following insurance claims.
- 6.2.7 Expenditure by the authority incurred in making good defects in building work funded by capital spending from budget shares, where the Authority owns the premises or the school has voluntary controlled status.
- 6.2.8 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure, and the result is that monies are owed by the school to the Local Authority, also where a Local Authority debt has not been settled after 30 days and there is clear evidence that the Local Authority has provided a service to the school.
- 6.2.9 Recovery of penalties imposed on the Local Authority by the Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, Teachers Pensions or regulatory authorities as a result of school negligence.
- 6.2.10 Correction of Authority errors in calculating charges to a budget share (e.g. pension deductions).
- 6.2.11 Additional transport costs incurred by the Local Authority arising from decisions by the Governing Body on the length of the school day; and failure to notify the Local Authority of non-pupil days resulting in unnecessary transport costs.

- 6.2.12 Legal costs that are incurred by the Local Authority because the Governing Body did not accept the advice of the Local Authority (see also section 11).
- 6.2.13 Costs of necessary health and safety training for staff employed by the Local Authority, where funding for training has been delegated but the necessary training not carried out.
- 6.2.14 Compensation paid to a lender where a school enters a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 6.2.15 Costs incurred by the authority in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs.
- 6.2.16 Where a school fails to demonstrate the earmarked funding has been spent for the purpose for which it has provided, the Local Authority may charge to the school budget such penalty payments as it may incur; this will apply to any grant funding where failure of a Governing Body to produce adequate records leads to a grant claim by the Local Authority being disallowed. Conversely, over-spending on earmarked funding may be charged to the school budget.
- 6.2.17 Cost of work done in meeting reporting requirements on behalf of those schools not using the Local Authority payroll contractor for example teacher pension remittance and records. The charge will reflect the minimum needed to meet the cost of the Local Authority's compliance with its statutory obligations.
- 6.2.18 Costs incurred by the authority due to submission by the school of incorrect data.
- 6.2.19 Costs incurred by the Local Authority as a result of the Governing Body being in breach of the terms of a contract.
- 6.2.20 Costs incurred by the authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.
- 6.2.21 Where a court or tribunal has made an award against the Authority and this has arisen from action or inaction by the Governing Body contrary to the Authority's advice, the value of the award may be charged to the school budget.
- 6.2.22 The Authority may apply charges to the school budget to correct errors in respect of charges applied under other paragraphs of this section.
- 6.2.23 Where delegation has been suspended at a school, the Local Authority may charge for costs as it considers appropriate to the school budget in discharging its responsibilities in running the school.
- 6.2.24 The Local Authority may charge to the school budget expenditure it incurs in the event of a failure on the part of the Governing Body to meet statutory or contractual obligations.
- 6.2.25 In the event a school electing to receive instalments of its budget more frequently than proposed by the Local Authority may charge the school budget consequential administrative costs as it may incur, in addition to costs in relation to forgone interest.

- 6.2.26 Where consequential costs arise from work to the school premises undertaken by the Governing Body, the Authority may charge these costs to the school budget if costs were not approved in advance by the Local Authority.
- 6.2.27 Where the Authority incurs expenditure due to deficiencies in repairs and maintenance programme undertaken by the Governing Body, the Authority may claim the costs of such expenditure to the school budget.
- 6.2.28 Any costs, or losses in respect of the school budget (including those relating to a bank account operated by the school) arising from negligence, irregularity, inaction or action contrary to the Authority's advice, may be charged to the school budget.
- 6.2.29 Where a dispute arises between the Authority and the Governing Body over payment for services provided to the school and where this dispute has been referred to dispute procedures set out in a service level agreement, with the result that payments are owed by the school to the Authority, the Authority may recover such payments from the school budget.
- 6.2.30 Costs incurred by the authority in administering admissions appeals, where the local authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.

SECTION 7: TAXATION

7.1 Value Added Tax (VAT)

- 7.1.1 Schools must comply with tax legislation and should follow any relevant procedure issued by the Head of Corporate Resources regarding the following matters:
- Recording and reclaim of VAT
 - Construction Industries Tax Deduction Scheme
 - Deduction of income tax in relation to staff employed at the school.
- 7.1.2 It should be noted that VAT reclaimed in respect of expenditure charged to a school's budget will be returned to the school. Further guidance on VAT can be found [ANNEX I](#). ***This guidance includes a list of Agresso income-related Account codes used by schools, along with their relevant VAT rating, and an explanation as to when/how they should be used, for ease of reference and to remove doubt as to treatment for VAT purposes.***
- 7.1.3 Returns should be made in accordance with the timetable issued by the Local Authority, particularly as there are financial penalties if returns are not made promptly and accurately. Any penalties that result from errors or delays in submission of school returns will fall to be met from school budgets.
- 7.1.4 Schools are responsible for their own unofficial funds and these do not fall under the Local Authority's VAT registration.

7.2 Schools and the Construction Industry Tax Scheme

- 7.2.1 Construction Industry Tax Scheme (CIS) reporting – With effect from 6 April 2007, where a contract is made between the school/governing body and a subcontractor (i.e. not with the Local Authority) CIS reporting is not required. This means that schools can pay the subcontractor direct and do not have to report these invoices via the Tax Officer. (Note also, that if schools' delegated repairs and maintenance or similar budgets are retained centrally, with schools 'calling off' works which are paid for from such centrally retained funds, the exclusion from the Scheme also applies).
- 7.2.2 Where there are major capital works to a school, the contract is usually (but not in all cases) between the subcontractor and the Local Authority. Where this is the case, invoices are paid by the Local Authority out of corporate resources, and will be reported for CIS purposes.

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

8.1 Provision of services from centrally retained budgets

- 8.1.1 The Local Authority shall determine on what basis services from centrally retained funds, including premature retirement costs (PRCs) and redundancy / PRC payments will be provided to schools.
- 8.1.2 The Local Authority must not discriminate in its provision of services on the basis of categories of schools, except where this would be permitted under the School and Early Years Finance Regulations or dedicated schools grant (DSG) conditions of grant.

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

- 8.2.1 The Local Authority will determine from time to time the range of services, for which funding has been delegated. It will also offer schools the chance to buy back support services under a Service Level Agreement. The range of services available are detailed in the Council's SLA Online service, which may be accessed via the schools' intranet. This is open to maintained schools and Academy schools to buy services.
- 8.2.2 The terms of many arrangements with schools to buy services or facilities from the Local Authority is limited to a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the later, and periods not exceeding five years for any subsequent agreement relating to the same services. This may be extended where contracts are for the supply of catering services to five and seven years respectively. Services offered by the Local Authority will be at prices, which are intended to generate income, which is no less than the cost of providing those services. The buy-back costs are shown in the catalogue of available services and schools may select what they need from menus.

8.3 Service Level Agreements and contracts

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

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

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

- 8.3.3 Services offered by the Local Authority are mostly showcased within the Schools SLA online website specific to Sefton. This contains the details of most of the services offered to schools by the Local Authority, along with costs of buy back, and with electronic options to refresh or renew agreements annually or at the end of agreed Service Level arrangements. There will also be a procedure for dealing with complaints and for the termination of agreements.
- 8.3.4 Where the Authority is providing a service on a buy-back basis it will be offered in a way which does not unreasonably restrict schools' freedom of choice among the services available, and where practicable, this will include provision on a service-by-service basis as well as in packages of services.
- 8.3.5 Any services provided by the authority under a three-year service level agreement – whether free or on a buy back basis - will be reviewed and reminders will automatically be sent to schools, prompting them to note that a service is nearing renewal at least two terms before the end of that agreement.
- 8.3.6 Services which are provided under service level agreements lasting less than three years will be reviewed, and reminders will be sent to schools that service is coming to a close at least one term before the end of that agreement
- 8.3.7 Most SLA's will be charged to the school's budget on a termly basis in arrears by an internal journal transfer; or where buy back is from an Academy, cost recovery will be by means of an invoice.

8.4 Teachers' Pensions

- 8.4.1 To ensure that the performance of the duty on the Authority to supply Teachers Pensions with information under the Teachers' Pensions Regulations 1997, the following conditions are imposed on the Authority and governing bodies of all maintained schools covered by this Scheme in relation to their budget shares.
- 8.4.2 The conditions only apply to governing bodies of maintained schools that have not entered into an arrangement with the Authority to provide payroll services.
- 8.4.3 A Governing Body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Local Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Local Authority which the Local Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate.
- 8.4.4 The Local Authority will advise schools each year of the timing, format and specification of the

information required. A Governing Body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) be passed to the Authority within the time limit specified in the AVC scheme. The Governing Body shall meet any consequential costs from the school's budget share.

- 8.4.5 *A governing body of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the authority which the authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The authority will advise schools each year of the timing, format and specification of the information required from each school. A governing body shall also ensure that Additional Voluntary Contributions (AVCs) are passed to the authority within the time limit specified in the AVC scheme. The governing body shall meet any consequential costs from the school's budget share.*

SECTION 9: PRIVATE FINANCE INITIATIVE

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

SECTION 10: INSURANCE

10.1 Insurance cover

- 10.1.1 All Local Authority insurances affected under arrangements made by the Head of Corporate Resources. A list of insurance policies arranged by the Authority and their coverage is listed at [ANNEX J.](#)
- 10.1.2 Funds for insurance are delegated to schools within the individual school's budget share. Schools are required to ensure that cover relevant to the Local Authority's insurable interest, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover which would otherwise be arranged by the Local Authority.
- 10.1.3 The level and range of cover will vary from time to time and schools considering arranging their own policies must obtain advice and minimum cover levels from the Head of Corporate Resources before entering negotiations with insurers.
- 10.1.4 Once quotations have been obtained from insurance companies and before entering a contract with an insurance company, schools must inform the Insurance Team. A representative of the Insurance Team will then arrange a discussion with the Headteacher to review the adequacy of the cover and arrange for the financial appraisal of the insurance underwriters. Written advice will then be provided to the school and the Service Manager for Audit and Risk.
- 10.1.5 The school must notify the Head of Corporate Resources as soon as possible of the date when insurance will come into effect. Contingent insurance will then be arranged to cover the possibility of the failure of the school's insurance. The contingent insurance will cover each of the major areas of risk and details can be obtained on request.
- 10.1.6 The evidence required to demonstrate parity of cover should be reasonable, not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier.

10.2 Insurance Cover - Voluntary Aided Schools

10.2.1 The Diocese and Arch Diocese are required to provide 10% insurance cover for the premises of voluntary aided schools and the Local Authority provides 90% insurance cover for the value of the building and insurance for unfixed contents. The 90% LA insurance funding has now been delegated to schools and both Diocese have arranged for schools to be covered under Diocese Umbrella Insurance arrangements for their associated schools.

SECTION 11: SUSPENSION OF FINANCIAL DELEGATION

11.1 Suspension of Financial Delegation

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

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

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

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

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

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

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

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

- When financial delegation is suspended, schools operating a bank account may, in certain circumstances, also have the cheque book facility suspended, and the school may be required to transfer to the Council's central debtor, creditor and banking systems.
- The school bank account will be frozen and any balance retained in the bank account under the control of the Authority. However, interest accruing to the account may be used to support the financial plans of the school.
- A limit on a school's Authority to incur expenditure (this limit will normally be restricted to £1,000) and other financial processes to be followed will be set down in a school-specific agreement document produced by the Authority. The document will define the roles and responsibilities of both school based staff and the designated Local Authority monitoring and support officers.

SECTION 12: MISCELLANEOUS

12.1 Right of access to information

- 12.1.1 In addition to specific requirements listed elsewhere in the Scheme, Governing Bodies are required to supply all financial and other information which might reasonably be required to enable the authority to satisfy itself as to the school's management of its delegated budget share, or the use made of any central expenditure by the Authority (e.g. earmarked funds) on the school, within timescales prescribed by the Local Authority.
- 12.1.2 The keeping of accounts, financial records and prime documents should be in a suitably secure place and condition and for such periods of time as specified.
- 12.1.3 Schools must not mix official funds (monies due to and from the Local Authority) with unofficial school funds or any other voluntary funds (e.g. School Fund, PTA) which should always be kept and accounted for separately.

12.2 Data Protection

- 12.2.1 Governing Bodies are required to ensure that all data held in the school are kept in a manner which complies with the provision of the Data Protection Acts 1984 and 1998 and with the revised Data Protection Act 2018. The 2018 Act covers statutory provision around data held by schools, relating to staff and pupils, and offers advice on obtaining data; storing data; sharing data; and how personal data may be used. Schools need to ensure they have a purpose for holding information and that those whose information is kept, i.e staff and pupils, have a right of access to it, and can be assured of its safekeeping.

12.3 Liability of Governors

- 12.3.1 As the Governing Body is a corporate body, Governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith. This is covered under the terms of s.50 (7) of the School Standards and Framework Act 1998.
- 12.3.2 An example of behaviour which is not in good faith is the carrying out of fraudulent acts.

Where a Governing Body is in any doubt about the legality of a proposed course of action, it must seek advice from the Local Authority.

12.4 Governors' expenses

- 12.4.1 Under schedule 11 of the School Standards and Framework Act 1998, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share.
- 12.4.2 Payments can only be paid in respect of expenditure necessarily incurred for the purposes of enabling the person to perform any duty as a governor. This would not include payments to cover loss of earnings for attending meetings.
- 12.4.3 Should the Secretary of State appoint additional governors to a school under Special Measures, the Governors Body is not permitted to pay these governors expenses duplicating those paid by the Secretary of State.
- 12.4.4 The scheme allows the Local Authority to delegate to the Governing Body of a school, funds to meet governors' expenses, where the school does not yet have a delegated budget. A guide to Governors expenses is provided at [ANNEX K](#).

12.5 Responsibility for legal costs

- 12.5.1 Legal costs incurred by the Governing Body, although the responsibility of the Local Authority as a part of the cost of maintaining the school (unless they relate to the statutory responsibility of aided school governors for buildings), may be charged to the school's budget share, unless the Governing Body acts in accordance with the advice of the Authority.
- 12.5.2 Where there is a conflict of interest between the Local Authority and the Governing Body, such that the Local Authority's lawyers could not appropriately advise or represent the school, a request should be made in advance to the Head of Education for separate legal representation. The Head of Education and the Head of Corporate Resources will determine if separate legal representation is appropriate.

12.6 Health and Safety

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

12.7 Right of attendance for Chief Finance Officer

- 12.7.1 Governing bodies are required to permit the Head of Corporate Resources, or any officer of the Authority nominated by the Head of Corporate Resources, to attend meetings of the Governing Body at which there are any agenda items relevant to the exercise of her or his responsibilities. The Local Authority will give prior notice of such attendance unless it is impracticable to do so.
- 12.7.2 The Head of Corporate Resources attendance shall normally be limited to items that relate to issues of probity or overall financial management and shall not be regarded as routine.

12.8 Delegation to new schools

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

12.9 Special Educational Needs

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

12.10 Child Protection

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

12.11 School Meals

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

12.12 Whistleblowing

12.12.1 The procedure to be followed by persons working at a school or school governors who wish to complain about financial management or financial propriety at the school, and how such complaints will be dealt with are set out in [ANNEX L](#).

SECTION 13: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

13.1 Funding

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

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

13.2 Defining Capital

13.2.1 Illustrative examples of capital expenditure items in line with the DfE interpretation of the CIPFA code of practice are included at [ANNEXM](#).

13.3 Voluntary Aided Schools

13.3.1 For voluntary aided schools, the liability of the Authority for repairs and maintenance (met by delegation of funds through the budget share), is the same as for other maintained schools, and no separate list of responsibilities is necessary for such schools. Eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de-

minimis limit applied by DfE to categorise such work. For Voluntary Aided schools, all repairs and maintenance up to £10,000 (£2,000 (excluding fees and VAT) for schemes funded through DFC) should be paid from the delegated budget. The exceptions to this are playing fields and changing rooms, which remain the responsibility of the Local Authority. The boundaries of playing fields however are the responsibility of the Governors.

13.4 Capital Works

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

SECTION 14 COMMUNITY FACILITIES

14.1 Introduction

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

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

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

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

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

14.2 Consultation with the Local Authority – financial aspects

14.2.1 Changes made by the Children and Families Act 2014 mean that schools no longer need to consult the Local Authority when establishing community facilities under Section 27 of the Education Act 2002. Nor do they have to have regard to advice given to them by the Local Authority

However, as public bodies, they are expected to act reasonably, and this includes consulting those affected by decisions that they make.

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

14.2.3 The school should notify the Head of Corporate Resources in writing of their intention to consider using the Governing Bodies Community Facilities Powers. The notification should include details of the proposed use of the powers and any third-party involvement.

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

14.3 Funding Agreements – Local Authority powers

14.3.1 The provision of community facilities in many schools may be dependent on the conclusion of a funding agreement with a third party, which will either be supplying funding only, or supplying funding and taking part in the provision. A very wide range of bodies and organisations are potentially involved.

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

14.4 Other prohibitions, restrictions and limitations

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

14.5 Supply of financial information

14.5.1 Schools that exercise the community facilities power must provide the Local Authority, every six months, with a summary statement, showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next six months.

14.5.2 The Local Authority, on giving notice to the school that it believes there to be cause for concern as to the school's management of the finances of the community facilities power, will require such financial statements to be supplied every three months and, if necessary require the submission of a recovery plan for the activity in question.

14.6 Audit Arrangements

- 14.6.1 The school must grant access to the school's records connected with exercise of the community facilities power, in order to facilitate internal and external audit examination of relevant income and expenditure.
- 14.6.2 Schools are required, to ensure that funding agreements contain adequate provision for access by the Authority to the records and other property of those persons held on the school premises, or held elsewhere insofar as they relate to the activity in question, to enable the Authority to satisfy itself as to the propriety of expenditure on the facilities in question.

14.7 Treatment of Income and Surpluses

- 14.7.1 Schools will be allowed to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that is the Local Authority or some other person.
- 14.7.2 Schools will be able to carry such retained net income over from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the Local Authority, at the end of each financial year, transfer all or part of it to the budget share balance.
- 14.7.3 If the school is a community or community special school, and the Local Authority ceases to maintain the school, any accumulated retained income obtained from exercise of the community facilities power reverts to the Local Authority unless otherwise agreed with a funding provider.

14.8 Health and Safety Matters

- 14.8.1 The School will be responsible for ensuring health and safety provisions are met in respect of the community facilities.
- 14.8.2 The Governing body has responsibility for the costs of securing the Disclosure Barring Service to ensure the clearance for all adults involved in community activities taking place during the school day. Governing bodies would be free to pass on such costs to a funding partner as part of an agreement with that partner.

14.9 Insurance

- 14.9.1 It is the responsibility of the Governing Body to ensure adequate arrangements are made for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. The school should seek the Authority's advice before finalising any insurance arrangement for community facilities.
- 14.9.2 The Local Authority may undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself, and charge the resultant cost to the school.

14.10 Taxation

- 14.10.1 Schools should seek the advice of the Local Authority and the Authority's Customer

Compliance Manager at HMRC on any issues relating to the possible imposition of Value Added Tax on expenditure in connection with community facilities; including the use of the Local Authority VAT reclaim facility.

- 14.10.2 If any member of staff employed by the school or Local Authority in connection with community facilities at the school is paid from funds held in a school's own bank account (whether a separate account is used for community facilities or not), the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules.
- 14.10.3 Schools should follow Local Authority advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

14.11 Banking

- 14.11.1 Schools should make banking arrangements in accordance with section 3.4 of this scheme. A school may have just the one account, provided there are adequate internal accounting controls to maintain separation of funds.
- 14.11.2 Schools may not borrow money without the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by the Local Authority.

14.12 Extended Schools

- 14.12.1 Where schools provide community facilities as part of the Extended Schools Programme they should be accounted for in accordance with the guidance given at [ANNEX N](#).

This is the formal document underpinning the financial relationship between schools and the Authority. If you have any queries or require clarification please contact Schools Finance, e-mail schools.finance@sefton.gov.uk or telephone 0151 9343260

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 incurs costs—

- (a) In respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or*
- (b) In respect of the dismissal, or for the purpose of securing the resignation of any member of the staff of a maintained school who is employed for those purposes, they shall recover those costs from the governing body except in so far as the authority agrees with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.*

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

(7B) The condition is that the governing body are satisfied that meeting the amount out of the

school's budget share will not to a significant extent interfere with the performance of any duty imposed on them by section 21(2) or by any other provision of the Education Acts.

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

List of Local Authority Maintained Schools – Updated as at 01.04.2019**Maintained Nursery Schools**

Cambridge Nursery
Crossens Nursery
Greenacre Nursery
Sand Dunes Nursery

Maintained Primary Schools

Ainsdale St John's CE Primary School
AintreeDavenhillPrimary School
All Saints Catholic Primary School
BedfordPrimary School
BirkdalePrimary School
Bishop David Sheppard CE Primary School
ChristChurch CE Primary School
English Martyr's Catholic Primary School
FarnboroughRoadInfant School
FarnboroughRoadJuniorSchool
Forefield Community Infant and Nursery
School
ForefieldJuniorSchool
FreshfieldPrimary School
Great CrosbyCatholicPrimary School
GreenParkPrimary School
HattonHillPrimary School
HolyFamilyCatholicPrimary School
HolyRosaryCatholicPrimary School
HolySpiritCatholicPrimary School
Hudson Primary School
Kings MeadowPrimary School
LanderRoadPrimary School
LarkfieldPrimary School
LinacrePrimary School
LinakerPrimary School
Lydiate Primary School
MarshsidePrimary School
MellingPrimary School
NethertonMossPrimary School
NorthwayPrimary School
NorwoodPrimary School
Our Lady of CompassionCatholicPrimary
School
Our Lady of LourdesCatholicPrimary School
Our Lady of Walsingham Catholic Primary
School
Our Lady Queen of PeaceCatholicPrimary
School
Our Lady Star of the SeaCatholicPrimary
School

RedgatePrimary School
Rimrose Hope CE Primary School
Springwell Park Primary School
St Benedict's Catholic Primary School
St Edmund's and St Thomas' Catholic Primary School
St Elizabeth's CatholicPrimary School
St George'sCatholicPrimary School
St Gregory's CatholicPrimary School
St Jerome's CatholicPrimary School
St JohnBoscoCatholicPrimary School
St John's CE Primary School, Crossens
St John's CE Primary School, Waterloo
St Luke's CE Primary School, Formby
St Luke's Halsall CE Primary School
St Mary's CatholicPrimary School
St Monica's CatholicPrimary School
St Nicholas' CE Primary School
St Oswald's CE Primary School
St Patrick's CatholicPrimary School
St Philip's CE Primary School, Litherland
St Philip's CE Primary School, Southport
St RobertBellarmineCatholicPrimary School
St Teresa's Catholic Infant and Nursery School
St William of YorkCatholicPrimary School
SummerhillPrimary School
The GrangePrimary School
ThomasGrayPrimary School
Trinity St Peter's CE Primary School
UrsulineCatholicPrimary School
ValewoodPrimary School
WaterlooPrimary School
WoodlandsPrimary School

Maintained Secondary Schools

Christ The King Catholic High School and
Sixth Form Centre
Holy Family Catholic High School
Maricourt Catholic High School
MeolsCopHigh School
Sacred HeartCatholicCollege
SavioSalesianCatholicCollege

Maintained Special Schools

Crosby High Special School
MerefieldSpecialSchool
NewfieldSpecialSchool
PresfieldSpecialSchool
RowanParkSpecial School

Maintained Pupil Referral Units

Schools forum powers and responsibilities

A summary of the powers and responsibilities of schools forums revised 2018.

Function	Local authority	Schools forum	DfE role
Formula change (including redistributions)	Proposes and decides	Must be consulted [voting restrictions apply - see schools forum structure document] and informs the governing bodies of all consultations	Checks for compliance with regulations
Movement of up to 0.5% from the schools block to other blocks	Proposes	Decides	Adjudicates where schools forum does not agree local authority proposal
Contracts (where the local authority is entering a contract to be funded from the schools budget)	Proposes at least one month prior to invitation to tender, the terms of any proposed contract	Gives a view and informs the governing bodies of all consultations	None
Financial issues relating to: <ul style="list-style-type: none"> arrangements for pupils with special educational needs, in particular the places to be commissioned by the 	Consults annually	Gives a view and informs the governing bodies of all consultations	None

Function	Local authority	Schools forum	DfE role
<p>local authority and schools and the arrangements for paying top-up funding</p> <ul style="list-style-type: none"> • arrangements for use of pupil referral units and the education of children otherwise than at school, in particular the places to be commissioned by the local authority and schools and the arrangements for paying top-up funding • arrangements for early years provision • administration arrangements for the allocation of central government grants 			
landMinimum funding guarantee (MFG)	Proposes any exclusions from MFG for application to DfE	Gives a view	Approval to application for exclusions
Carry forward a deficit on central expenditure to the next year to be funded from the schools budget	Proposes	Decides	Adjudicates where schools forum does not agree local authority proposal

Function	Local authority	Schools forum	DfE role
Any brought forward deficit on de-delegated services which is to be met by the overall schools' budget.	Proposes	Decides	Adjudicates where Schools forum does not agree local authority proposal
De-delegation for mainstream maintained schools for: <ul style="list-style-type: none"> • contingencies • administration of free school meals • insurance • licences/subscriptions • staff costs – supply cover • support for minority ethnic • pupils/underachieving groups • behaviour support services • library and museum services • School improvement 	Proposes	Maintained primary and secondary school member representatives will decide for their phase. Middle schools are treated according to their deemed status	Will adjudicate where Schools forum does not agree local authority proposal
General Duties for maintained schools <ul style="list-style-type: none"> • Contribution to responsibilities that local authorities hold for maintained schools 	Proposes	Would be decided by the relevant maintained school members (primary, secondary, special and PRU).	Adjudicates where Schools forum does not agree local

Function	Local authority	Schools forum	DfE role
(please see pre 16 schools funding operational guide for more information)			authority proposal
<p>Central spend on and the criteria for allocating funding from:</p> <ul style="list-style-type: none"> • funding for significant pre-16 pupil growth, including new schools set up to meet basic need, whether maintained or academy • funding for good or outstanding schools with falling rolls where growth in pupil numbers is expected within three years 	Proposes	Decides	Adjudicates where Schools forum does not agree local authority proposal
<p>Central spend on:</p> <ul style="list-style-type: none"> • early years block provision funding to enable all schools to meet the infant class size requirement • back-pay for equal pay claims • remission of boarding fees at maintained schools and academies • places in independent schools for non-SEN pupils • admissions 	Proposes	Decides	Adjudicates where Schools forum does not agree local authority proposal

Function	Local authority	Schools forum	DfE role
<ul style="list-style-type: none"> servicing of schools forum Contribution to responsibilities that local authorities hold for all schools 			
<p>Central spend on:</p> <ul style="list-style-type: none"> capital expenditure funded from revenue – projects must have been planned and decided on prior to April 2013 so no new projects can be charged contribution to combined budgets – this is where the Schools forum agreed prior to April 2013 a contribution from the schools budget to services which would otherwise be funded from other sources existing termination of employment costs (costs for specific individuals must have been approved prior to April 2013 so no new redundancy costs can be charged) prudential borrowing costs – the commitment must have been approved prior to April 2013 	<p>Proposes up to the value committed in the previous financial year and where expenditure has already been committed.</p> <p>See table four page 31 to 35 for Information on historic commitments. Read establishing local authority DSG baselines for more information.</p>	<p>Decides for each line</p>	<p>Adjudicates where Schools forum does not agree local authority proposal</p>

Function	Local authority	Schools forum	DfE role
Central spend on: <ul style="list-style-type: none"> • high needs block provision • central licences negotiated by the Secretary of State 	Decides	None, but good practice to inform forum	None
Scheme of financial management changes	Proposes and consults the governing body and Head of every school	Approves (schools' members only)	Adjudicates where Schools forum does not agree local authority proposal
Membership: length of office of members	Decides	None (but good practice would suggest that they gave a view)	None
Voting procedures	None	Determine voting procedures	None
Chair of schools forum	Facilitates	Elects (may not be an elected member of the Council or officer)	None

ROLE OF GOVERNORS

Introduction

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

1. Finance role of the Governing Body

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

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

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

The Governing Body is responsible for setting your school's budget annually.

The Full Governing Body may delegate the approval of the first formal annual budget plan to an approved committee.

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

3. Finance Committee

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

Terms of reference for the finance committee would normally include:

- i) To provide guidance and assistance to the Headteacher and the governing body in all matters relating to budgeting and finance.*
- ii) To prepare and review financial policy statements, including consideration of long term planning and resourcing.*
- iii) To consider each year's School Development Plan/Ofsted Action Plan priorities, and present an annual budget to the governing body for approval*

OR

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

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

4. Budget Monitoring

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

The Finance Committee should meet at least termly to review the income and expenditure against the budget.

5. Finance Checklist for Governing Body and Finance Sub Committee Meeting

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

GUIDANCE ON UNOFFICIAL SCHOOL FUNDS

SEFTON METROPOLITAN BOROUGH COUNCIL

PROCEDURE NOTE

VOLUNTARY FUNDS – SCHOOL FUND GUIDANCE.

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

Definition.

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

Responsibility of Governors.

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

Responsibility of the Head Teacher.

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

Purpose of the Fund.

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

Management of the Fund.

- The administration procedures and responsibilities should be clearly documented. There should be adequate division of duties and staff should be made aware of their responsibilities including authorisation of expenditure.
- Unduly large balances should not be built up. As far as possible resources should be spent for the benefit of the pupils in the school at the time the money is raised.
- The accounting year should run for the academic school year.
- Documented policies should be approved for:
 - Authorisation requirements needed prior to arranging trips.
 - Accounting requirements for school trips

- Circumstances under which the Fund can be used to make subsidies or donations.
- Procedures for allocating free or subsidised places on school trips
- Procedures for the treatment of surplus cash having regard to the charging regulations.
- Personal cheques should not be cashed through the Fund.
- Personal loans should not be made from the Fund.
- Accounting records and bank stationery should be held securely and access restricted.
- Accounting records should be:
 - Maintained in a permanent format, a ledger or computer spreadsheet, and recorded at the time of the transaction.
 - Supported by full documentation for all transactions of income and expenditure.
 - Reconciled monthly, to the bank statements and the reconciliation certified by the Head Teacher.
- If the Fund is administered correctly there are grounds to claim that it should not be subject to corporation tax.
- The Fund is not eligible to reclaim VAT on expenditure (unless registered for VAT). However the Fund may make purchases through the Local Authority, by issuing an official order for the goods, and making payment from the Fund to the delegated account of the cost net of VAT. The goods then belong to the Local Authority. This procedure should never be used for personal staff purchases or for the fund-raising activities of the School Fund purchases.
- Advances for expenditure should only be made after authorisation from the Head Teacher. Full records should be made at the time of the advance and when the transaction is completed.
- Payment should not usually be made in advance or together with orders because of the possibility of suppliers going into liquidation.
- The Authority's Fidelity Guarantee insurance policy provides cover for the Fund. Where a school does not use the Local Authority's insurance services they should ensure similar external insurance cover is separately provided.
- The school may consider the likelihood of any other losses such as theft by a third party, or loss of deposits due to commercial events. In the first instance these may be expensive in the light of any possible risks. In the second the engagement of travel companies who are members of regulatory bodies should minimise the risk.

Banking Arrangements.

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

Handling of Cash.

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

Annual Audit and Statement of Account.

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

Summary of Requirements.

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

June 19

- If you need any further advice, regarding this or other matters, Internal Audit (telephone 934-4051) will be pleased to help you.

ABC SCHOOL - SCHOOL FUND

RECONCILIATION STATEMENT

SUMMARY OF FUND (RECONCILED) BALANCES

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

SUMMARY OF RECEIPTS AND PAYMENTS

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

Prepared by: _____ Position: _____ Date: _____

Reviewed by: _____ Position: _____ Date: _____

RECONCILIATION STATEMENT

	£
Balance as per bank statement as at	
Add banking(s) not cleared	£

Sub total	
Less unpresented cheques	

ABC SCHOOL - SCHOOL FUND

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED

Activity	Bal.b/f	Receipts	Payments	Transfers	Bal.c/f
Totals					

Prepared by:		Current a/c	
Position:		Reserve a/c	
Date:		Cash held	
Reviewed by:			
Position:			

June 19

Date:

Bal c/f	

Summary of Contract Procedure Rules

General

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

The regulations described below apply to all contracts entered into by the school unless the Governing Body or, in an emergency, one of its Committees with delegated powers, directs otherwise. If such a direction is given, the reasons for it are recorded in the minutes of the meeting of the Governors or of the appropriate Committee.

All contracts to which the directives of the European Union apply shall also be advertised for the purpose of inviting tenders in the official Journal of the European Union (OJEU) (formerly OJEC) (www.ojec.com) in accordance with the relevant EU directive. (These rules may change subject to the UK leaving the European Union)

Current limits above which the EU directives apply as at January 2018

Supplies and Services £181,302 Thresholds are net of VAT.

If a situation arises where this level of contracting is necessary, further advice from the LA will be taken to ensure compliance.

The Central Procurement Team will undertake the relevant Tender Exercise for schools who have chosen to enter into the Central Purchasing SLA.

These instructions with respect to contracts do not apply to contracts with a professional person for the execution of any work in which the personal skill of that person is of primary importance.

Competitive Quotations or Tenders

The following conditions are applicable based on the £ purchase price, including the lifetime of any contract.

Where the estimated value of the goods, service or work is more than £3,000 and less than £10,000, two written quotations should be obtained and evidenced accordingly.

Where the estimated value of the goods, services or works is less than £181,302 but greater than £10,000, schools are required to undertake a mini quotation / tender exercise inviting at least three suppliers to submit written quotations. Evaluation of quotations should be undertaken by two people and evidenced accordingly. This does not apply to tenders for building works being applied for by our advisers who will tender as their professional duties see fit in agreement with the school. A record of all comments and decisions will be kept by school.

Schools are required to seek officer countersignature or approval for any contracts for goods or services for a value above £60,000 in any one year, however where the Authority has issued a Notice of Concern to an individual school in accordance with paragraph 2.22 then that notice may include notification of a lower value above which officer approval is required

For further guidance go to:

<https://www.gov.uk/guidance/buying-for-schools/buying-low-to-medium-cost-things>

(please note that the procurement values for Sefton differ from the DFE recommendations in the link above)

Where the estimated value of the goods, supplies or services is more than £181,302 schools are required to undertake a formal tender exercise.

Tenderers shall be informed that no tender shall be received unless it is enclosed in a plain sealed envelope, which shall bear the word "Tender" followed by the subject to which it relates. It shall not bear any name or mark indicating the sender and such envelope shall remain in the possession of the appropriate person (i.e. Head Teacher) until the time appointed for its opening.

No tender received after the date and time specified in the Tender document should be accepted and considered unless there is clear evidence of it having been posted by first class post at least the day before the tenders were due to be returned.

Where the estimated value of the goods, supplies or services is more than £181,302 the EU Procurement Legislation must be adhered to. The Central Procurement Team will undertake the relevant Quotation / Tender exercise for schools who have chosen to enter the Central Purchasing SLA. The CPU utilise an e-Procurement portal, 'The Chest'.

For schools who have chosen to enter into the Central Purchasing SLA, it is advisable that the school makes use of the of the Corporate Framework contracts, which contribute to best value.

Submission and Opening of Tenders or Quotations

Where, an invitation to tender is required the following will apply:

The tender shall be opened in the presence of a Governor and the Head Teacher (or her deputy or other senior member of staff nominated by the Head Teacher for that purpose).

All opened tenders shall be numbered by the Head Teacher and entered in an appropriate register and initialled by the Head Teacher and Governor present at their opening.

Any tender that is for any reason received by the Head Teacher after the time specified for the receipt of tenders shall not be considered unless there is clear evidence of it having been posted by first class post at least the day before the tenders were due to be returned.

No tender shall be amended after it has been received by the Head Teacher.

Evaluation of Contracts

The Head Teacher must define award criteria appropriate to the purchase. Award criteria must be designed to secure an outcome giving best value for money for the school. This shall be the most economically advantageous offer, which must be further defined within sub-criteria, which may refer only to relevant considerations. These may include price, service, quality of goods, running costs, technical merit, previous experience, delivery date, cost effectiveness, relevant environmental considerations, aesthetic and functional characteristics (including security and control features), safety, after sales services, technical assistance, disposal at the end of working life and any other relevant matters.

The award criteria and the evaluation criteria to be used must be notified to all of those invited to tender.

Contractual Formalities

Unless acting within delegated powers no member of the Governing Body enters, either orally or in writing, into any contract on the School's behalf.

The Governing Body may delegate to the Head Teacher acceptance of quotations up to the level agreed within the Delegated Responsibilities documentation and then only if the quotation is the lowest (if payment is to be made by the school) or the highest (if payment is to be received by the school). Quotations more than the sum determined may only be accepted by the Governing Body or by a Committee of Governors to whom that power has been delegated by the Governing Body.

The Governing Body or a Committee of Governors to whom the power to accept tenders has been delegated, may only accept a tender which is other than the lowest (if payment is to be made by the school) or the highest (if payment is to be received by the school) if:

The Governors or Committee (as the case may be) have considered a written report from the Head Teacher specifying reasons for its acceptance, and

The reasons for its acceptance are recorded in the minutes of the meeting of the Governors of the Committee (as the case may be).

Every contract, which exceeds the sum determined by the Governing Body in value or amount and not being a contract requiring extreme urgency (which shall be put in writing as soon as possible) shall be in writing and shall be signed by the Chair of Governors.

Contracts may only be extended where provision for extension was included in the original tender documents.

In all other circumstances an extension of contracts will require written approval of the Chair of Governors following consideration of a written report from the Head Teacher. Extensions shall only be granted in exceptional circumstances if it can be established that this will achieve best value for the school.

For the price of the Central Purchasing Unit SLA, schools have access to centrally negotiated contracts; access to Framework Agreements within other buying organisations; guidance on undertaking Tender Exercises, all of which will assist schools in obtaining Value for Money.

Budget Recovery Plan

INTRODUCTION

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

Provide detail.....

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

BACKGROUND

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

RECOVERY

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

Year one

Year two

Year three

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

Headteacher

Chair of Governors

Budget projections without adjustments as at

June 19

Appendix 2:

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

Model Charge Card Policy

Appendix A

Application for approval to Obtaining and Operating a school Charge Card to

Name of School:

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

Signed:

Name:

Chair of Governors

Date:

For Local Authority Use Only

I hereby authorise the Governing Body of School to operate a Charge Card, in accordance with the terms of Scheme for Financing Schools.

Section 151 Officer Sefton MBC

Model Charge Card Usage Policy

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

The Charge Card shall be managed and used in accordance with the Council's Financial and Contract Procedure Rules and the Schools Charge Card Procedure Manual

The Charge Card shall not be used to:

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

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

The Charge Card shall be issued in the name of the Head Teacher of School.

The credit limit shall be:

Single transaction and monthly transaction limits will be set for each card. For Nursery, Primary and Special Schools these limits will be set at £6,000 and £8,000 respectively for each card. For Secondary schools the limits will be £10,000 and £12,000 respectively

Administration of Charge Card

1. The Head teacher must sign a declaration to confirm that he / she understands the conditions of issue and will abide by the approved policy.
2. Procedures for the operation of the card shall be clearly documented in the School's Finance Manual.
3. The card shall not be used to withdraw cash or purchase foreign currency.
4. The card shall be held securely on the premises and access restricted to the card holder. The PIN, password and security code shall not be recorded and / or disclosed to anybody else.
5. The bank shall be notified promptly of the loss / theft of the card to avoid liability for any misuse.
6. Charge Cards usage shall be limited to transactions where there is a financial saving and evidence of this shall be retained for management purposes.
7. The Card Holder will be responsible for downloading monthly statements from the Natwest Cards Online web site. Balances should be fully cleared on a monthly basis.
8. Transactions on Charge Cards statement shall be independently checked by the Card Administrator against the transaction documentation and the reconciliation form completed for certification by the Head Teacher. Any discrepancy on the Charge Card statement shall be reported promptly to the Governing Body.
9. Due care shall be taken when using the Charge Card for internet and telephone transactions.
10. The issuing bank will not honour transactions in excess of the credit limit.

11. Expired Charge Cards shall be destroyed and reported to the Local Authority.
12. The bank / Local Authority shall be informed in writing to cancel the card when the Head Teacher leaves or the card is no longer required. In such instances, the Charge Card must be destroyed and reported to the Local Authority.
13. The Charge Card shall not be used for personal use. Any inappropriate use of the card may lead to disciplinary action and / or facilities withdrawn.
14. The Card holder is authorised to liaise with the bank and copies of all communication shall be retained securely in accordance with the Council's retention policy for financial documentation.
15. Any loyalty rewards obtained arising from the use of the Charge Card shall be used for the benefit of the school.

School Charge Card – template for receipt of a Charge Card

<u>SEFTON MBC</u>
<u>CORPORATE RESOURCES DEPARTMENT</u>
<u>CREDIT CARD RECEIPT FOR -</u>
I confirm that Card No. xxxx xxxx xxxx XXXX and PIN number were supplied to _____
on
Signed
<u>To be completed by the Cardholder and Administrator</u>
I _____ confirm receipt of Card No. xxxx xxxx xxxx XXXX and PIN number
on I confirm that I have read the Schools Charge Card Procedure Manual
dated December 2018 and agree to abide by the procedures set out.
Cardholder Signature
I confirm that I have read the Schools Charge Card Procedure Manual dated December 2018 and agree to
abide by the procedures set out.
Administrators Full Name
Administrators Signature
This receipt should be signed and returned to;
Sharon Garner
Corporate Resources Department
Treasury and Capital Section
2nd Floor Magdalen House

PRUDENTIAL BORROWING SCHEME – GUIDANCE FOR SCHOOLS

1 Introduction

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

2 What Applications will be considered?

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

3 How are the annual repayments calculated & repayments made?

- 3.1 The annual repayment cost will be calculated on an annuity basis over the operational life of the asset. The interest rate will be the Public Works Loan Board annuity rate, as at 1 October, in the year of acquisition (**see Appendix 2**).
- 3.2 No charge will be made in the year of acquisition and first charges would be made in August of the following year, to allow schools time to plan repayments in their budgets (**see Appendix 2**).
- 3.3 Schools can opt to pay principal for a part year charge in the year of purchase to reduce the overall cost to the service.
- 3.4 The principal outstanding and interest accrued to date can be repaid in full at any time throughout the life of the loan up until the final year.

- 3.5 Schools will be charged via a journal transfer that will be recorded on the AFT document received in the August following the date the loan has been agreed and each subsequent year until the loan is repaid in full.
- 3.6 As the Local Authority finances the capital expenditure in totality, Schools cannot use Devolved Formula Capital (DFC) for prudential borrowing repayments. Any schools that wish to use DFC should request a lower loan in the first instance with a view to financing part of the total cost of the project with DFC.

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

4.0. Conditions of the scheme

- 4.1 Repayments must be made immediately on receipt of request for payment or further interest becomes chargeable and the full balance of the loan plus interest to the end of the agreed term may become immediately payable.
- 4.2 Funding must be used for the purpose for which the application was made otherwise the full balance plus interest accrued to date will become immediately payable.
- 4.3 The level of schools prudential borrowing is no longer subject to restriction and will be assessed based on the business case provided. As a guideline however, the Local Authority will look very closely at Schools that are proposing to earmark more than 5% of their revenue budget (excluding pupil premium) to service borrowing charges.
- 4.4 The Local Authority will rigorously test each business case and schools will not be permitted to borrow beyond the useful life of the asset being acquired / enhanced as defined by the Council's accounting policies. In addition, where proposals affect the property estate they will be referred to the School Organisation team for endorsement as part of the evaluation.
- 4.5 The schools financial position including previous years closing balance, current years' budget plan and outstanding debts will be considered in the evaluation.
- 4.6 Schools must adhere to any Local Authority guidance to ensure the scheme complies with construction design and management regulations, health and safety requirements and has "landlords" approval to undertake works.
- 4.7 The Local Authority retains the right to refuse any application based on
- (i) The Council's Treasury Management Strategy and compliance with the Prudential Code, which aims to ensure that capital investment plans, are affordable, prudent and sustainable.
 - (ii) The proposal not being in line with Education asset management objectives.
- 4.8. On all schemes over £0.250m, Schools are required to prepare a brief report to inform the Local Authority of completion of works and any matters arising.

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

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

5.0. Sources of information

5.1 In all circumstances schools are advised to contact the Head of Corporate Resources, FAO the Treasury Management Group Accountant for advice and indicative rates.

5.2 On behalf of Head of Corporate Resources, the Financial Management Team will

- Calculate the total cost and annual cost of the loan.
- Undertake modelling to assist with decision making for example the cost of different options.
- Provide assistance completing the application form.

6.0. How are schemes approved?

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

<=£0.100m	Head of Corporate Resources and Head of Education
> £0.100m <= £0.250m	Cabinet Member - Regulatory, Compliance and Corporate Services, Cabinet Member - Children, Schools and Safeguarding and Head of Corporate Resources and Head of Education
>= £0.250m	Cabinet

6.2. For schemes >= £0.250m the Treasury Management Team and Schools Finance Team will prepare a brief Cabinet Report with the recommendation.

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

<=£0.100m	1-3 weeks
> £0.1>= £0.250m 00m	3-6 weeks
<= £0.250m	8 – 10 weeks

Schools Prudential Borrowing Business Case Template

<u>School:</u>	
<u>Description of project / assets to be purchased:</u>	
<u>Justification and benefits of the project:</u>	
Project cost in total (A)	£
Less: funds from other sources (please specify) (B)	
	£
	£
	£
Balance required from Council (A - B)	£
Expected asset life (C)	Yrs
Length of loan (D)	Yrs

Estimated annual repayment (as advised by the Local Authority) (E)	£
School budget share (excluding pupil premium) (F)	£
% of revenue budget to be assigned to repayments (E/F)	%

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

Will the project go ahead if this application is unsuccessful?	
Has it been explained to the Governing Body that the repayments would be unavoidable commitments for the term of the loan?	
Date of Governing Body Approval	
Signatures:	
Headteacher:	Date:
Chair of Governing Body	Date:

For Office Use Only:

Date application received:

Decision:

Signed:

Date:

Appendix 2

Illustration of Repayments

Purchase price	£30,000
Life of asset	5 years
Interest rate	1.67%
Date of purchase (2018/19)	1 st June 2018
Annual Charge	£6,411.00
Total Cost	£32,055.00

Financial Year	Annual Repayment £
2019/20	6,411.00
2020/21	6,411.00
2021/22	6,411.00
2022/23	6,411.00
2023/24	6,411.00
Total	32,055.00

**Interest rate is based on 1 October and first charges are made in the following financial year from the year of acquisition.

VAT GUIDE FOR SCHOOLS

CONTENTS

SECTION 1:	INTRODUCTION	2
SECTION 2:	VAT ON EXPENDITURE (INPUT TAX)	5
	VAT Recovery – Evidence Required	5
	Pro forma invoices from suppliers	6
	Private School Fund & Holiday Accounts	6
	Charge Card Transactions	7
	Reimbursement of Petty Cash Expenditure	7
	Organised School Trips & Holidays	7
	The Tour Operators Margin Scheme (TOMS)	8
	Purchases made with Donated Funds	8
	Voluntary Aided Schools	9
	Capital Projects & Devolved Formula Capital	10
	Non-UK VAT – Invoices from other EU countries	11
SECTION 3:	VAT ON INCOME (OUTPUT TAX)	13
	Sale of Educational Materials to pupils	13
	Sale of Musical Instruments	13
	Sale of Laptop Computers to Teachers and Parents	14
	Sale of School Uniforms	14
	Sales of work from classes	14
	Locker Charges to Pupils	15
	Sale of Second-hand goods & equipment	15
	Sale of School Photographs	15

After Schools Clubs / Extended Schools Projects	15
Catering	16
School Lettings	17
Ticket Sales for Concerts & Performances	19
Donations	19
Refunds from suppliers	19

SECTION 4: APPENDICES

Appendix A Accounting for VAT – Transaction Processing	20
Appendix B Petty Cash & VAT Recovery	23
Appendix C Charge Card Transactions	25
Appendix D VA Schools	26
Appendix E VAT Categories	30
Appendix F Income Codes – VAT Liability	33
Appendix G Adding VAT codes in FMS	37

VAT GUIDE FOR SCHOOLS

SECTION 1: INTRODUCTION

Sefton Council is a VAT registered organisation and as such it is required to account for VAT to H.M Revenue & Customs (HMRC) each month on its VAT Return. The VAT Registration No. for the Council is **GB 165 6621 52**.

The purpose of this document is to provide guidance on the Council's VAT accounting procedures, to ensure that: -

- VAT is accounted for correctly in accordance with HMRC's current VAT legislation.
- To minimise the risk of assessments, interest and penalty charges from HMRC, as consequence of errors or non-compliance.

Input and Output Tax

The Council can recover most of the VAT it incurs on expenditure, from HMRC, via the VAT Return. Therefore, only the net expenditure is charged to school budgets.

Input Tax is the VAT the Council incurs on **expenditure**.

The Agresso General Ledger Code for Input Tax is: **-VAT1 V1000**

The Council is required to charge VAT on some of the income it receives, e.g. teacher's meals. All the VAT collected on income must be paid over to HMRC, via the VAT Return.

Output Tax is VAT the Council collects on **income**.

The Agresso General Ledger Code for Output Tax is: **- VAT1 V2000**

VAT Categories

There are currently five VAT Categories as detailed below.

<u>Category</u>	Rate	<u>Description</u>
Standard Rate	20%	The normal rate applied to goods and services unless otherwise rated or exempted.
Reduced Rate	5%	Please see Appendix E, Page 26, re circumstances in which lower rates
Exempt	0%	

Zero Rated	0%	or an exemption applies.
Non-Business or Outside the Scope	0%	Transactions outside the scope of current VAT legislation (e.g. salary payments, grant funding, NNDR payments, & statutory fees)

VAT Codes in FMS

<u>Code</u>	<u>Description</u>	<u>Letter Code in FMS</u>	<u>Rate</u>
<u>Expenditure - Input Tax</u>			
VI2	Vat Exempt	X	0%
VIS	Standard Rate	V	20%
VIL	Lower Rated	L	5%
VIZ	Zero Rated	W	0%
<u>Income - Output Tax</u>			
VOP	Income Outside the Scope	P	0%
VO2	Vat Income Zero Rated	Z	0%
VOR	Income Rated	R	20%
VOE	Income Exempt	E	0%
VOL	Income Lower Rated	D	5%

Please refer to Appendix F Page 29 below, for instructions on how to add new VAT Codes in FMS.

VAT Periods

The Council is required to submit monthly VAT Returns. Each VAT Period / Accounting Period is a calendar month.

VAT Assessments & Penalties

VAT Inspectors from HMRC visit the Finance Department on a regular basis to examine records, documents and procedures, to ensure that the Council is correctly accounting for VAT.

If errors are discovered, HMRC issue the Council with an assessment to recoup any VAT recovered in error or under declared on income. Interest and penalties could also be applied.

HMRC's Penalty Regime

The Penalty Regime, introduced in 2009, allows HMRC to levy a penalty on organisations who fail to take reasonable care when accounting for VAT.

Penalties are calculated as a percentage of the error value. For example, a penalty of up to 30% could be added onto the value of an error, if HMRC consider it occurred as a result of an organisation's failure to take reasonable care.

Penalties may be avoided or reduced if HMRC are promptly notified of an error, as opposed to it being discovered by one of their officers during a VAT Inspection.

To correct errors promptly please contact Ann Riley in Corporate Finance. A persistent occurrence of the same error would almost certainly result in a penalty.

Retention of records

HMRC require that all accounting documentation should be retained for a period of **6 full financial years, plus the current year**.

VAT Contact

This guide is intended to give an overview of the main VAT issues that affect schools. It is not possible to cover every type of transaction. If further information or clarification is required please contact:

Ann Riley, VAT Officer, Corporate Finance.

Telephone: 0151 934 4108

E-mail: - ann.Riley@sefton.gov.uk

SECTION 2: VAT ON EXPENDITURE (INPUT TAX)

The Council can recover most of the VAT it incurs on expenditure from HMRC, via the monthly VAT Return. Therefore, in general only net expenditure is charged to a school's budget.

Recoverable VAT should be charged to the Input Tax code **VAT1 V1000**

See Appendix A for Accounting for VAT on a Suppliers Invoice

VAT Recovery – Evidence Required

If you wish to reclaim VAT on a purchase, the transaction must be supported by a VAT invoice from the supplier. The VAT invoice must be addressed to the Council and contain the following information:

A Full VAT Invoice

For purchases **over £250** (including VAT) a full VAT invoice is required. It must contain the following details:

1. An invoice number.
2. The date of supply (this is known as the Tax Point).
3. The suppliers name, address and VAT Registration Number.
4. **The Council's (or school's) name and address.**
5. The type of supply (sale, hire, rental, etc.).
6. A description which identifies the goods or services supplied.
7. The quantity supplied and the amount charged for each item (excluding VAT)
8. The rate of VAT.
9. The total amount payable excluding VAT.
10. The rate of any cash discount offered.
11. The total VAT payable.

A Less Detailed VAT Invoice

For purchases of £250 or less (including VAT) a less detailed VAT invoice is acceptable but it must contain the following details:

1. The name and address and VAT Registration Number of the supplier.
2. The date of supply.
3. The description to identify the goods and services supplied
4. The charge made including VAT.
5. The rate of VAT.

(Store receipts from retailers are generally accepted as less detailed VAT invoices if they include all the above details).

Some types of document are NOT valid for VAT recovery purposes, they include: -

- Invoices which charge VAT but do not have a VAT registration number, or those that contain an invalid VAT registration number.
- Pro Forma invoices from suppliers (see over).
- Reminders.
- Statements.
- Invitations to attend seminars & conferences.

A VAT invoice **should never** be amended. If the invoice contains errors please contact the supplier to request a new invoice.

Pro Forma Invoices from Suppliers

Some suppliers, particularly those who require payment in advance, will issue Pro-Forma Invoices. These documents look like normal VAT invoices but they will have '**This is not a Tax Invoice**,' '**Valid only when receipted**', or '**Application for Payment**' printed on the document.

The supplier will not issue a Full VAT Invoice, to account for VAT, until he has received the payment in full, from the customer.

HMRC's VAT legislation states that the customer, i.e. the Council or school, is unable to recover VAT on the expenditure before the supplier has issued a VAT invoice to account for VAT.

Consequently, the Council cannot recover any VAT on this type of transaction until the full VAT Invoice is received from the supplier.

Therefore, when processing payments by pro-forma invoice: -

- The gross expenditure should be charged to your budget code.
- Once the VAT invoice is received from the supplier, the VAT element can then be reclaimed via a journal entry adjustment. Please contact your School Finance Officer to arrange this.
- It is important to have a follow up procedure in place for all payments processed on a pro-forma invoice, to ensure the full VAT invoice is obtained from the supplier and VAT recovery is not lost.

Private School Fund and Holiday Accounts

VAT can only be recovered when purchases are made from the Council's Central Bank Account, a school's local cheque account or a school's External Bank Account.

VAT **cannot** be recovered on purchases made from other bank accounts such as the 'Unofficial School Fund', the PTA, or Pre-and After School Clubs.

(NB, please refer to item on Page 8 headed 'purchases made with donated funds').

Charge Card Transactions

VAT can be reclaimed on Charge Card purchases when; -

- the goods and services purchased are for the use of the school and
- a valid tax invoice is obtained from the supplier.

A Charge Card statement alone is not sufficient to support the recovery of VAT.

For items less than £250, a less detailed VAT invoice is acceptable providing it contains all the requirements detailed on Page 5.

See Appendix C for further details.

Reimbursement of Petty Cash Expenditure

A tax invoice must be obtained for all petty cash purchases if VAT is to be reclaimed. There are only a few instances where a tax invoice is not required and they only apply when the transaction is less than £25 including VAT.

These instances are; -

1. telephone calls from a public or private telephone;
2. purchases through coin operated machines;
3. off street parking charges;
4. toll charges on roads.

All other petty cash transactions require a VAT invoice. As above, for items less than £250, a less detailed VAT invoice is acceptable providing it contains all the requirements detailed on Page 5.

See Appendix 'B' for further details.

Organised School Trips and Holidays

Where visits, trips or holidays are organised for educational purposes and subject to the school being in receipt of a proper VAT invoice, then; -

1. the school will be able to recover any VAT incurred on expenditure related to the trip and
2. the school will not have to account for VAT on the income received from parental contributions.

This is subject to the following conditions: -

- The Governors/Head Teacher must be satisfied that the trip is to meet educational needs.
- All the necessary documentation must be held by the school, including a VAT invoice (issued in the name of the school).
- Payment for the trip must be made from Sefton Council's bank account, the School's External bank account or the School's local cheque account.

VAT cannot be recovered on payments made from an 'Unofficial School Fund' or holiday bank account.

Please Note- Public Transport (including airfares) is Zero Rated and therefore does not include VAT.

Tour Operators Margin Scheme – (TOMS)

Invoices issued under TOMS do not detail VAT and consequently they include a "hidden" amount of **irrecoverable VAT**. Any tour operator working within TOMS will be unable to issue VAT invoices to schools.

Please ensure you obtain confirmation in advance, from your tour operator, as to whether it operates within TOMS and whether the prices it quotes include irrecoverable VAT.

It is essential for schools to take this into consideration when budgeting for the cost of a school trip and calculating the required parental contributions.

[Purchases Made by Donated Funds](#)

When a school buys something for which a 'third party' has provided funds, for example when the PTA makes a donation into a school's delegated budget to purchase a new computer, VAT can be recovered, subject to the correct invoicing requirements referred to below:

The school must: -

1. Place the official order,
2. Make the purchase itself,
3. Receives the supply of goods or services.
4. Receives a tax invoice addressed to the school or the Council
5. Makes the payment
6. Use the goods and services for the educational purposes of the school
7. Retains ownership of the goods and adequate records

However, **VAT cannot be recovered** when a third party, such as the PTA, after school club, or private nursery, pays money into the delegated budget, in order for the school to purchase items on **behalf** of the third party, rather than the school.

Please Note – Voluntary Aided Schools should be aware that they cannot recover VAT on purchases which are the responsibility of the governing body, even when those purchases are financed by a donation.

Voluntary Aided Schools (VA)

Local Authorities **cannot** recover VAT on any expenditure that is the responsibility of the Governing Body (GB), or which is financed by monies which belong to the GB, such as Devolved Formula Capital (DFC) funding, Lottery Grants and Sports England funding.

This also applies when the expenditure is financed from the school's delegated budget or from donated funds such as the PTA. See Appendix 'D' for full details.

HMRC guidance for Local Authorities (LA) and Voluntary Aided (VA) Schools, issued in February 2013, defined their responsibilities as shown below: -

Governing Body (GB) Responsibility – VAT Non-Recoverable

Expenditure which is capital in nature, and relates to:

- The existing buildings (internal and external)
- Perimeter walls and fences, even if around the playing fields
- Playgrounds
- Fixed furniture, fixtures and fittings – including ICT infrastructure

Except where it is excluded from the definition of capital expenditure due to it falling below the de-minimis limit, which is currently **£10,000** for Sefton Schools, as defined in the Fair Funding: Scheme for Financing Schools, Section 12, Para 12.2.

Non-Recoverable VAT should be coded to your school's cost centre.

Local Authority (LA) Responsibility – VAT Recoverable

Expenditure which is capital in nature, and relates to:

- Expenditure excluded from GB responsibility (above) by virtue of it falling below the de-minimis limit of **£10,000**
- Maintenance of playing fields (including sports pitches)
- Buildings on those fields related to their use

Revenue Expenditure

- Day to day running costs of the school, e.g. costs of staff, training, consumables, teaching resources, utilities etc.
- This includes freestanding furniture and freestanding educational equipment, e.g. laptops, desktops, kindles, iPads etc. Please refer to Appendix 'C' for full details.
- It does not include furniture and ICT purchased to install or refurbish an ICT suite.

Recoverable VAT should be coded to the VAT cost centre: - **VAT1 V1000**

Invoices from Contractors

When a VA school (The Governors) are constructing a completely new self-contained building and the building will be used for non-business purposes, then the construction work may be treated as zero rated unless funded by DFC. The contractor will require a certificate from the Governors to evidence that the construction qualifies for zero-rating,

in confirmation that the new building will be used solely for a 'relevant charitable purpose' Please note a new classroom block, sports hall or other building used for community use would not qualify for zero rating.

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

Capital Projects and Devolved Formula Capital (DFC)

Non-VA Schools

All construction work is standard rate VAT, but VAT can be claimed back in the normal way.

Expenditure through DFC can also be claimed back in the normal way

Trust Schools

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

Currently there is no difference from that of a non-VA school in the way that a Trust school recovers VAT on day to day purchases or capital works.

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

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

Non-UK VAT – Invoices from other EU countries

These transactions are becoming more commonplace due to online purchasing and EU Procurement Regulations.

The nationality of a supplier is not always obvious but it can be verified by checking the company's VAT registration number.

VAT registration numbers have a country identification code prefix. For UK suppliers, the prefix code is **GB**, though often only the numeric reference appears on invoices issued to UK customers. Therefore, invoices prefixed with any other alpha prefix code will be from outside the UK.

Examples are as follows: -

Denmark	DK
France	FR
Germany	DE
Portugal	PT
Spain	ES
The Netherlands	NL

Please notify Ann Riley, in Corporate Finance, promptly if you are placing an order with a supplier outside the UK, as this type of transaction requires special treatment. If not processed correctly, the supplier may charge you VAT which is non-recoverable.

Accounting for VAT on goods or services from another EU country:

- 1) When ordering goods or services from another EU country, the customer, i.e. the Council, is obliged to provide their VAT registration number to the supplier. (Sefton Council's VAT Registration Number is GB 165 6621 52).
- 2) The supplier should then issue you with a zero-rated invoice.
- 3) The additional lines of G/L coding that this type of transaction requires cannot be replicated in FMS currently. Consequently, the VAT accounting will require processing by journal entry. Please provide full details of the transaction to Ann Riley and she will arrange for a journal to be processed.

SECTION 3: VAT ON INCOME (OUTPUT TAX)

Most income schools receive is Outside the Scope of VAT or Non-Business and is not liable for VAT. However, there are certain sources of income within schools that may be liable for VAT, for example: -

- private telephone calls;
- private photocopying;
- teachers' meals;
- certain sports lettings.

Income is credited to the General Ledger (G/L) in Agresso by; -

1. Sales orders (Sundry Debtors), processed via Agresso.
2. Miscellaneous Cash Income processed via the Cash Income System.

See Appendix A for how to account for VAT on Income

Sale of Educational Materials to Pupils

Certain items, deemed to be 'incidental to the supply of education', may be sold to pupils without the addition of VAT. Examples of such items include stationery, materials used in craft classes and musical instruments.

It only applies to the sale of equipment that is used on a regular basis in the classroom and for a subject that forms part of the curriculum. Therefore, although these items may be taken home, they must be brought into school on a regular basis.

Conditions for Relief

1. The sale is made in class by the school to its local authority pupils.
2. The goods are sold at or below cost net of VAT – a small increase can be added for admin. and overheads.
3. The goods are incidental to the provision of education forming part of the normal school curriculum and required for regular classroom use.
4. The goods are not clothing or sports equipment.

When the above conditions are **not met** VAT should be charged to pupils at the standard rate.

Sales of Musical Instruments

These guidelines apply to portable instruments.

- Where the school purchases time from a peripatetic music teacher, charging the pupil for a lesson, musical instruments may be purchased through the school. The school can claim the VAT back and sell it to the parent exempt from VAT. (If the instrument is purchased from SMBC Music Service then the purchase invoice is coded as non-business)

- Where a school is acting as a middle man and the pupil pays the music teacher direct, the school **cannot** purchase instruments and sell them on exempt of VAT.
- Where a pupil is using the instrument for normal curriculum lessons or to participate in a school band then the school may purchase instruments on behalf of the parent.

Sales of Laptop Computers to Teachers and Parents

Sales of computer equipment by local authority schools to either parents or teachers are **not** considered to be closely related to the provision of education and therefore cannot benefit from non-business treatment, even if supplied at or below cost.

Therefore, any income received by the local authority is deemed to be standard rated with VAT applied @ 20%.

Sales of School Uniforms

VAT must be charged on all sales of school uniform, including PE kits, unless they meet the criteria for zero rating as detailed below.

School uniform sold through the school to pupils can be zero rated for VAT purposes when either; -

- The uniforms are children's sizes. The easiest way to determine the liability is to examine the supplier's invoice, which should record the various VAT rates involved.
- All the school's pupils are under the age of 14 and the uniforms bear a prominent logo, crest or badge clearly identifying them as part of the official school uniform, irrespective of the garments size.

Sale of Work from Classes

These sales are regarded as 'Outside the Scope of VAT' or non-business if sold to pupils at cost. Therefore, VAT does not have to be charged to the pupils.

In any other circumstance the sale would be taxable at the standard rate.

Locker Charges to Pupils

Charges made to pupils for the use of lockers on school premises are regarded as 'Outside the Scope of VAT' or non-business. Therefore, VAT does not have to be charged to pupils.

Sale of Second-hand Goods or Equipment

The sales of second-hand goods are subject to the same VAT liability as if the goods were supplied new.

For example; -

Second hand Furniture & Equipment	Std Rated @ 20%
-----------------------------------	-----------------

Second-hand Books

Zero Rated @ 0%

Sale of School Photographs

- If the school takes photographs and sells them to parents, then income is standard rated @ 20%.
- If the school employs a photographer to take photographs on behalf of the school and then the school sells them on to parents, the income is standard rated @ 20%. However, the input VAT on the photographer's invoice may be recovered to the normal way.
- Commission received by the School -
When photographs are sold direct to parents by the photographer, any commission / discount received by the school should be paid into the delegated budget and be subject to VAT at the standard rate of 20%.

After Schools Clubs / Extended Schools Projects

The VAT issues will differ depending on which management method the school chooses to run its after-school clubs and extended school projects.

When they are run in-house by the school, using its own resources, including staff and the income from pupils is **paid into the delegated budget**, the income can be treated as outside the scope/ non-business.

However, if they are not in-house and instead operated by an external provider or voluntary group, please contact Ann Riley to discuss the potential VAT implications for your school.

Catering

The treatment of VAT on school catering depends on who is supplying the food and to whom is the food being supplied: -

School Meals Sold to Pupils – Outside the Scope – VAT @ 0%

When a school or its agent supplies meals to its pupils, at or below cost, in terms of VAT liability, it is 'outside the scope of VAT' or Non- business. This is because the supply of meals to pupils is considered to be 'incidental to the supply of education'. Therefore, the school does not have to account for VAT on the income from pupils.

School Meals Sold to Staff or Visitors – VAT @ 20%

When a school supplies meals to staff or visitors it is a standard rated supply. Therefore, VAT must be accounted for @ 20%.

External Catering Contractors

When schools employ a catering contractor to supply school meals to the pupils, the VAT treatment will depend on the type of contract entered between the caterer and the school: -

a) Sales by Catering Contractors Direct to Pupils (Contractor acting as principal)

When meals are supplied by catering contractors direct to pupils, VAT must be charged at the standard rate on all sales of food and drink.

b) Sales by Catering Contractors to the School or Local Authority

It is more usual for the school to have an Agency Contract with the catering contractor whereby the catering contractor manages the canteen and provides meals on behalf of the school. Under this arrangement because the contractor is acting as the agent of the school when supplying meals to pupils, the income from the sale of those meals can be treated as non-business or outside the scope.

Therefore: -

1. The VAT charged by the caterer to the school on both the management fee and the meals provided is fully recoverable and
2. the school is not required to account for VAT on the income from meals sold to pupils.

School Lettings

General Lettings

When a school hires out a general-purpose room or hall to a third party the income is Exempt from VAT. (Unless there is an option to tax in place on the property). Please use the account code for **Exempt Lettings - R9820**, with your Cost Centre.

Hire of Facilities

However, if a school hires out a room with specific facilities to a third party, such as an ICT suite or kitchen, because the third party wants to make use of those facilities, it is deemed to be the hire of facilities, rather than a letting and as such is a standard rated supply. Therefore, VAT is **chargeable @ 20%**.

Please use the account code for **Standard Rated Lettings - R9819**, with your Cost Centre.

Sports Lets

The hire of sports facilities to individuals or non-for profit making groups representing individuals, is Exempt from VAT. Otherwise the hire will be standard rated with VAT charged @ 20%, unless the hire qualifies for the Block Booking exemption.

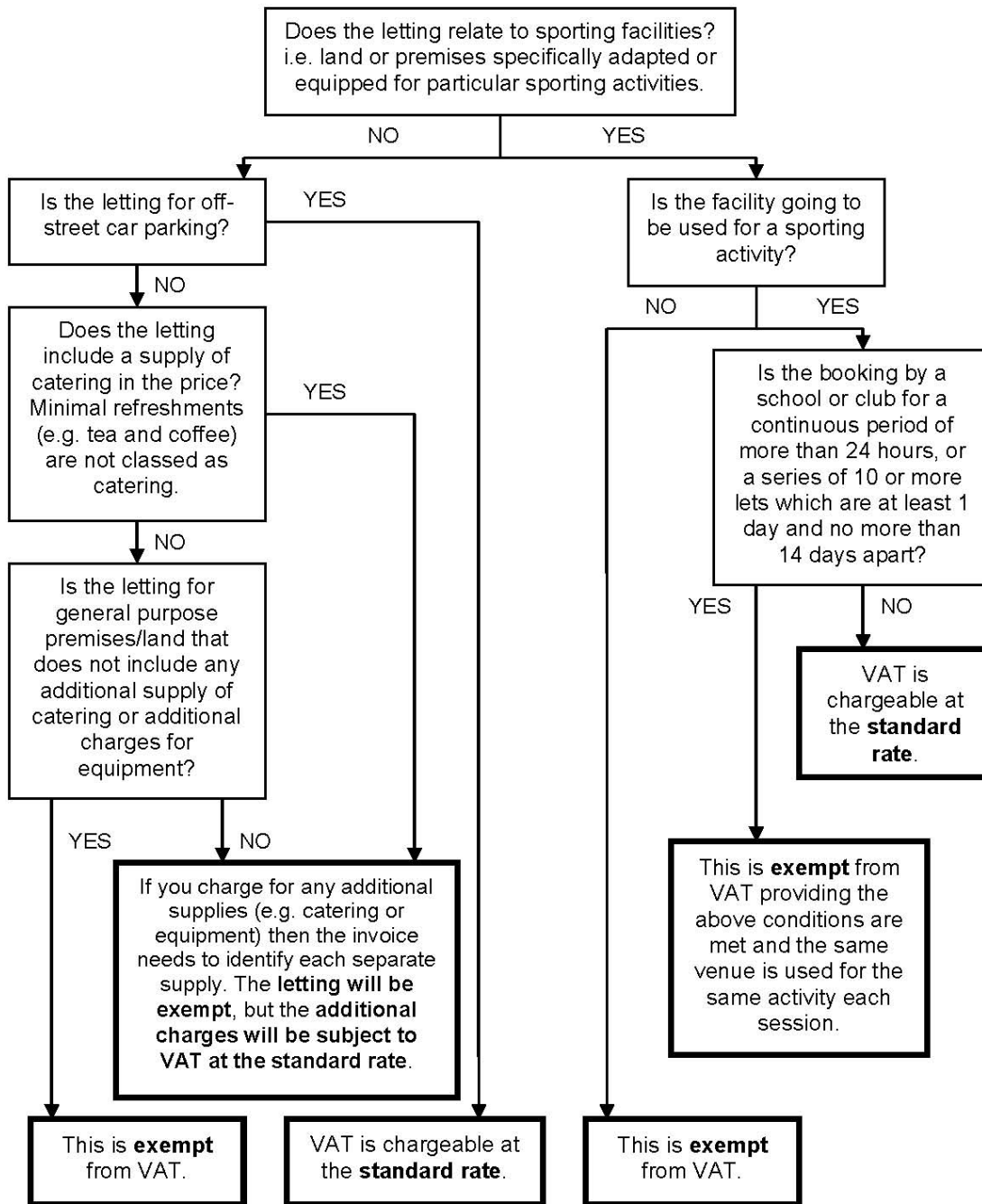
The Block Booking Exemption - in certain circumstances HMRC will allow a 'series of lets' booked by a club or an association to be Exempt from VAT.

Please note that the Block Booking exemption **cannot** be applied to commercial bodies.

All the criteria listed below must be fulfilled to qualify for the Block Booking Exemption: -

- The series should consist of 10 or more sessions.
- It must be for the same sport or activity.
- They should be at the same place each time (not necessarily the same pitch or court).
- There must be an interval of at least 1 day but not more than 14 days between sessions.
- The lets must be to a school, club, association or organisation representing affiliated clubs or constituent associations.
- The hirer has exclusive use of the facilities.
- They must be paid for as a whole and there must be written evidence to that effect.
- Refunds should not be given for sessions cancelled by the hirer as this invalidates the VAT exemption. Consequently, when a refund is given the whole series of lets become standard rated. However, if sessions are cancelled by the school or Council, for example due to water logged pitches, a refund or credit note can be issued without invalidating the VAT exemption.

Lettings Decision Tree



Ticket sales for concerts and performances

Income and expenditure should be processed through official delegated budget. Therefore, the school is entitled to recover VAT on the associated expenditure but must account for VAT on the income from ticket sales.

Donations – Account Code - R8391

Donations are monies that are freely given to a school without anything (that is, goods or services), being supplied in return. For example: -

- Donations from the School Fund
- PTA donations,
- Proceeds from fund raising events.
- Grants

In terms of VAT liability, donations are outside the scope of VAT. Consequently, VAT will not be deducted from income credited to this code. Only genuine donations should be credited to the Donations code – R8391.

Examples of transactions that are not donations: -

- Monies received from another school or college for the secondment of a teacher.
- Refunds from suppliers.
- Teaching School monies.

(The above list is not exhaustive – if you are unsure about any particular transaction or require further clarification please contact Ann Riley in the Corporate Finance Team)

Refunds from Suppliers

When a school receives a refund from a supplier the VAT liability of the refund should follow the VAT liability of the original invoice.

Therefore, if VAT was recovered when your school processed the original invoice, you must account for VAT on the refund. The refund should be credited to an income code with a standard rated VAT Class and VAT will be deducted @ 20%.

Please refer to your school's Electronic paying-in-Slip- for details of the standard rated income codes.

APPENDIX A

TRANSACTION PROCESSING

Accounting for VAT on a Supplier's Invoice

When a supplier's invoice is processed for payment, the total VAT inclusive amount must be paid to the supplier but only the net amount should be debited to your School's budget. The VAT element is debited to the Input Tax code **VAT1 V1000**, and reclaimed from HMRC.

For example: -

Your school receives an invoice in the sum of £120.00 from a stationery supplier.

1. Ensure the VAT invoice meets all HMRC's criteria for a valid VAT invoice, as detailed on Page 6 (legislation only permits VAT recovery when payments are supported by a valid VAT invoice).

It is important that the invoice is addressed to your school or to Sefton Council. It should not be addressed to the governors of the school.

2. Check for Arithmetic Errors – If the invoice is arithmetically inaccurate **do not** amend the amount of VAT shown on the invoice. Contact the supplier to have the invoice cancelled by a credit note and a replacement issued.
3. The invoice should be coded as follows -

<u>Description</u>	<u>£</u>	<u>Code</u>
Stationery	100.00	EPXXR2221
VAT	20.00	VAT1 V1000
Total Payment	120.00	

4. If you have any queries about an invoice or are uncertain as to whether VAT is included or whether it is recoverable, please contact Ann Riley in Corporate Finance.

[Accounting for VAT: Sales Invoice \(Sundry Debtor\)](#)

1. Complete a Request to Raise a Sales Invoice Form (Excel Format), which can be found on the Schools Intranet. For those without access to the Schools Intranet please contact Sharon Samyeli in Sefton's Income Section, to obtain a copy.
Please e-mail: - Sharon.Samyeli@sefton.gov.uk

2. The price should be entered net of VAT.

NB to calculate the Net amount from a Gross Fee; -

- Divide by 120, then multiply by 100, (or divide by 6 then multiply by 5).

3. The VAT Classification should be selected from the drop down menu, as per the table below: -

VAT Classification		Rate
0	Non-Business or Outside the Scope	0%
S1	Exempt	0%
S2	Zero Rated	0%
S3	Standard Rated	20%

When 'S3 – Standard Rated' is selected the VAT, due will be automatically calculated and entered in the 'VAT £' column.

4. The completed form should be e-mailed to the Accounts Receivable Team: Income.section@finance.sefton.gov.uk

Accounting for VAT: Miscellaneous Cash Income

1. This refers to cash/cheque transactions that are banked and credited directly to the General Ledger codes in Agresso.
2. VAT is accounted for via the VAT Class system, there is no need to identify VAT as a separate transaction on the Paying-in Slip.

VAT Class		Rate
0	Non-Business or Outside the Scope	0%
1	Exempt	0%
2	Zero Rated	0%
3	Standard Rated	20%

3. Each income code should be linked to the appropriate VAT Class. This system is maintained by Ann Riley in Corporate Finance.
4. For Standard Rated transactions, that is VAT Class 3; VAT is automatically deducted @ 20% and credited to **VAT1 V2000**. The net amount is then credited to the relevant school income code.
5. It is essential that income streams with different VAT liabilities are not credited to the same G/L code.
6. Income credited to a G/L code without a VAT Class, will automatically default to VAT Class 9, pending verification of the VAT liability by Ann Riley.

PETTY CASH & VAT RECOVERY

1. INTRODUCTION

VAT can only be reclaimed on Petty Cash transactions when there is a **Valid VAT Invoice or Receipt** to support each transaction (See Page 5).

The invoice must be addressed to either the Council or the employee.

The following cannot be used as evidence for reclaiming VAT: -

- Invoices which are marked 'pro-forma' or 'THIS IS NOT A TAX INVOICE'
- Copies of Charge Card statements.

HM Revenue & Customs legislation requires that the Council retains all VAT invoices and receipts for a minimum of 6 financial years plus the current year.

Please note the following: -

- **Purchases under £250.00** - a normal store receipt can be used to support VAT recovery so long as it meets all the criteria of a less detailed VAT invoice. (See Page 5).
- **Purchases over £250** - a full VAT invoice is required. (See Page 5).
- **Only UK VAT can be recovered.** - If items are purchased from other European Countries and VAT is charged, it is **non-recoverable**. Particular care needs to be taken when items are purchased over the Internet because it is not always obvious from the website that you are dealing with a Non-UK based company. However, this can be verified by checking the company's VAT registration number. All UK VAT registration numbers are prefixed with **GB**.
- **Purchases from Amazon Marketplace** – must be supported by a VAT invoice from each individual trader. As per the above please be aware of non-UK suppliers as the VAT on their invoices is **non-recoverable**.
- **To calculate a VAT inclusive amount; -**

VAT @ 20% - divide the total cost by 120 and then multiply by 20

(or divide by 6).

2. VAT LIABILITY OF COMMON PURCHASES MADE BY PETTY CASH

FOOD	ZERO RATED	0%
CONFECTIONERY	STD RATED	20%
SOFT DRINKS	STD RATED	20%
PUBLIC TRANSPORT	ZERO RATED	0%
TUNNEL TOLLS (Mersey Tunnel)	NON-BUSINESS	0%
CAR PARKING - OFF STREET	STD RATED	20%
CAR PARKING - ON STREET	NON-BUSINESS	0%
POSTAGE STAMPS	EXEMPT	0%
BOOKS	ZERO RATED	0%
CD'S	STD RATED	20%
STATIONERY	STD RATED	20%
PAINT & MATERIALS	STD RATED	20%
CLEANING MATERIALS	STD RATED	20%
TOILETRIES	STD RATED	20%

If you have any queries please contact Ann Riley in Corporate Finance

Tel: - 0151 931 4108 / E-mail: - ann.Riley@sefton.gov.uk

CHARGE CARD TRANSACTIONS & VAT RECOVERY

When Charge Card Statements are processed for payment, VAT cannot be reclaimed from H.M. Revenue & Customs unless a valid **VAT invoice**, for each individual purchase, supports the statement. **The Charge Card statement alone does not provide sufficient evidence for VAT recovery.**

Please Note the following: -

- **Order Confirmations/ Acknowledgements** – these documents do not constitute a valid VAT invoice.
- **Purchases under £250.00** - a normal store receipt can be used to support VAT recovery so long as it meets all the criteria of a less detailed VAT invoice (See Page 5).
- **Purchases over £250** - a full VAT invoice is required (See Page 5).
- **Food, Books, Public Transport & Children's Clothing** – are Zero Rated and do not include VAT.

NB. Public Transport includes airfares.

- **Only UK VAT can be recovered.** If items are purchased from other European Countries and VAT is charged, it is **non-recoverable**.

Particular care needs to be taken when items are purchased over the Internet because it is not always obvious from the website that you are dealing with a Non-UK based company. However, this can be verified by checking the company's VAT registration number. All UK VAT registration numbers are prefixed with **GB**.

- **Purchases from Amazon Marketplace** – must be supported by a VAT invoice from each individual trader. As per the above please be aware of non-UK suppliers as the VAT on their invoices is **non-recoverable**
- **To calculate a VAT inclusive amount; -**

VAT @ 20% - Divide the total cost by 120 and then multiply by 20.

(Or divide total by 6)

HMRC GUIDANCE FOR LOCAL AUTHORITIES & VOLUNTARY AIDED SCHOOLS

Introduction

However, because Governing Bodies of Voluntary Aided (VA) Schools are separate legal entities in their own right, **Local authorities cannot recover VAT on any expenditure that is the responsibility of the Governing Body (GB) such as Devolved Formula Capital (DFC) funding Lottery Grants and Sports England funding.**

The HMRC's new guidance for Local Authorities (LA) and Voluntary Aided (VA) Schools, redefines their responsibilities as detailed below: -

Governing Body (GB) Responsibility – Non Recoverable VAT

Expenditure which is capital in nature, and relates to:

- The existing buildings (internal and external)
- Perimeter walls and fences, even if around the playing fields
- Playgrounds
- Fixed furniture, fixtures and fittings – including ICT infrastructure

Except where it is excluded from the definition of capital expenditure due to it falling below the de minimis limit which is currently **£10,000** for Sefton Schools, as defined in the Fair Funding: Scheme for Financing Schools, Section 12, Para 12.2.

Non-Recoverable VAT should be coded to your school's cost centre e.g. **EPXXR1011**

Local Authorities (LA) Responsibility – Recoverable VAT

Expenditure which is capital in nature, and relates to:

- Expenditure excluded from GB responsibility (above) by virtue of it falling below the de minimis limit of **£10,000**
- Maintenance of playing fields (including sports pitches)
- Buildings on those fields related to their use

Revenue Expenditure

- Day to day running costs of the school e.g. costs of staff, training, consumables, teaching resources, utilities etc.
- This includes freestanding furniture and freestanding educational equipment e.g. laptops, desktops, kindles, iPads etc. Please refer to the table below.

Recoverable VAT should be coded to the VAT cost centre: - **VAT1 V1000**

ICT SUMMARY

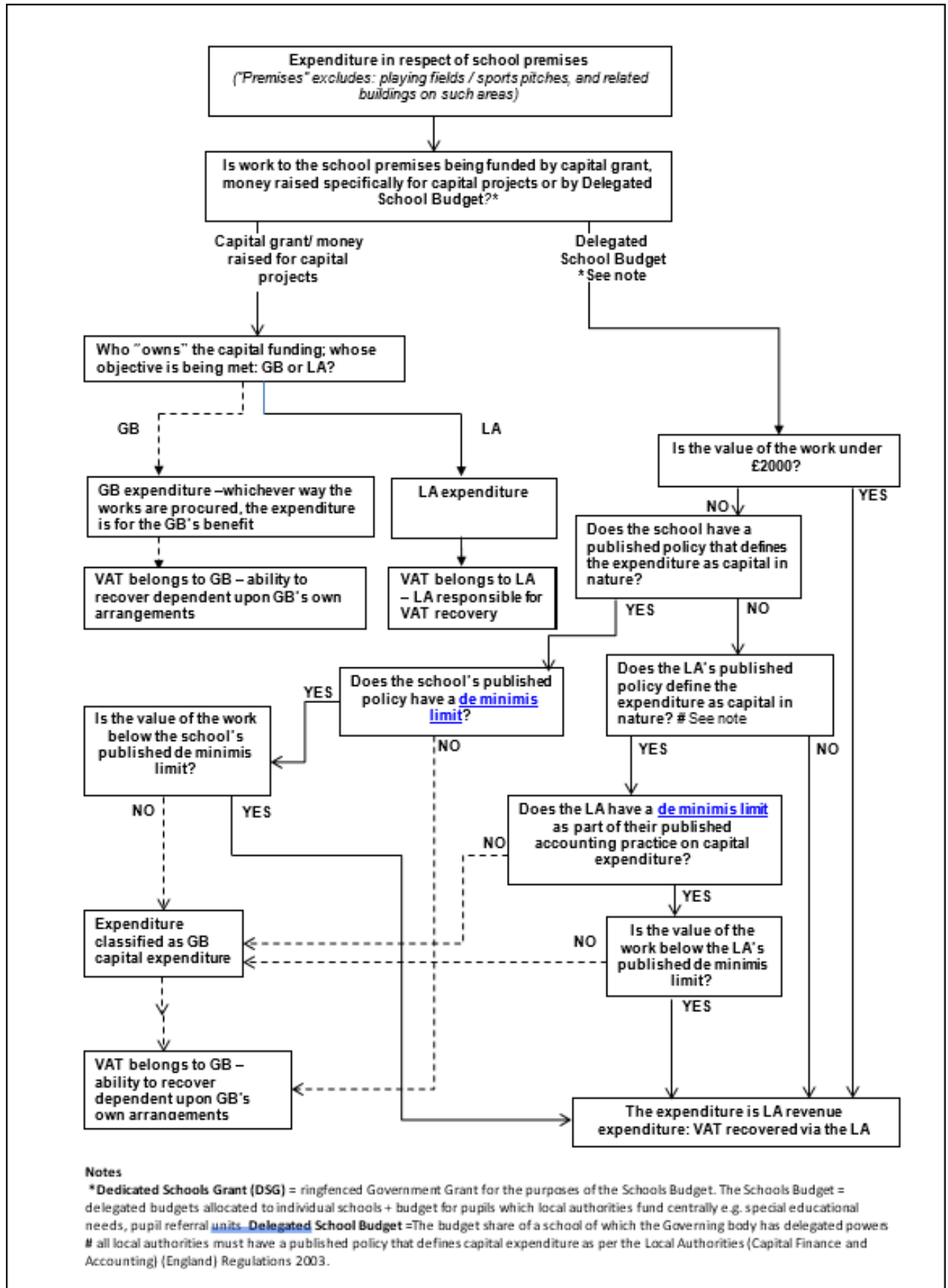
Note: VA Schools are allowed to use capital grant funding to pay for ICT equipment, but VAT will not then be recoverable.

Premises (GB Responsibility)	Non-Premises (LA Responsibility)
NON-RECOVERABLE VAT	VAT FULLY RECOVERABLE
<ul style="list-style-type: none"> • Building of ICT Suite - including construction works and all equipment, furniture & fittings installed. <p><i>These become part of the premises.</i></p> <ul style="list-style-type: none"> • Installation of: <ul style="list-style-type: none"> ○ ICT cabling; ○ WiFi systems, incl. ethernet & routers; ○ Security systems, incl. proximity cards <p><i>These are purpose built for premises, and not removable for use elsewhere.</i></p>	<ul style="list-style-type: none"> • PCs, servers, interactive electronic whiteboards, projectors, printers and fax machines installed individually (not as part ICT suite) • Laptops, kindles, iPads and other 'hand held' equipment used in the classroom * • Laptop trolleys (storage / connection facilities) • Electronic tills and biometric identification scanning devices <p><i>All of the above are not part of premises as removable and available for use elsewhere.</i></p> <p><i>* VAT recoverability on such items used by teachers is as non-VA schools</i></p>

Please Note: -

1. Where for example, the GB, School Fund or PTA, of a VA School makes a donation into the delegated budget, to finance expenditure that is the responsibility of the GB –**VAT cannot be recovered.**
2. Grants such as Devolved Formula Capital (DFC) or a Lottery Grant are owned by the GB. Therefore, if these funds are paid into the delegated budget and used to finance **any** expenditure whether GB or LA responsibility – **VAT cannot be recovered.**
3. Where the delegated budget is used to fund the remaining 10% of a DFC 90% gross funded project – **VAT cannot be recovered.**
4. HMRC warns schools that the de minimis limit should not be used to artificially disaggregate capital expenditure to recover VAT. For example, a single supply of ICT infrastructure should not be split into smaller contracts for individual ICT works. Similarly, construction works should not be split so that if invoiced separately, this could be treated as revenue expenditure as individually below the de minimis limit.

HMRC's Flow chart to determine VAT Recovery at a VA School



VAT CATEGORIES

Standard Rated

VAT is chargeable on ALL supplies of goods or services by the Council, at the standard rate of 20%, unless they clearly fall within one of the other VAT categories.

Examples of Standard Rated Transactions:-

- Postage and Packing service
- Recharge of teaching or admin staff to other educational establishments for admin purposes
- External training from a company or individual if VAT registered
- Supplies to staff and visitors
- Most other goods and services (not essential to the delivery of education)
- Supply of goods to pupils not essential to education
- Advertising.
- Sponsorship receipts for events.
- Sales of confectionery.

Non-Business / Outside the Scope

This generally applies to goods and services supplied by the Council in its capacity as a public body, for supplies made under a statutory duty and which are not in competition with the private sector.

Examples of Non-Business / Outside the Scope Transactions:-

- Primary and secondary education in schools.
- On street car parking.
- Trade waste collection fees.
- Grant funding.
- PTA Donations
- All transactions between Sefton Council and Sefton LEA schools. (Excluding transactions between Sefton Council and the Governors of VA schools).
- Sales of goods to pupils, at cost or below, that are essential to education. (**Excludes** clothing, including PE kits).

Exempt

VAT is not chargeable on exempt supplies but organisations who make exempt supplies **cannot** usually reclaim the Input VAT on expenditure associated with those supplies.

Local Authorities have a special concession, under Section 33 of the VAT Act, which enables them to recover Input VAT related to their exempt activities, up to certain limits.

Examples of Exempt Transactions:-

- Land & Property (including room hire), without an “option to tax” (which would make the transaction standard rated).
- Insurance and financial charges.
- Fee paying education – such as adult education.
- Research and vocational training.
- Private tuition by independent teacher.
- Health & Welfare - the supply of health and welfare service is exempt when provided by qualified medical practitioners (including registered nurses). Provision of residential care is also exempt.
(NB: Statutory Welfare is Non-Business/Outside the Scope).
- Letting of Sports Facilities under the Block Booking Exemption, (please refer to Page 17).

Zero Rated

These supplies are taxable under VAT regulations but at a rate of 0%. Organisations that make zero rated supplies **can** reclaim the Input VAT on expenditure associated with those supplies.

Examples of Zero Rated Transactions:-

- Basic food & drink (**not** confectionery or soft drinks).
- Young children’s clothing and footwear (designed for under 14’s).
- Books & Publications – newspapers, magazines, maps (**not** stationery, plans, posters, calendars).
- Passenger/Public Transport – any vehicle designed to carry 10 or more passengers including the driver (**not** taxis or the hire of vehicles without a driver).
- Construction of new residential or charitable buildings.

Reduced Rated

The reduced or lower rate of VAT is currently applied at 5%.

Examples of Reduced Rated Transactions:-

- Fuel and power for 'domestic' use – applies to 'residential' and also 'low consumption' or 'charitable' premises; Voluntary Aided (VA) and Voluntary Controlled (VC) schools qualify as charities for this purpose. Reduced rate fuel supplies are also exempt from climate change levy (CCL).
- Children's car seats.
- Women's sanitary products.
- Contraceptive products.
- Installation of energy saving material.
- Certain residential conversions and renovations.

APPENDIX F**INCOME CODES – VAT LIABILITY**

Income	Income Code	Description	VAT Class	VAT Rate	Notes
Before & After School Club	R9963	Other Income - Outside the Scope	OS	0%	
Child Care Voucher for....?	R9963	Other Income - Outside the Scope	OS	0%	
Nursery Fees	R9723	Fees Nursery	OS	0%	
School bus charges	R9363	Sales Zero Rated	Zero	0%	
Swimming Caps	R9962	Other Income - Std Rated	STD	20%	
Sale of School Uniform - Child Sizes	R9363	Sales Zero Rated	Zero	0%	
Sale of School Uniform - Adult Sizes	R9962	Other Income - Std Rated	STD	20%	
Sale of Staff Uniform	R9962	Other Income - Std Rated	STD	20%	
Sale of Book Bags to Pupils	R9962	Other Income - Std Rated	STD	20%	
Educational visits	R8365	Parental contributions to Educational Visits	OS	0%	
School meals - Child	R9302	Meals Sold to Pupils	OS	0%	
School meals - Adult	R9303	Meals Sold to Adults	STD	20%	

Sale of materials / equipment non-vatable?	R8344	Contribution - Educational Material	OS	0%	
Sale of materials / equipment vatable?	R9962	Other Income - Std Rated	STD	20%	
Income from Consultancy					
- Sefton LEA Schools	R9963	Other Income - Outside the Scope	OS	0%	
- Other Authorities	R9962	Other Income - Std Rated	STD	20%	
- Non Sefton LEA Schools	R9962	Other Income - Std Rated	STD	20%	
Teacher training income - Student Teacher Placements	R9961	Other Income Non-VATable (Including Exam Fees)	OS	0%	
Schools Direct Training (Tuition Fee)	R9992	Course Fee	Exempt	0%	
Schools Direct Training (Salaried)	R8244	Other Government Grants Non-Capital	OS	0%	
Apprentice income	R8337	Other Grants Non-Government (Incl Lottery grant)	OS	0%	
Income from DFC for VA schools	R8391	Donations Other Sources	OS	0%	See Note 1
Lettings - Facilities various including pool hire, kitchen, sports, special school outdoor play area	R9819	Lettings - Std Rated	STD	20%	
Lettings - Room Hire	R9820	Lettings - Exempt	Exempt	0%	

Lettings of off-site premises i.e. caravan owned by school let to parents of special needs children	R9819	Lettings - Std Rated	STD	20%	
Income from grants (non-government)	R8337	Other Grants - Non-Government	OS	0%	
Income for courses	R9992	Course Fee	Exempt	0%	
Income from PTA / School fund	R8391	Donations Other Sources	OS	0%	
Big Lottery funding for non-VA schools	R8337	Other Grants Non-Government (Incl Lottery grant)	OS	0%	
Income from solar panels etc - Generation	R9961	Other Income Non-VATable	OS	0%	
Income from solar panels etc - Export	R9962	Other Income - Std Rated	STD	20%	
School improvement Income from Consultancy Work at Other Schools (Non-Sefton LEA Schools)	R9962	Other Income - Std Rated	STD	20%	
School improvement income (VA schools) - Refunds from Archdiocese	R9962	Other Income - Std Rated	STD	20%	
Income from other schools as part of a partnership / cluster - Sefton LEA Schools	R9963	Other Income - Outside the Scope	OS	0%	

Income from other schools as part of a partnership / cluster - Non Sefton LEA Schools - Re Teaching or Training Courses	R9992	Course Fee	Exempt	0%	
Income from other schools as part of a partnership / cluster - Non Sefton LEA Schools - Other Income	R9962	Other Income - Std Rated	STD	20%	
Caretaker rent	R9820	Lettings - Exempt	Exempt	0%	
Sale of bus passes to students	R9363	Sales Zero Rated	Zero	0%	
Exam fees	R9961	Other Income Non- VATable (Including Exam Fees)	OS	0%	
<u>Refunds from suppliers - Follows the VAT Liability of the Suppliers Invoice</u>					
- If Standard Rated	R9962	Other Income - Std Rated	STD	20%	
- If Exempt or Zero Rated	R9961	Other Income Non- VATable	OS	0%	
Photocopying	R9962	Other Income - Std Rated	STD	20%	
Telephone calls	R9962	Other Income - Std Rated	STD	20%	
<u>Donations from a sponsor</u>					

- Minor Acknowledgement	R8391	Donations Other Sources	OS	0%	See Note 2
- Significant Acknowledgement / Advertising	R9962	Other Income - Std Rated	STD	20%	See Note 3

Note 1

Please contact your Finance Officer to transfer the DFC to the appropriate expenditure Code.

Note 2

For Example- Naming the Sponsor in a list of supporters. Giving a flag or a Sticker

Note 3

- displaying the sponsor's company logo or trading name;
- participating in the sponsors promotional /leaflet distribution / advertising activities;
- allowing the sponsor to use your name or logo;
- giving free or reduced-price tickets;
- providing entertainment or hospitality facilities;

ADDING VAT CODES IN FMS

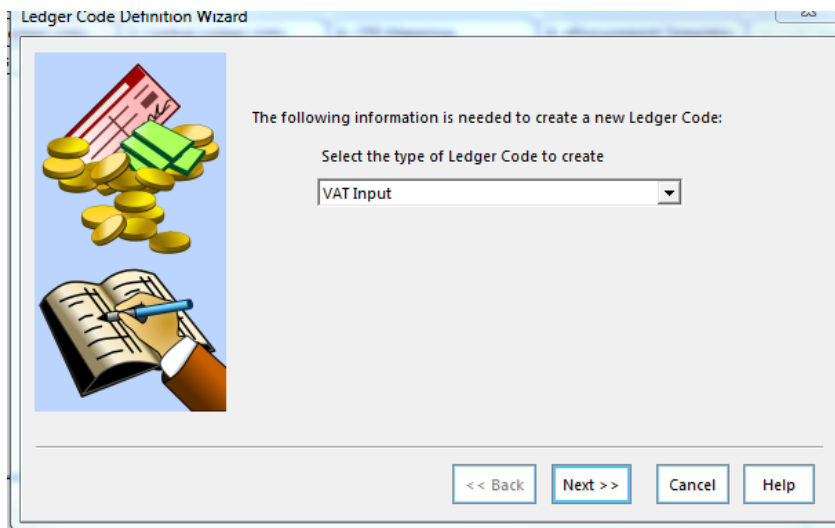
1. To add VAT codes take route Tools / General Ledger Setup –tab 5 Ledger Codes. Browse to the end of the list to find existing VAT codes

PC1	PETTY CASH	PC
V12	Vat Exempt	VI
VI1	Vat Standard Rate	VI
VIS	Standard	VI
VO1	Vat Income Standard	VO
VO2	Vat Income Zero	VO
VOR	Income Rated	VO

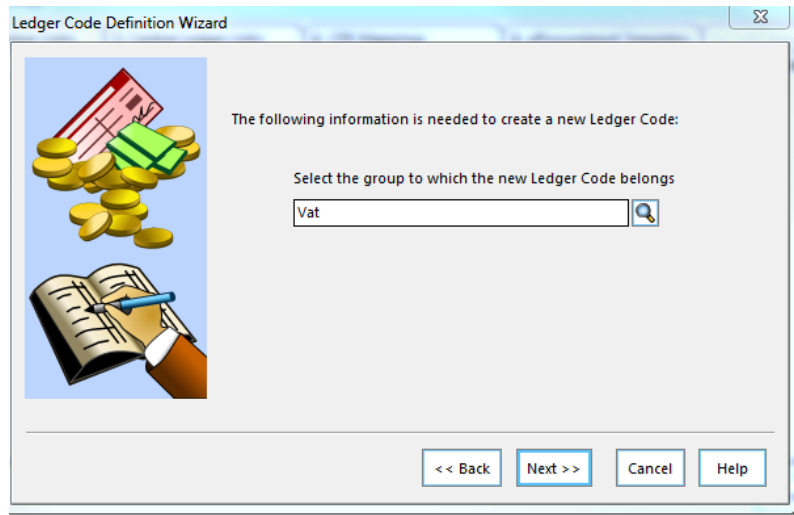
2. To add a code select green plus button to the left of the panel.
IT IS CRITICAL THAT THE CORRECT TYPE IS SELECTED.

All Invoice type VAT is VAT Input (all Income is VAT Output).

Ensure type is correct.



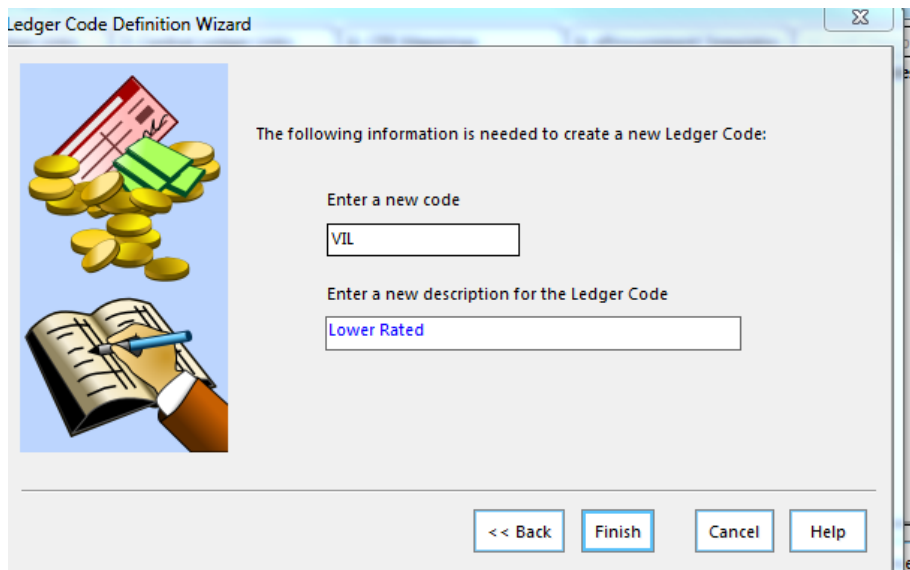
3. Select Next



4. The group to select is VAT – Select Next

5. Enter the New code – the code will be three letters long with the first two being Capital V Capital I for VAT input type and Capital V Capital O for Vat output.
In the screen below VI (Capital L for Lower Rated is being added)

Add appropriate description –Select Finish



6. At the next screen add the letter in this case it is capital L and enter the VAT Rate as 5.00 – Save

The screenshot shows a 'Ledger Code Definition' window with the following fields and values:

- Ledger Type: VAT Input
- Code: VIL
- Description: Lower Rated
- Ledger Group: VAT
- VAT Code: L
- VAT Rate (%): 5.00

Buttons at the bottom: Save, Cancel, Help.

7. Follow this procedure to ensure each of the codes below exist in Agresso.

Code	Description	Letter Code in FMS	%
	<u>VAT INPUT</u>		
VI2	Vat Exempt	X	0.00
VIS	Standard Rate	V	20.00
VIL	Lower Rated	L	5.00
VIZ	Zero Rated	W	0.00
	<u>VAT OUTPUT</u>		
VOP	Income Outside the Scope	P	0.00
VO2	Vat Income Zero Rated	Z	0.00

VOR	Income Rated	R	20.00
VOE	Income Exempt	E	0.00
VOL	Income Lower Rated	D	5.00

8. If a VAT code has been used in any year it can't be deleted. It may be worthwhile to edit the description for any old VAT codes that are no longer valid. e.g. VI1 VAT Standard Rate Letter S with the old 17.5% rate.

The screenshot shows a 'Ledger Code Definition' dialog box with the following fields and values:

- Ledger Type: VAT Input
- Code: VI1
- Description: Vat Standard Rate
- Ledger Group: Vat
- VAT Code: S
- VAT Rate (%): 17.50

Buttons at the bottom include Save, Cancel, and Help.

A suggested change to this description could be VAT – Old 17.5% Rate Do Not Use.

Insurance Schemes

Schools can purchase the following five categories of cover from Sefton Corporate Resources through the Insurance Team, Service Level Agreement: Material Damage, Employer's Liability, Public Liability, School Journeys and All Risks Insurance. Other categories of cover (e.g Motor Vehicle Insurance) can be arranged subject to an additional charge. (Note Academies have their own insurance cover arrangements and are not part of the Local Authority's scheme. Similarly, VA schools are covered under their relative Diocesan schemes)

POLICY	COVER AGAINST	COVER FOR	EXCESS
1. MATERIAL DAMAGE	Perils include: - Fire, Lightning, Explosion, Aircraft, Riot, Civil Commotion, Storm and flood (weather related) and terrorism.	Physical loss or damage to buildings and contents owned by the school. Temporary accommodation and additional expenditure due to business interruption.	£250,000 Each and every loss
Engineering	Sudden & Unforeseen Damage (full breakdown, accidental damage and explosion and collapse of plant)	Periodic statutory inspections and issue of reports on lifts, lifting equipment/platforms, fume cupboards and air pressure plant.	£100 Each and every claim
2. EMPLOYERS' LIABILITY	Legal liability for death, bodily injury, illness or disease.	Employees and volunteers in the course of their employment.	£350,000 any one claim
3. PUBLIC LIABILITY	Legal liability for death, bodily injury, illness or disease and damage to material property.	Third parties	£350,000 any one claim
Officials Indemnity	Actual or alleged negligent act, error or omission.	Staff or governor while carrying out their statutory duties.	£350,000 any one claim
Fidelity Guarantee	Loss of money as a direct result of fraud or dishonesty. Includes approved school funds.	By an employee or in respect of computer fraud and funds transfer fraud only, any governor.	£10,000 any one claim
Money	Loss of non-negotiable monies and damage as a direct result of theft or attempted theft of money to any safe, strong-room etc	Cheques, bank notes, coins etc.	£1,000 any one claim
4. SCHOOL JOURNEYS	Includes: medical expenses, cancellation due to illness/injury, loss or damage to personal property.	Pupils, teachers and volunteers while on authorised journeys. Hazardous pursuits must be notified to Insurance Section.	None
Personal Accident	Accidental bodily injury resulting in death or disablement.	All staff, governors and students on work experience.	None

5. ALL RISKS	Perils include: - Theft, and Accidental Damage	School items of equipment with an individual value of £250 or more.	None

NOTE: Excess values are met from the Council's Insurance Fund. The value of excesses may change in future years and you are advised to contact the Insurance Team for further details.

Other Categories of Cover

Sickness Cover

Cover for absence from school due to personal accident or illness of Teaching Staffis not covered under the Council's Insurance scheme. This is dealt with under separate Supply Cover arrangements, whereby Schools subscribe into a centrally held Supply Fund to enable short term agency supply cover to be arranged as necessary through HR support. Further details of policy can be found from HR support team or School Finance Officer.

Laptops Insurance – (This is covered under Item 5 All Risks above)

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

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

GUIDE TO GOVERNORS EXPENSES

ALLOWANCES FOR GOVERNOR EXPENSES

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

Examples of Governor expenses:

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

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

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

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

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

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

Confidential Reporting Policy “Whistleblowing”

Introduction

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

Statement

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

Legislation

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

Scope

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

This procedure covers major concerns as illustrated below:

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

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

How to raise a concern

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

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

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

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

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

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

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

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

How the school will respond

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

Where appropriate the matter raised may:

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

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

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

- your local councillor
- the external auditor
- your solicitor
- your trade union
- your local Citizens Advice Bureau
- relevant professional bodies or regulatory organisations
- a relevant voluntary organisation (e.g. Public Concern at Work 0171 404 6609)
- the police
- the Audit Commission via a special telephone hotline 0171 630 1019

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

CIPFA CODE OF PRACTICE – CAPITAL EXPENDITURE ITEMS

LA CAPITAL /REVENUE SPLIT AND ITEMS WHICH ARE THE SEPARATE RESPONSIBILITY OF GOVERNORS IN VA SCHOOLS

ILLUSTRATIVE EXAMPLES IN LINE WITH DfE INTERPRETATION OF THE CIPFA CODE OF PRACTICE

NB ACTUAL INTERPRETATION OF CIPFA CODE OF PRACTICE FOR THESE PURPOSES WILL BE FOR EACH LOCAL AUTHORITY

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

	building/extension	thickness of insulation in an existing roof
	Insulation. Replacement /repair of substantially all. Improve insulation to current standards	
	Roof finish in a new building/extension, replacement of all/substantially all on existing roof	Replace missing/ damaged small parts
	Bargeboards/ Fascias in a new building/extension, replacement of all/substantially all on existing roof	Repairs/ replacement/ Repainting
	Drainage in a new building/extension	Clearing out gutters and downpipes. Replacement/repairs of individual pipes/gutters
	Drainage. Replacement of all/substantially all on existing roof	
	Other e.g. Flashings, Roof windows in a new building/extension, replacement of all/substantially all on existing roof	Repair/ Replacement /cleaning
Other	Provide new covered link etc. between existing buildings	Minor repairs, maintenance to existing covered link
	Rebuild or substantially repair structure of existing covered link	
	Add porch etc. to existing building	Minor repairs, maintenance to existing structure
	Rebuild or substantially repair structure of existing porch	
ELEMENT	CAPITAL: AS CIPFA CODE OF PRACTICE	REVENUE: REPAIRS & MAINTENANCE
Floors		
Ground Floor	Structure and dpc in new building	Repair/replacement of small parts of an existing structure
	Structure and dpc - Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	
	Screed and finish in new build, replacement of all/substantially all on existing floor - e.g. replacement of most carpets/ tiles in a room	Replacement and repair of screed and finishes/ Replacement of mats / matwells. Maintenance e.g. re-varnishing wooden floors.
Upper Floor	Structure - as ground floor	As ground floor
	Screed and Finish - as ground floor	Repairs of finishes/ Replacement - as ground floor
Ceilings		
Top/ only storey	Suspension	Repair/ replacement incl. From water damage, &

		necessary decoration
	Membrane	
	Fixed	Repair/ replacement inc. from water damage
	Access panels	Repair/ replacement
Lower storeys	Suspension	Repair/ replacement
	Membrane	
	Fixed	Repair/ replacement
ELEMENT	CAPITAL: AS CIPFA CODE OF PRACTICE	REVENUE: REPAIRS & MAINTENANCE
All	Specialist removal/ replacement of damaged/ disturbed Asbestos based materials, planned or emergency	Inspection/ air testing Applying sealant coats to asbestos surfaces for protection
External walls		
Masonry/ cladding	Structure Underpinning/ propping for new build	Repairs Preventive measures e.g. tree removal
	External Finish on new build	Repair/replacement of small parts of an existing structure. e.g. re-pointing/ re-cladding a proportion of a wall where failure has occurred.
	External Finish on existing builds where needed to prevent imminent or correct actual major failure of the structure. e.g. re-pointing/re-cladding work affecting most of a building /replacement build	
Windows and Doors	Framing - new build	Repair/ replacement of individual frames. Repainting frames
	Framing - structural replacement programme	Repair/ replacement of individual windows. Repainting frames
	Glazing - new build	Replacing broken glass
	Glazing Upgrading existing glazing	
	Ironmongery Improved security	Repair/ replacement, upgrading locks etc.
	Jointing including mastic joints	
	Internal and external decorations to new build	Internal and external decoration to include cleaning down and preparation.
Masonry chimneys	Structure	
	Jointing including expansion and mortar joints/ pointing/ DPC	Repair/ re-pointing
Internal walls		
Solid	Complete including various internal finishes, linings and decorations	Repairs and redecoration to internal plaster/ linings tiles, pin boards etc.
	Refurbishment and alterations	Minor alterations
Partitions	Complete structure including	Repairs and redecoration.

	linings, framing, glazing, decoration etc.	
	Refurbishment and alterations	Minor alterations
Doors & Screens	Framing/ Screens/ Doors to new buildings including glazing, ironmongery, jointing and internal decorations	Internal maintenance and redecoration. Repair/ replacement of defective doors and screens
All	Glazing to meet statutory Health & Safety requirements	Replacement of broken glass
Sanitary Services		
Lavatories	In new buildings provision of all toilet fittings, waste plumbing and internal drainage.	Repair/ replacement of damaged sanitary ware, fittings, waste plumbing etc.
	Large scale toilet refurbishment	Small areas of refurbishment
	Provision of disabled facilities, and specialist facilities related to pupils with statements	Repair/ replacement of damaged fittings, waste plumbing etc.
Kitchens		
	Kitchens in new buildings complete with fittings, equipment, waste plumbing and internal drainage. Internal finishes and decorations.	Maintain kitchen to requirements of Local Authority – All Schools that are in the School Meals contract with the LA and have their food prepared by Solutions SK Limited must return to the Council their budget for repairs and maintenance of the “heavy end” kitchen equipment. Cleaning out drainage systems Redecoration
	General refurbishment	Repairs
	Large and costly items of equipment	Repairs/ replacement parts
Mechanical services		
Heating/ hot water	Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues etc.	General maintenance of all boiler house plant including replacement of defective parts. Regular cleaning. Energy saving projects
	Safe removal of old/ damaged asbestos boiler and pipe-work insulation, where risk to Health & Safety.	Monitoring systems Health & safety issues
	Planned replacement of old boiler/ controls systems past the end of their useful life	Replacement of defective parts
	Emergency replacement of boiler plant/ systems	
Cold water	Provision of cold water services, storage tanks, distribution, boosters, hose reels etc. in major projects	Maintenance and repair/ replacement of defective parts such as servicing pipes. Annual servicing of cold water tanks.
Gas	Distribution on new and major refurbishment's, terminal units	Repairs, maintenance and gas safety All servicing

Ventilation	Mechanical ventilation/ air conditioning to major projects	Provision of local ventilation. Repair/ replacement of defective systems and units
Other	Swimming pool plant and its complete installation, including heat recovery systems	Repair/ replacement of parts to plant, pumps and controls. Water treatment equipment and all distribution pipe-work. Simple heat recovery systems. Solar heating plant and equipment.
Electrical services		
General	Main switchgear and distribution in major projects.	Testing/ replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings.
	Replacement of obsolete and dangerous wiring systems, including distribution boards	All testing, earthing and bonding to meet Health & Safety. All servicing.
Power	Control gear, distribution, fixed equipment, protection	All testing, repair and replacement of small items of equipment
Lighting	Provision of luminaires and emergency	Replacement of luminaires, all testing, adjustments and improvements to emergency
Other	Lightning protection in new build	Repair/ replacement
	Alarm systems, CCTV, lifts/ hoists etc.	Repair and maintenance
	New installation of communication systems, radio/ TV, call, telephone, data transmission, IT etc. and provision in new build.	Repair/ replacement/ maintenance, including all door access systems
External Works		
Pavings	Provision of new roads, car parks, paths, court, terraces, play pitches, steps and handrails, as part of major project, including disabled access	Maintenance and repair Car park and playground markings.
Miscellaneous	Provision of walls, fencing, gates and ancillary buildings as part of major project	Maintenance and repair of all perimeter/ boundary/ retaining walls, fencing and gates.
Drainage	Drains, soakaways, inspection chambers and sewage plant as part of new projects	Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. Cleaning of the above and unblocking as necessary.
Open air pools	Structure, Hygiene/ safety in new build	Hygiene, cleaning, maintenance and repairs, including replacement parts. Simple energy saving systems.
Services distribution	Heating mains gas mains water mains	Annual servicing

	electricity mains, renewal of any above.	

Notes

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

Where local authorities use de-minimis limits for defining capital and revenue in their financial accounts, the same de-minimis limits must be used in defining what is delegated. The application of a de-minimis limit may change the examples given in the first two columns of the illustrative list. Sefton adopt a de-minimis level of £10,000 on most Capital expenditure; but £2,000 specifically, in the use of Schools Devolved Capital Funding (DFC)

EXTENDED SERVICES FINANCIAL FRAMEWORK

Background

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

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

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

Accounting for Extended Activities

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

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

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

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

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

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

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

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

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

School internal financial regulations will need to be reviewed to reflect community facilities provision including:

- Budget approval and virements (including approval of any contribution from school budget to community facilities for nursery schools)
- Budget monitoring reports for governors

-Authorisation of orders and invoices

-Use of community facilities surplus for school purposes.

-Financial Arrangements – Voluntary Management Committee (VMC)

-If you have a VMC:

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

School must be represented on VMC

Separate accounting records are maintained completely independent to Authority accounts.

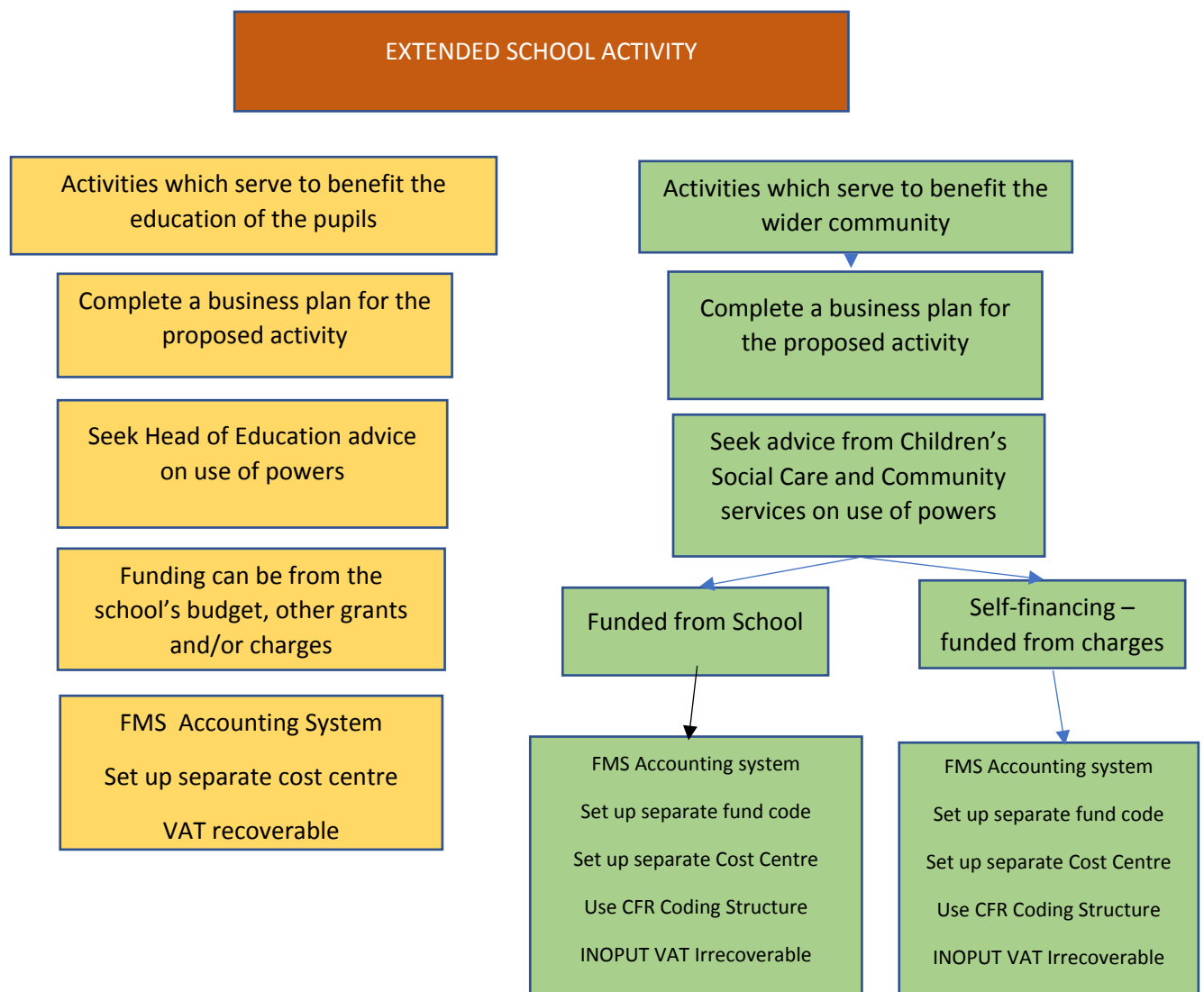
Separate bank account is set up

Treasurer is appointed and accounts are audited independently

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

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

EXTENDED SCHOOL ACTIVITIES Accounting Flow Chart



Providing Extended Services

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

Commissioned Activities

Where Schools commission extended school activities from a third- party provider, the provider will be responsible for the financial management and viability of the enterprise the school must ensure that the provider has suitable financial and personnel arrangements in place to provide that service. Charges made by the school to the provider must at least cover any extra costs incurred by the school in running the extended facilities. Schools should account for any costs incurred and charges made separately from the school budget share. A separate cost centre should be used in the schools SIMS FMS system to separately identify income and expenditure related to the extended school activity. Schools should balance the recovery of expenditure to cover the basic running costs against the principle of providing a service for the local community, taking account of what is deemed affordable when they finalise agreements with their providers.

Charging Arrangements

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

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

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

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

Financial Returns

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

Accounting for VAT on Extended School Activities

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

Schools operating extended activities in this way will need to set up their SIMS FMS6 extended school activity codes for expenditure with a non-recoverable VAT Tax code P5.

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

VAT on the Supply of Staff

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

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

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

RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS

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

Section 37 of the 2002 Education Act says:

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

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

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

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

Charge of dismissal/resignation costs to delegated school budget

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

policy

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

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

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

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

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

(7) Where a local education authority incur costs—

- (a) in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or*
 - (b) in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes,*
- they shall recover those costs from the governing body except in so far as the authority agrees with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.*

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

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

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

GLOSSARY OF TERMS

SOME KEY TERMS AND PHRASES

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

Accounts - means statements setting out records of income and expenditure.

Audit Regime - means the procedures adopted to monitor and evaluate the adequacy and effectiveness of schools' accounting systems and internal financial controls.

Best Value - means the statutory duty placed on local authorities to secure Best Value in respect of the way in which they exercise their functions covering both cost and quality. The new duty is not intended to apply to those functions which are exercised by the Governing Bodies of LA maintained schools. However, schools are encouraged to adopt effective management of resources.

Budget - means the representation in financial terms of the Governing Body's plan for a given period of time.

Budgeting - means the preparation of estimates of expenditure and income to form a budget. Guidance on budget preparation is provided by the Authority.

Budget Plan - means the Governing Body's spending intentions for the financial year, drawn up having regard to curriculum priorities and the overall level of resources available to the school.

(Individual) Budget Share - means a school's share of the Individual Schools Budget for a financial year, worked out using the Authority's funding formula.

CIPFA - means the Chartered Institute of Public Finance and Accountancy.

Capital Expenditure - means spending on building projects, including new build and (subject to the thresholds determined by the Authority) repairs and maintenance, and large items of equipment.

Central Services - means services provided to schools by the Authority, using centrally retained funds from the Schools Budget. Can also refer to the services purchased by schools from the Authority if funds for these services are delegated.

Competitive Tendering - means obtaining quotes from a variety of possible providers, (including, for example, the Authority and private sector companies) before awarding contracts for goods and services.

Delegated Budget - means the budget share allocated to a school through the application of the funding formula. The spending of the delegated budget is controlled and managed by the Governing Body.

Delegation - means the process by which one body or person gives another body or person authority to take decisions on a particular matter.

Devolved Funding - means the funding allocated to schools for a specific purpose. Such funding cannot be used to support the general activities of the school and is often referred to as "earmarked funding".

Earmarked Funds - means funds allocated to the school separately from the budget share which can only be used for a particular purpose.

Fair Funding - means the term used to describe the current legal framework for the operation of local management arrangements in schools. The framework is based on Section 45-53 of the School Standards and Framework Act 1998, and any subsequent amendments.

Financial Delegation - means the concept of financial management by which management units, eg Governing Bodies, are identified and allocated resources to control and manage against a set of objectives. The management unit is held accountable for performance in achieving its objectives.

Financial Year - means the 12 months from 1 April to 31 March.

Formula Funding - Changes to the Authority's formula arrangements can only be made following consultations with schools. The formula is no longer subject to approval by the Secretary of State but must meet detailed requirements set out in regulations.

Instrument of Government - means the legal document setting out the composition of Governing Bodies.

Internal Financial Regulations - means the rules established by the Governing Body within the school to organise its financial affairs, which includes establishing proper financial management arrangements and accounting procedures, and maintaining a sound system of internal controls including safeguards against fraud. Guidance on appropriate internal financial regulations is provided by the Authority.

Maintained School - means any maintained nursery, primary, secondary or special school covered by the Authority's Scheme for Financing Schools.

Month - means calendar month.

Outturn Statement - means a statement of what the school actually spent for the whole financial year.

PFI/PPP - means Private Finance Initiative/Public and Private Partnership. These are Government initiatives aimed at providing better and more cost effective public services, and improving value for money through partnership with the private sector.
prescribed - means as laid out in Regulations.

Public Funds - means monies provided by the state or local authority for specific purposes.

Quarter - means a period of three months beginning on 1 April, 1 July, 1 October or 1 January.

Register of Business Interests - means a list, covering both Governors and school staff with significant financial responsibilities, of all business interests such as directorships, significant share holdings, close family or personal ties with any business which may have dealings with the school.

Regulations - means subordinate (secondary) legislation that derives its authority from an Act of Parliament. Local Authorities, Governing Bodies and others must keep to relevant regulations by law.

Revenue Expenditure - means the resources available to be spent on day-to-day running costs but not on capital projects.

Schools Budget - means the total of all expenditure direct and indirect on the Authority's maintained nursery,

primary, secondary and special schools.
The Individual Schools Budget is distributed via the funding formula and is the Schools Budget net of any central retention for identified purposes.

Section 251 Statement - means the Statement published each year setting out details of the Authority's planned expenditure on education, showing the amounts to be centrally retained, the budget share of each school, the formula used to calculate these budget shares and the detailed budget calculation for each school.

A separate Statement is published after the end of the financial year showing actual expenditure at both central level and for each school, and the balances held in respect of each school. This is known as the 'out turn' statement.

Service Level Agreement - means the agreement with the Authority for the delivery of a specified level of services to the school.

Statutory Provision - means provision as required by an Act of Parliament or subordinate legislation.
the 1998 Act - means the School Standards and Framework Act 1998.

The 2010 Act - means the Education Act 2010.

The Scheme - means the Scheme for Financing Schools in Sefton drawn up in accordance with Section 48 of the School Standards and Framework Act 1998 and approved by the Secretary of State. The Scheme describes the financial controls within which delegation operates in Sefton.

Unofficial Fund - means any school fund which is controlled either wholly or in part by members of the staff of the school by reason of their employment in the service of the Education Authority and which has not been designated by the Authority as an official fund.

Virement - means the process of transferring funds between one expenditure heading and another.