

# Scheme for Financing Schools



## Section 48 of the School Standards and Framework Act 1998

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Produced by  
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# Section 1

# Introduction

Scheme for Financing Schools

## **INTRODUCTION**

### **1.1 THE FUNDING FRAMEWORK**

- 1.1.1 The funding framework which replaces Local Management of Schools is based on the legislative provisions in sections 45 - 53 of the School Standards and Framework Act 1998 (SSAF Act 1998).
- 1.1.2 Under this legislation, local authorities determine for themselves the size of their Schools Budget and LA Budget - although at a minimum a local authority must appropriate its entire Dedicated Schools Grant to their schools budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two is all expenditure, direct and indirect, on an Authority's maintained schools. Local authorities may retain centrally funding for purposes defined in regulations made by the Secretary of State under S.45A of the Act. The amounts to be retained centrally are decided by the Authority concerned, subject to any limits or conditions (including gaining the approval of their Schools Forum or the Secretary of State in certain circumstances) prescribed by the Secretary of State. The balance of the Schools Budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the LA Budget must be retained centrally (although earmarked allocations may be made to schools).
- 1.1.3 Local authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with S.51 of the Act. The 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 approved by the Schools Forum.
- 1.1.4 Subject to provisions of the Scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under S.50.
- 1.1.5 An authority may suspend a school's right to a delegated budget if the provisions of the School Financing Scheme (or rules applied by the Scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons (S.17 of the SSAF Act 1998) but in that case there is no right of appeal.

- 1.1.6 Each authority is obliged to publish each year a statement setting out details of its planned Schools Budget and LA Budget, showing the amounts to be centrally retained, the budget share for each school, the formula used to calculate those budget shares, and the detailed calculation for each school. After each financial year, the authority must publish a statement showing outturn expenditure at both central level and for each school, and the balances held in respect of each school.
- 1.1.7 The detailed publication requirements for financial statements and for Schemes are set out in regulations, but each school must receive a copy of the Scheme and any amendment, and each year's budget and outturn statements so far as they related to that school or central expenditure.
- 1.1.8 The regulations also require the authority to publish their Scheme and any amendments to it in a manner it determines.

## **1.2 THE ROLE OF THE SCHEME**

- 1.2.1 The Scheme sets out the financial relationship between North Somerset Council and the schools which it funds. The requirements of the Scheme are binding on both the authority and its schools.
- 1.2.2 Section 48 of the SSAF Act 1998 requires that the authority shall prepare a Scheme in accordance with the provisions of that Section, Schedule 14 of the Act and the relevant regulations.
- 1.2.3 The Scheme sets out the requirements on schools in some detail. However, some areas of the Scheme require further guidance which will be published separately. The more detailed guidance should be compatible with the Scheme. In the event that this guidance is in any respect incompatible with the Scheme, the requirements of the Scheme will override the guidance.

## **1.3 THE APPLICATION OF THE SCHEME TO THE AUTHORITY AND MAINTAINED SCHOOLS**

- 1.3.1 The Scheme covers all community, nursery, special, voluntary, foundation (including Trust Schools), community special or foundation special schools maintained by the authority.

## **1.4 PUBLICATION OF THE SCHEME**

- 1.4.1 A copy of the scheme will be available on the North Somerset Council website, **including the dates that the revisions come into force**. A hard copy will be available on request and without charge.

## **1.5 REVISION OF THE SCHEME**

- 1.5.1 Any proposed revisions to the scheme will be presented to the schools forum for approval following consultation ~~with all schools~~ **with the governing body and head teacher of every school maintained by the authority**.

**1.5.2 All proposed revisions must be submitted to the schools forum for their approval. Where the schools forum does not approve them or approves them subject to modifications which are not acceptable to the authority, the authority may apply to the Secretary of State for approval.**

## **1.6 DELEGATION OF POWERS TO THE HEADTEACHER**

1.6.1 The governing body is required to consider to what extent it wishes to delegate its powers to the headteacher.

1.6.2 Under guidance issued with the Education (School Government) (Terms of Reference) (England) Regulations 2000 the governing body's, or a committee of the governing body's, major responsibilities are to:

- Consider the annual budget plan proposed by the headteacher and to amend the budget plan where appropriate;
- Approve the first formal annual budget plan;
- Spend the delegated budget;
- Decide how to spend the grant paid to North Somerset Council where the Council has delegated such decisions to the governing body;
- Decide whether and to what extent to delegate their powers to spend the delegated budget and any grants, to the headteacher.

1.6.3 Under guidance issued with the Education (School Government) (Terms of Reference) (England) Regulations 2000 the headteacher's major responsibilities are to:

- Prepare and submit to the governing body (**or committee of**) an annual budget plan in accordance with North Somerset Council's Scheme for Financing Schools.

1.6.4 In addition, governing bodies ought to consider the following key areas of headship when determining their delegation to headteachers:

- The strategic direction and development of the school
- The teaching and learning in the school
- Leading and managing staff to secure improvement
- The efficient and effective deployment of staff and resources
- Accountability to governors and others such as parents, pupils, staff and the local community

1.6.5 In determining the delegation to headteachers, the governing body must record in the minutes the extent of delegation and any subsequent revisions.

1.6.6 Such decisions relate to the general responsibility of the governing body for the conduct of the school made under Section 38 and Schedule 11 of SSAF Act 1998.

## **1.7 MAINTENANCE OF SCHOOLS**

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

# Section 2

# Financial Controls

Scheme for Financing Schools  
FINANCIAL CONTROLS

## **2.1 APPLICATION OF FINANCIAL CONTROLS TO SCHOOLS**

### **GENERAL**

- 2.1.1 Section 50 (3) of the SSAF Act 1998 provides that the governing body of a school, which has a delegated budget, shall be entitled to spend any sum made available to them in respect of the school's budget share for any financial year, as they think fit for the purposes of the school.
- 2.1.2 The governors' discretion to spend any sum made available to them is subject to the provisions contained in the Scheme. Further advice is set out in [Annex B, Financial Regulations for Schools](#), but do not form part of the Scheme. In the event of there being incompatibility between the regulations and the Scheme, the Scheme provisions would prevail. Some of these requirements will vary depending on whether or not a school has its own bank account.

## **2.2 PROVISION OF FINANCIAL INFORMATION AND REPORTS**

- 2.2.1 Schools will be required to provide the authority with details of estimated and actual expenditure on a regular basis in a format that will be determined by the authority. This requirement, again, will vary depending whether or not the school has a bank account.
- 2.2.2 The detailed requirements are included in 'The Information Source' on the Council's website.

## **2.3 PAYMENT OF SALARIES AND BILLS**

- 2.3.1 Payment of salaries and bills has been delegated. Schools have the ability to purchase these services elsewhere, and as a consequence, agreements are already in place which cover requirements placed on schools when buying their payroll services from another provider. Our details are included in The Information Source produced separately to the Scheme but compatible with the Scheme.

## **2.4 CONTROL OF ASSETS**

- 2.4.1 Each school must maintain an inventory of its moveable non-capital assets in accordance with arrangements determined by the authority. However, schools are free to determine their own arrangements for assets worth less than £1,000 and a register must be kept in some form. Each school must arrange for inventories to be checked annually with the physical assets. The governing body and the authority must be informed of surpluses or deficiencies revealed at these checks.
- 2.4.2 The basic procedures for the disposal of assets are as follows:

### Non Valuable Items (up to £1,000)

Where judged to be of low value, schools can dispose of items internally or by selling at school functions.

### Valuable Items (£1,000 and Over)

To ensure that value for money is obtained and to protect members of staff, such items should be advertised to the public and parents. If of exceptional value, then selling should be referred to the governing body.

- 2.4.3 Guidance is included in The Information Source produced separately to the Scheme but compatible with the Scheme.

## **2.5 ACCOUNTING POLICIES (including year end procedures)**

- 2.5.1 Schools must adhere to accounting procedures as set out in The Information Source which is in line with the authority's accounting procedures agreed with its external auditors.

- 2.5.2 Year-end procedures will be issued annually with a timetable that must be adhered to by schools to meet the statutory time frame for the authority.

## **2.6 WRITING OFF OF DEBTS**

- 2.6.1 The governing body may write off debts totalling £1,000 in accordance with the procedures set out in the Information Source.

- 2.6.2 The Governing Body will not write-off any debt belonging to the school which exceeds £1,000.

Any sums above £1,000 will be referred to the Director of Children and Young Peoples Services for approval for write-off.

The formal agreement of the Local Authority's Director of Finance and Resources (Section 151 Officer) will be obtained before a debt exceeding £1,000 is written off. (If any debtor has a number of debts which together exceed the write-off limit then these will be treated as a total amount).

Debts greater than £10,000 can only be written off by the Executive member for finance on advice of the Section 151 Officer.

## **2.7 BASIS OF ACCOUNTING**

- 2.7.1 The accounts of the authority are on the basis of accruals, therefore when schools submit their final accounts at the end of the year their return must be on this basis in the format required by the authority.

- 2.7.2 How schools organise their accounts internally will be up to the governing

body but advice will be available from the authority.

## **2.8 SUBMISSION OF BUDGET PLANS**

- 2.8.1 Each school is required to submit their budget plan approved by the full governing body (or a committee of) by the 31 May of each year in a format to be determined by the authority which will, as far as possible, take into account Consistent Financial Reporting. In submitting their budget plan, the governing body should also include their assumptions underpinning their budget plan.
- 2.8.2 The governing body should review the plan at least once every three months and if necessary submit this revised plan to the authority.
- 2.8.3 The authority will provide to the governing body of each school the same relevant data in order for the governing body to plan its budget annually. Such information could cover pay inflation rates for both teaching and non-teaching staff, price inflation, budget assumptions in the authority's budget, and policy decisions of the council that affect schools budgets. At the beginning of the financial year, the authority will notify the schools it maintains when financial information is available at times during the year.
- 2.8.4 Schools in determining their budgets should take into full account the estimated deficits/surpluses at the previous 31 March in their budget plan.
- 2.8.5 The school's formal annual budget plan must be approved by the governing body or a committee of the governing body.

## **2.9 SUBMISSION OF FINANCIAL FORECAST**

- 2.9.1 In Certain circumstances the Authority may require a school to submit a financial forecast for multi years e.g. a school with a deficit budget situation.

## **2.10 BEST VALUE**

~~2.10.1 In submitting their budget plan for the year, the governing body of each school should also include a statement setting out the steps the governing body will be taking during the course of the year to ensure that expenditure will reflect the best value regime. The governing body should pay particular attention to large service contracts.~~

~~2.10.2 Although the statutory duty of best value will not apply to the governing bodies of schools, given the high proportion of local authority spending which flows through delegated budgets, the government considers it desirable that schools should demonstrate that they are following best value principles in their expenditure.~~

**2.10.1 Given the very high proportion of local authority spending which flows through delegated budgets, the government considers it desirable that schools should demonstrate that they are following best value principles in their expenditure**

**2.10.2. Schools should seek to achieve value for money and efficiencies, taking into account the purchasing, tendering and contracting requirements outlined in section 2.16.**

2.10.3 In order to assist governing bodies in doing this, a set of principles is set out in [Annex C](#) to this Scheme. In addition, schools may find it useful to refer to the DfE publication “Best Value in School”, obtainable at DfE website.

## **2.11 VIREMENT**

2.11.1 The full governing body has the power to transfer funds between budget heads in the expenditure of their budget shares. This is known as virement.

2.11.2 When considering such virements, the governing body should take into account the effects in subsequent years and ensure that the virement will not lead to the school ending up in an overall deficit.

## **2.12 AUDIT (General)**

2.12.1 Each school will be subject to regular internal audit within a regime that is determined by North Somerset Council and access to the records must be available to the authority's auditors.

2.12.2 Each school will also be subject to external audit in a regime determined by the Audit Commission as part of the Audit Commission's external audit of the authority, and access to the records must be available to the external auditors.

## **2.13 SEPARATE EXTERNAL AUDITS**

2.13.1 The governing body of each school can use the school's budget share to obtain external audit examination of its accounts. This is separate from any North Somerset Council or external audit process.

## **2.14 AUDIT OF VOLUNTARY AND PRIVATE FUNDS**

2.14.1 Every school that has private or voluntary funds or trading organisations must provide annual audit certificates to the authority in respect of these funds.

2.14.2 The purpose of this requirement is to ensure that public funds are not being misused.

2.14.3 It is up to those who make funds available to determine the audit regime taking account of any Charity Commission requirements or other legal requirements. However, guidance is included in The Information Source.

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

2.14.5 Where a school refuses to provide an audit certificate action can be taken on the basis that there is a breach of the scheme.

## **2.15 REGISTER OF BUSINESS INTERESTS**

2.15.1 The governing body of each school must establish a register which lists for each member of the governing body, headteacher and staff any business interests they or any member of their immediate family have; to keep the register up to date with notification of changes and through annual review of entries, and to make the register available for inspection by governors, staff, parents and the Authority.

2.15.2 Further guidance is included in The Information Source.

## **2.16 PURCHASING, TENDERING AND CONTRACTING REQUIREMENTS**

2.16.1 Schools must abide to the financial regulations and standing orders in purchasing, tendering and contracting matters. This should include a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the council's policies and procedures as set out in [Annex B](#).

2.16.2 In following these regulations schools:

- Must not do anything incompatible with the provisions of this Scheme, or any statutory provision, or any EU Procurement Directive;
- Do not have to seek a council officer's counter signature for any contracts for goods or services for a value below £50,000 in any one year;

- Must not be required to select suppliers only from an approved list;
- Must seek at least three tenders in respect of any contract with a value exceeding £10,000 in any one year.

## **2.17 APPLICATION OF CONTRACTS TO SCHOOLS**

2.17.1 Schools are able to opt out of council arranged contracts.

2.17.2 Although governing bodies are empowered under paragraph 3 of Schedule 40 to the ~~SSAF Act 1998~~ **1 to the Education Act 2002** to enter into contracts, in most cases they do so on behalf of the council as maintainer of the school and the owner of the funds in the budget share.

2.17.3 Where a governing body has clear statutory obligations it is free to enter into contracts solely on behalf of the governing body, for example contracts made by aided or foundation schools in respect of the employment of staff.

## **2.18 CENTRAL FUNDS AND EARMARKING**

2.18.1 From time to time, North Somerset Council will make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget shares.

2.18.2 When such allocations are made by North Somerset Council there will be a set of conditions attached to each allocation setting out the purpose or purposes for which the funds may be used. The conditions may permit virement between earmarked grants (except where the funding is supported by grant which the council itself is not permitted to vire) but these allocations cannot be assimilated into the schools' budget share.

2.18.3 Any earmarked funding from centrally retained funds must only be spent on the purpose for which it is given and cannot be vired into the schools' budget share. This could cover such items as SEN or other initiatives funded from the central expenditure of a local authority's school budget or other local authority budget.

2.18.4 Accounting arrangements will have to be in place in order for schools to demonstrate that the requirement has been complied with.

2.18.5 Any unspent earmarked funding at the end of a financial year or within the period which schools are allowed to use the funding if different to a financial year must be returned to North Somerset Council at the end of that financial year.

2.18.6 Foregone interest will not be clawed back on sums advanced in respect of devolved specific or special grants.

## **2.19 SPENDING FOR THE PURPOSES OF THE SCHOOL**

2.19.1 Section 50 (3) of the SSAF Act 1998 allows governing bodies to spend budget shares for the purposes of the school subject to any provisions of this Scheme. The Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur.

~~2.19.2 The Secretary of State has prescribed an additional purpose for which expenditure of the budget share may occur and schools are able to spend their own delegated budget share on educational services in respect of pupils registered in another school (e.g. outreach).~~

**2.19.2 By Virtue of section 50 (3A) which came into force on 1<sup>st</sup> April 2011, amounts spent by governing bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.**

**2.19.3 Under section 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 2004/444). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools.**

## **2.20 CAPITAL SPENDING FROM BUDGET SHARES**

2.20.1 Governing bodies are permitted to use their budget share to meet the cost of capital expenditure on 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.

2.20.2 Any capital spending proposed by a governing body from their budget share shall be notified to North Somerset Council.

2.20.3 If a governing body decides to spend more than £15,000 on capital expenditure from its budget share in any one year, it must take into account any advice from the Director of Children & Young People's Services as to the merits of such expenditure.

2.20.4 If the premises are owned by North Somerset Council, or the school has voluntary controlled status, then the governing body should seek consent from the council to the proposed works. Consent will only be withheld on health and safety grounds.

## **~~2.21 FINANCIAL MANAGEMENT STANDARD~~**

~~2.21.1 All maintained schools must demonstrate compliance with the DfE Financial Management Standard in Schools (FMSiS) in line with the timetable determined by North Somerset Council and at any time thereafter.~~

~~2.21.2 North Somerset Council may require schools to demonstrate compliance through the submission of evidence showing that the school has undergone~~

~~an external assessment. The external assessment must be carried out by the authority or by a third party that has been approved to carry out such assessments or the DfE.~~

~~2.21.3 The costs of any external assessment provided by the authority or a third party must be met from the school's delegated budget share.~~

~~2.21.4 The evidence required to support the declaration of compliance for the standard is a matter for the Director of Finance and Resources. Where it is an authority-led assessment the Director of Finance and Resources will set out clearly what the assessment entails.~~

~~2.21.5 The Director of Finance and Resources may decide that a school does not require an external assessment and relies upon a review of the school's self-assessment which may provide the authority with the appropriate information for him/her to make a judgement. In doing so, the Director of Finance and Resources will take into account the relevant comments in the reports of auditors, advisers, School Improvement Partners (SIPs) of budgetary and accounting performance, and of any other relevant information available.~~

~~2.21.6 None of the above paragraphs under this section override the provisions set out in [paragraph 2.12](#).~~

**2.21.1 Following the introduction of the Schools Financial Value Standard. The DfE intends that completion of SFVS will be a requirement for maintained schools. The current Education Bill contains a clause restoring the Secretary of State's power to make directed revisions to Local Authority Schemes for Financing Schools. The DfE expect to consult as soon as practicable on a directed revision which will add SFVS as a requirement into the scheme.**

## **2.22 NOTICE OF CONCERN**

2.22.1 North Somerset Council may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Director of Finance and Resources and the Director of Children and Young People's Services, the school has failed to comply with any provisions of the Scheme, or where actions need to be taken to safeguard the financial position of North Somerset Council or the school.

2.22.2 In issuing the notice of concern it will include the reasons and evidence for doing so. The notice will also place on the governing body of the school restrictions and limitations in relation to the management of funds delegated to it which may include:

- Regular financial monitoring meetings attended by North Somerset Council Officers.
- The provision of monthly reports by the school to the authority including budget and cash flow forecasts where a school has retained its bank account for all funding operated through official funds.

- A requirement for the relevant staff and governors within the school undertake appropriate training to address identified weakness in the financial management of the school.
- The imposition of an appropriately trained person chairs the finance committee of the governing body.
- The suspension of the school's local bank account (where applicable).

2.22.3 The notice of concern will set out the timescale by which the requirements must be complied with in order for the notice to be withdrawn.

2.22.4 Once a governing body of a school has complied with the requirements of the notice of concern and provided supporting evidence it will be withdrawn at once.

2.22.5 The notice will also include the actions that the authority will take where the governing body of a school does not comply with the notice.

2.22.6 This provision in the Scheme does not replace the withdrawal of financial delegation where it is appropriate to take such action (see [paragraph 4.5.2](#)).

2.22.7 For solving any dispute arising between the LA and the School the matter should be raised in writing to the Director of Children and Young People's Services. If it is still not possible to resolve, the matter can be referred to an independent panel comprising of a member of the Heads Association of North Somerset and an Assistant Director in both Corporate Services and Children and Young People's Services.

# Section 3

## Cash Instalments of Budget Share and Banking Arrangements

Scheme for Financing Schools

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## **CASH INSTALMENTS OF BUDGET SHARE AND BANKING ARRANGEMENTS**

North Somerset Council has adopted the CIPFA Code of Practice for Treasury Management in Local Authorities

### **3.1 FREQUENCY OF CASH INSTALMENTS**

- 3.1.1 In accordance with Section 47 of the SSAF Act 1998 and the regulations thereunder, each school will be notified of its annual budget share by the 31 March of each year.
- 3.1.2 For those schools that have bank accounts, they will receive a budget share instalment at the beginning of terms 5, 1 and 3.
- 3.1.3 Where a school with a bank account requests it, North Somerset Council will make available budget share cash instalments on a monthly basis. This request must be made prior to the start of the relevant financial year.
- 3.1.4 Where schools do not have a bank account, they will be able to draw on their entire budget share at the start of the financial year.

### **3.2 PROPORTION OF BUDGET SHARE PAYABLE AT EACH CASH INSTALMENT**

- 3.2.1 Where schools with bank accounts receive their budget share on an alternate termly basis, cash will be allocated to schools in line with cash flow forecasts submitted to the CYPs Funding Team one month before the payment dates of 1st April, 1st September and 1st January. In the absence of these the cash will be allocated on the basis of 40% of the budget share on 1st April, 35% on 1st September and 25% on 1st January.
- 3.2.2 Where schools wish to receive their budget share on a monthly basis, their monthly instalments will equal the amount in their cash flow plan for the relevant month. In the absence of these the cash will be allocated on the basis of approximately 8.33% per month.
- 3.2.3 Schools can opt to have bank accounts to cover all expenditure to be met from their budget share or budget shares net of pay.
- 3.2.4 Further guidance on cash flow forecasts is included in The Information Source.

### **3.3 INTEREST CLAWBACK**

- 3.3.1 North Somerset Council will deduct from the budget share instalments for those schools with bank accounts an amount equal to the estimated interest lost by North Somerset Council in making the budget share in advance. The reason for deducting foregone interest is that North Somerset Council

receives its income in monthly instalments therefore may have to borrow or will have less money to invest where schools receive their cash in advance. The calculation is equivalent to the loss of interest to the council.

- 3.3.2 The interest clawback is calculated by comparing the cash instalments to be made to schools to the notional payments which would have been made on behalf of schools if they did not have a bank account. The notional interest lost can then be calculated and expressed as a percentage.
- 3.3.3 The percentage of foregone interest calculated is then applied to each cash instalment to calculate the interest clawback.
- 3.3.4 The percentage of foregone interest may be different depending on whether cash instalments are alternate termly or monthly.
- 3.3.5 The interest rate used in the calculation is 1% below the projected bank base rate, as this is what the authority would "earn" on its deposits.
- 3.3.6 Where North Somerset Council is late in paying a school its budget share due to an LA error, the council will pay interest at the same rate used in the clawback calculations.

#### **3.4 CASH INSTALMENTS OF BUDGET SHARES FOR CLOSING SCHOOLS**

- 3.4.1 Where schools are due to close, for which approval for discontinuation has been secured, budget shares will be still on a monthly/alternate termly basis net of estimated pay costs.

#### **3.5 BANK AND BUILDING SOCIETY ACCOUNTS**

- 3.5.1 All North Somerset schools are permitted to have external bank accounts into which their budget share cash instalments (as determined by this Scheme) are paid.
- 3.5.2 Where schools hold such accounts, schools shall be allowed to retain all interest earned on those accounts.
- 3.5.3 Schools can only enter into local payment arrangements from the beginning of the financial year.
- 3.5.4 Schools that have a deficit balance will not be allowed a bank account until that deficit is cleared.
- 3.5.5 When a school opens a bank account it may immediately have transferred to it the estimated total of its surplus balance. This will be adjusted if the end of year carry forward is different.

### **3.6 RESTRICTIONS ON ACCOUNTS**

3.6.1 Schools are allowed to have the bank account in their name.

**3.6.2 Budget share funds paid by the authority and held in schools accounts remain authority property until spent (s.49(5) of the Act).**

### **3.7 BORROWING BY SCHOOLS**

3.7.1 Governing bodies may only borrow money with the written permission of the Secretary of State (see [Annex A](#)).

3.7.2 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 budgets, but schools are free to agree a charge for a service which the trustees or foundation are able to provide as a consequence of their own borrowing.

3.7.3 This provision does not apply to the deficit loan scheme that may be run by North Somerset Council (see [Section 4.10](#)).

**3.7.4 Though schools that do not have their own bank account cannot have credit cards as to do so is regarded as borrowing. Procurement cards are permitted, as these cards can be a useful means of facilitating electronic purchases see the Information Source for further information.**

### **3.8 OTHER PROVISIONS**

3.8.1 Detailed guidance and rules are included in the Information Source.

# Section 4

## The Treatment of Surpluses and Deficit Balances Arising in Relation to Budget Shares

Scheme for Financing Schools

## **THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES**

### **4.1 THE RIGHT TO CARRY FORWARD SURPLUS BALANCES**

4.1.1 Each school in North Somerset is permitted to carry forward from one financial year to the next financial year any surplus budget over expenditure for the year plus/minus any balance brought forward from the previous year.

4.1.2 Where a school is opening a bank account North Somerset Council will transfer the estimated carry forward based on the projected sum as at the end of the previous month (i.e. if the school opens a bank account in April the projected carry forward as at the end of February will be transferred). The sum will be adjusted to reflect the actual position. This will not apply to those schools in deficit (see [paragraph 3.5.4](#)).

### **4.2 THE CONTROL OF SURPLUS BALANCES**

4.2.1 Surplus balances held by schools as permitted under this Scheme are subject to the following restrictions:

- a) North Somerset Council shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be total revenue recurrent balance category as defined in Consistent Financial Reporting Framework;
- b) North Somerset Council shall deduct from the surplus balance any amounts which the governing body of the school declares to be assigned for specific purposes as permitted by North Somerset Council listed at paragraph 4.2.5 of the Scheme and which the authority is satisfied are properly assigned. To qualify as properly assigned, amounts must not be retained beyond the period stipulated for the purpose in question, without the written consent of the authority; and
- c) If the result of steps (a) and (b) is a sum greater than whichever is the greater of 5% of the budget share (secondary schools) or 8% or £50,000 (primary and special schools), then the authority shall deduct from the following year's budget share an amount equal to the excess.

4.2.2 Balances deriving from sources other than the authority will be included in this calculation if paid into the budget share account of the school, whether under provisions in this Scheme or not.

4.2.3 Balances held in relation to a school's exercise of powers under section 27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school permitted by North Somerset Council.

4.2.4 The total of any amounts deducted from schools budget shares by North Somerset Council under this provision are to be applied to the schools budget of the authority.

4.2.5 Set out below are the specific purposes for which a school can retain an excess balance (see paragraph 4.2.1 (b)) together with the period the school is allowed to carry forward such sums. Further details for specific purposes and evidence requirements are included in the 'Information Source' for schools:

Specific Purpose	Period	Maximum Amount per year
* Nominated Capital Project – (including high cost equipment and premises projects included in the agreed premises maintenance and development plan between the LA and school)	Maximum 3 years	£20,000 Primary and Special Schools, £75,000 Secondary Schools.
* Falling rolls greater than 5%	Maximum 1 year	5% reduction in pupil funding not protected through the safety net
* Increasing rolls greater than 5%	Maximum 1 year	5% increase in pupil funding not protected through the pupil growth factor

### **4.3 INTEREST ON SURPLUS BALANCES**

4.3.1 Where North Somerset Council holds surplus balances on behalf of schools (i.e. those without bank accounts) these average balances over the year will attract interest at a rate to be determined by the council.

4.3.2 The basis of calculation will be as follows:

- a) balance as at 1 April plus balance as at 31 March divided by 2 = average for year
- b) average balance for year less imprest account x rate of interest for year

### **4.4 OBLIGATION TO CARRY FORWARD DEFICIT BALANCES**

4.4.1 Any North Somerset school that has deficit at the end of a financial year will have this deficit carried forward by deducting the amount of the deficit from the following year's budget share.

### **4.5 PLANNING FOR DEFICIT BUDGETS**

4.5.1 North Somerset schools will not be permitted to plan for a deficit unless they have a deficit agreement with the authority.

4.5.2 North Somerset Council will consider the withdrawal of delegated powers from a school's governing body where the planned deficit in any year exceeds 15% of the delegated budget share including funding for post 16. ~~and the school standards grant.~~

#### **4.6 CHARGING OF INTEREST ON DEFICIT BALANCES**

4.6.1 Where a North Somerset school is in deficit and by definition does not have a bank account, the school will be charged interest averaged over the year at a rate to be determined by the council.

4.6.2 The basis of calculation will be as follows:

- a) balance as at 1 April plus balance as at 31 March divided by 2 = average for year
- b) average balance for year plus imprest account multiplied by rate of interest determined by the Council

#### **4.7 WRITING OFF OF DEFICITS**

4.7.1 North Somerset Council is not permitted to write off the deficit balance of any school in North Somerset.

#### **4.8 BALANCES OF CLOSING AND REORGANISED SCHOOLS**

4.8.1 Where a school closes, any balance (whether surplus or deficit) reverts to North Somerset Council.

~~4.8.2 Where a school is established as a result of the closure of one or more schools an amount will be added to, or deducted from the budget share of the school to reflect the entire unspent or overspent budget share of the closing school for the funding period in which it closes. Where the budget share of the closing school(s) is in deficit any amount deducted will not exceed the budget share allocation to the new school in the opening financial year.~~

**4.8.2 When a school closes any balance (whether surplus or deficit) reverts to the authority; it cannot be transferred as a balance to any other school, even where the school is the successor to the closing school, except that a surplus transfers to an academy where a school converts to academy status under section 4(1)(a) of the Academies Act 2010.**

4.8.3 Closing schools should have regard to their financial position and give due consideration to any material spending decisions.

#### **4.9 DEFICIT AGREEMENTS**

4.9.1 Schools cannot plan for a deficit (see [Section 4.5](#)). Should this situation occur the authority would make arrangements with the governing body to plan for the deficit to be repaid, known as a "deficit agreement".

4.9.2 In making such arrangements the following will apply:

- The maximum length over which schools may repay the deficit or clear to zero is ~~five~~ **three** financial years;
- Deficit agreements will only be allowed when there is fall in pupil numbers greater than expected or where short term corrective action would disrupt pupils' education.
- The maximum size of deficit that can be agreed is 15% of the school's budget share or £50,000 whichever is the greater.
- The sum total of deficit agreements and loans will not exceed 30% of the collective school balances held by the authority;
- All agreements and any renegotiation of agreements must be approved by the Director of Children and Young People's Services and the Director of Finance and Resources

~~4.9.3 Where a school has a deficit agreement, and the school proposes to spend amounts received by it in respect of the school standards grant on purposes other than reducing the licensed deficit, North Somerset Council will agree to such a proposal unless the school's proposals for expenditure are unreasonable given the school's financial circumstances.~~

4.9.4 Schools who maintain a local bank account and have a deficit agreement with the council will be required to cease the operation of their local accounts until the deficit has been repaid.

#### **4.10 DEFICIT LOAN AGREEMENTS**

4.10.1 Where it is not possible to repay the deficit and reach at least a zero balance within the terms of a licensed deficit (see 4.9 above) or where a school wishes to maintain their local bank account a school may apply to the authority for a loan.

4.10.2 Where a loan is agreed a payment to a school will be made on the condition that a corresponding sum plus interest is repaid from the budget share within the period of the loan. The repayment of the loan must be the first call on any available resources from the schools budget share.

4.10.3 In making such an agreement the following will apply:

- The value of the loan must not exceed the estimated value of the deficit at the end of the financial year which the loan is agreed;
- The maximum length over which schools may repay the loan is five financial years;
- A loan will only be agreed when there is fall in pupil numbers greater than expected, or where short term corrective action would disrupt pupils' education and where the criteria for a deficit agreement cannot be met or where a school wishes to maintain their local bank account;

- A loan will only be agreed for schools that have achieved the financial management standard;
- The maximum size of loan that can be agreed is 15% of the school's budget share or £50,000 whichever is the greater;
- The sum total of deficit agreements and loans will not exceed 30% of the collective school balances held by the authority;
- All loan agreements and renegotiations of loan agreements must be approved by the Director of Children & Young People's Services and the Director of Finance and Resources.

4.10.4 Where a school has a loan, and the school proposes to spend amounts received by it in respect of school standards grant on purposes other than repaying the loan, North Somerset Council will agree to such a proposal unless the school's proposals for expenditure are unreasonable given the school's financial circumstances.

4.10.5 All loans will be subject to interest at 1% above the Co-operative Bank base rate at the date on which the loan is agreed.

#### **4.11 CREDIT LOAN ARRANGEMENTS**

4.11.1 If schools wish to group together to use externally held balances for a credit union approach to loans, the authority would wish to be satisfied that these external balances are sufficient to cover deficits supported by the credit union. North Somerset Council would require an audit certificate proving such funds are available.

# Section 5

# Income

Scheme for Financing School

## **INCOME**

### **5.1 INCOME FROM LETTINGS**

- 5.1.1 Each North Somerset school will be allowed to retain income from the lettings of school premises subject to any alternative provisions arising from any joint use or PFI agreements.
- 5.1.2 Schools are allowed to cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share.
- 5.1.3 In letting school premises, Governing Bodies should have regard to directions issued by North Somerset Council as to the use of premises as permitted under the SSAF Act 1998 for various categories of schools.

### **5.2 INCOME FROM FEES AND CHARGES**

- 5.2.1 Each North Somerset school will be allowed to retain income from fees and charges except where a service is provided by the centrally retained funds.
- 5.2.2 Schools, in setting their fees and charges, should have regard to any policy statements on charging produced by North Somerset Council.

### **5.3 INCOME FROM FUND-RAISING ACTIVITIES**

- 5.3.1 Each North Somerset school will be allowed to retain income from fund-raising activities.

### **5.4 INCOME FROM THE SALE OF ASSETS**

- 5.4.1 Schools will be allowed to retain the proceeds from the sale of assets, except where the asset was purchased from non-delegated funds. It will be for North Somerset Council to decide whether schools can retain income from the sale of assets purchased from non-delegated funds.
- 5.4.2 Schools are not allowed to retain income from the sale of assets concerning land or buildings that form part of the school premises and are owned by North Somerset Council.

### **5.5 ADMINISTRATIVE PROCEDURES FOR THE COLLECTION OF INCOME**

- 5.5.1 Guidance and rules governing the collection of income are included in The Information Source.

### **5.6 PURPOSES FOR WHICH INCOME MAY BE USED**

- 5.6.1 Any income from sale of assets purchased with delegated funds may only be spent for the purposes of the school.

# Section 6

# The Charging of School Budget Shares

Scheme for Financing Schools

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## **THE CHARGING OF SCHOOL BUDGET SHARES**

### **6.1 GENERAL PROVISION**

- 6.1.1 North Somerset Council can charge the budget share of a school, without the consent of the governing body, in circumstances permitted by the Scheme as set out in Section 6.2.
- 6.1.2 North Somerset Council will consult schools as to the intention to so charge, and notify schools when it has been done. North Somerset Council is required to charge salaries of school-based staff to school budget shares at actual cost.

### **6.2 CIRCUMSTANCES IN WHICH CHARGES MAY BE MADE**

- 6.2.1 Where premature retirement costs have been incurred without prior written agreement of North Somerset Council to bear such costs (the amount chargeable being only the excess over any amount agreed by the Council).
- 6.2.2 Other expenditure incurred to secure resignations where the school has not followed advice from North Somerset Council.
- 6.2.3 Awards by courts and industrial tribunals against North Somerset Council or out of court settlements arising from action or inaction by the governing body contrary to advice from North Somerset Council.
- 6.2.4 Expenditure by North Somerset Council in carrying out health and safety work or capital expenditure for which North Somerset Council is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the work.
- 6.2.5 Expenditure incurred by North Somerset Council in making good defects in building work funded by capital spending from budget shares, where premises are owned by North Somerset Council or the school has voluntary controlled status.
- 6.2.6 Expenditure incurred by North Somerset Council 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 North Somerset Council.
- 6.2.7 Recovery of monies due from a school for services provided to the school, where a dispute over monies due has been referred to a disputes procedure set out in a service level agreement (or an arbitration panel for charges not generated through a service level agreement), and monies are owed by the school to North Somerset Council.
- 6.2.8 Recovery of penalties imposed on North Somerset Council by the Contributions Agency, HM Revenue & Customs, Teachers Pensions, **the Environment Agency** or other regulatory authorities as a result of school

negligence.

6.2.9 Correction of North Somerset Council errors in calculating charges to a budget share (**e.g. pension deductions**).

6.2.10 Additional transport costs incurred by North Somerset Council arising from decisions by the governing body on the length of the school day, failure to notify North Somerset Council of non-pupil days resulting in unnecessary transport costs etc.

6.2.11 Legal costs which are incurred by North Somerset Council because the governing body did not accept the advice of the Council (see [Section 11.4](#)).

6.2.12 Costs of necessary health and safety training for staff employed by North Somerset Council, where funding for training had been delegated but the necessary training not carried out.

6.2.13 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.

6.2.14 The cost of work done in respect of teachers pension remittance and records for schools using non North Somerset Council payroll contractors. The cost will reflect the minimum needed to meet the full costs incurred by North Somerset Council in complying with statutory obligations.

6.2.15 Costs incurred by North Somerset Council 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 that statement.

6.2.16 Costs incurred by North Somerset Council due to submission by the school of incorrect data.

6.2.17 Recovery of amounts spent by the school from specific grants on ineligible purposes.

6.2.18 Costs incurred by North Somerset Council as a result of the governing body being in breach of the terms of a contract.

**6.2.19 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.**

### **6.3 GENERAL TEACHING COUNCIL**

6.3.1 The General Teaching Council for England (Deduction of Fees) Regulations 2001 (“the Regulations”, S.I. 2001 No 3993) came into force on 10 January 2002. The Regulations apply to teachers at maintained schools registered with the General Teaching Council for England (“the GTC”) or required to be so registered by the Teachers (Compulsory Registration) (England) Regulations 2001 (S.I. 2001 No 1266). The Regulations place a duty on the employer of such teachers to deduct and remit the GTC fee in respect of a

teacher who has not already paid the fee to the GTC where the GTC has notified the employer to deduct and remit the fee of that teacher. This includes teachers who have indicated to the GTC that they wish to pay the fee by a salary deduction as well as teachers who have not indicated how they wish to pay the fee.

6.3.2 In order to ensure the performance of the duties to deduct and remit the fee imposed on employers by the Regulations 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.

6.3.3 By virtue of Section 46 of the School Standards and Framework Act 1998 and the regulations made under that Section the costs of payroll administration for teachers in the authority's maintained schools fall to be met from the budget shares which are allocated to governing bodies pursuant to Section 47 of the Act, and which are delegated to them pursuant to Sections 49-50. Accordingly, by virtue of Chapter IV of Part II of that Act and this Scheme, governing bodies of maintained schools are responsible for making suitable arrangements (or ensuring that such arrangements are made) for the administration of payroll services in respect of their teachers.

6.3.4 A governing body of a community school, community special school or a voluntary controlled school, though not the employer of the teachers at such a school, shall:

- a) where the governing body has entered into any arrangement or agreement with the authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of fees by the authority to the GTC. The governing body shall meet any consequential costs from the school's budget share;
- b) where the governing body has entered into any arrangement or agreement with a person other than the authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of fees by that person to the authority or directly to the GTC where this has been agreed between the GTC and the authority. The governing body shall meet any consequential costs from the school's budget share; and
- c) where the governing body directly administers the payroll, deduct and remit the fees to the authority or directly to the GTC where this has been agreed between the GTC and the authority. The governing body shall meet any consequential costs from the school's budget share.

6.3.5 A governing body of a foundation school, a foundation special school or a voluntary aided school, as the employer of its teachers, is by virtue of the Regulations under a duty to deduct (or arrange for the deduction of) the fee and to remit the fee to the GTC. Accordingly, a governing body shall:

- a) where the governing body has entered into any arrangement or

agreement with the authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of the fees by the authority to the GTC on the governing body's behalf. The authority shall agree to any such amendment. The governing body shall meet any consequential costs from the school's budget share;

- b) where the governing body has entered into any arrangement or agreement with a person other than the authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of the fees by that person to the GTC or to the governing body for onward transmission to GTC. The governing body shall meet any consequential costs from the school's budget share; and
- c) where the governing body directly administers the payroll, deduct and remit the fees to the GTC. The governing body shall meet any consequential costs from the school's budget share.

6.3.6 All this shall be done whether the funding for the salary payments is paid to the authority by the school from budget share instalments which have been held by the school in an independent bank account, or the salary costs are directly charged by the authority to the school's budget share account.

# Section 7

# Taxation

Scheme for Financing Schools

## **TAXATION**

### **7.1 VALUE ADDED TAX**

- 7.1.1 Those schools with bank accounts are required to submit to the authority each month such details of VAT incurred by the school as the authority needs in order to complete its monthly VAT return to HM Revenue & Customs. Schools are required to submit this information in accordance with the format and timing set out in The Information Source. VAT expenditure incurred by schools which is reclaimed by the authority will be passed back to the schools concerned.
- 7.1.2 Any amounts reclaimed by the authority on behalf of its schools with bank accounts will be passed back to those schools.
- 7.1.3 VAT in respect of those schools without bank accounts and that use the authority's accounting system will automatically be included in North Somerset Council's monthly VAT return. These schools will not need to be reimbursed as the transactions recorded in their accounts will be net of VAT.

### **7.2 CONSTRUCTION INDUSTRY SCHEME (CIS)**

- 7.2.1 All schools must abide by the procedures issued by North Somerset Council in connection with CIS. These procedures will be set out in The Information Source.

# Section 8

## The Provision of Services and Facilities by the Authority

Scheme for Financing Schools

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## **THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY**

### **8.1 PROVISION OF SERVICES FROM CENTRALLY RETAINED BUDGETS**

- 8.1.1 Where services are provided to schools from funds held centrally by the authority, it will be for North Somerset Council to determine the basis of provision of these services. This encompasses payments in respect of premature retirement costs and redundancy payments.
- 8.1.2 In the provision of services to schools from centrally retained funds, the authority will not discriminate in its provision on the basis of category of school except where funding has been delegated to some schools only, or where such discrimination is justified by differences in statutory duties.

### **8.2 TIMESCALES FOR THE PROVISION OF SERVICES BOUGHT BACK FROM THE AUTHORITY USING ITS DELEGATED BUDGETS**

- 8.2.1 Any arrangement between the council and a school will be limited to a maximum of three years from the date of the agreement, and to periods not exceeding five years for any subsequent agreement relating to the same service. These dates are extended from five years to seven years respectively for contracts for the supply of catering services.
- 8.2.2 The services mentioned in these paragraphs do not relate to centrally funded premises and liability insurance.
- 8.2.3 Services that are offered to schools will be at prices that are not less than the cost of the provision of these services to schools.

### **8.3 PACKAGING**

- 8.3.1 Where the authority is offering the services on a buy-back basis, these will be offered in a way that does not unreasonably restrict schools in their freedom of choice among services available. Schools will be able to buy back all services individually as well as a package of services.

### **8.4 SERVICE LEVEL AGREEMENTS**

- 8.4.1 If services or facilities are provided under a service level agreement, whether free or a buy-back service, the terms of any such agreement will be reviewed at least every three years if the agreement lasts longer than that. The service level agreement will be available to schools at least a month before the agreements become effective.
- 8.4.2 Where services are provided by North Somerset Council then these services will not be subject to an extended agreement.
- 8.4.3 Where premises and liability insurance are arranged centrally on behalf of schools these conditions do not apply in respect of insurance as the limitations envisaged may be impracticable for insurance purposes.

## **8.5 TEACHERS PENSIONS AGENCY**

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

# Section 9

# PFI/PPP

Scheme for Financing Schools

**PRIVATE FINANCE INITIATIVE (PFI)/  
PRIVATE PUBLIC PARTNERSHIPS (PPP)**

**9.1 PFI/PPP**

- 9.1.1 The authority shall have the power to issue regulations from time to time relating to PFI/PPP projects. Amongst other issues these may deal with the reaching of agreements with the governing bodies of schools as to the basis of charges relating to such schemes; and the treatment of monies withheld from contractors due to poor performance.
- 9.1.2 The authority is empowered to charge to the school's budget share, amounts agreed under a PFI/PPP agreement entered into by the governing body of a school.
- 9.1.3 In the absence of an agreement on charging the school for PFI service provision, the authority may, at its discretion, charge the school's delegated budget to reflect changes to service provision under a PFI arrangement.

# Section 10

# Insurance

Scheme for Financing Schools

## **INSURANCE**

### **10.1 INSURANCE COVER**

10.1.1 Individual schools may opt to have the funds for insurance delegated. In that event, North Somerset Council will require the school to demonstrate that the cover relevant to the authority's insurable interests, under a policy arranged by the governing body, is at least as good as the relevant minimum cover arranged by the authority, whether the insurance premiums are paid for from central funds or from contributions from schools' delegated funds (see [section 6.2.6](#)).

10.1.2 In arranging insurance cover for schools where schools have opted out of centrally arranged policies, North Somerset Council will have regard to risks that might reasonably be expected to arise at schools maintained by North Somerset Council. Details of cover are included in The Information Source.

# Section 11

# Miscellaneous

Scheme for Financing School

## **MISCELLANEOUS**

### **11.1 RIGHT OF ACCESS TO INFORMATION**

11.1.1 Governing bodies will be requested to supply the authority with financial and other information to enable the Director of Children & Young People's Services to satisfy him/herself as to the school's management of its delegated budget share, or the use of any central expenditure by the authority on the school.

### **11.2 LIABILITY OF GOVERNORS**

11.2.1 As the governing body is a corporate body, and because the terms of Section 50(7) of the SSAF Act 1998, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share, provided governors act in good faith.

### **11.3 GOVERNORS' EXPENSES**

11.3.1 Where a school is yet to receive a delegated budget but has a governing body in place, North Somerset Council will delegate to the governing body funds to meet governors' expenses.

11.3.2 ~~Under Schedule 11 of the SSAF Act 1998,~~ **Under section 50(5) of the Act,** only allowances **in respect of purposes** specified in regulations **made under section 19 of the Education Act 2002** may be paid to governors from a school's budget share. Schools are not permitted to make any other payments. Guidance will be included in the Information Source.

11.3.3 Schools will not be permitted to duplicate payments made by the Secretary of State to additional governors appointed by him/her to schools under special measures.

### **11.4 RESPONSIBILITY FOR LEGAL COSTS**

11.4.1 Legal costs incurred by the governing body in respect of legal actions and/or including costs awarded against the council may be charged to the school's budget share unless the governing body acts in accordance with advice of the authority.

11.4.2 Where there is conflict of interest between the authority and the governing body, the governing body should obtain independent legal advice.

### **11.5 HEALTH AND SAFETY**

11.5.1 In expending the school's budget share, governing bodies should have due regard to duties placed on the authority in relation to health and safety, and therefore follow or exceed systems and procedures as laid out within the Health and Safety Policy and procedures. Also to comply with the authority's policy on the legal requirement to undertake mandatory health and safety training. This is an essential element to consider and comply with in the management of the budget share.

## **11.6 RIGHT OF ATTENDANCE FOR CHIEF FINANCE OFFICER OR HIS/HER NOMINEE**

11.6.1 The Section 151 Officer of the authority, or any officer nominated by the Section 151 Officer, must be permitted to attend the meetings of the school's governing body for any agenda items that are relevant to the exercise of his/her responsibilities.

## **11.7 DELEGATION TO NEW SCHOOLS**

11.7.1 Before a governing body has a delegated budget, the authority may permit the governing body to take such decisions as to the spending of funds from the schools budget as the authority considers appropriate.

## **11.8 OPTIONAL DELEGATED FUNDING**

11.8.1 Where a school exercises the option to receive delegated or devolved funding for an item, that option may only be exercised for the start of a financial year.

## **11.9 SPECIAL EDUCATIONAL NEEDS**

11.9.1 Schools must use their best endeavours in spending their budget shares to secure appropriate provision to meet their pupils' special educational needs. This is to ensure that schools fulfil their statutory duties, especially where SEN is involved. It makes it possible for North Somerset Council to suspend delegation where a situation is serious enough to warrant it.

## **11.10 INTEREST ON LATE PAYMENTS**

11.10.1 Schools that process the payment of external invoices late may be charged interest for late payment by the suppliers. If this is as a result of the school's actions then the interest will be charged to the school.

## **11.11 WHISTLEBLOWING**

11.11.1 Where persons working at a school or school governors wish to complain about financial management or propriety at the school North Somerset Council's Audit, Risk & Information Service should be contacted as the designated appropriate officer to deal with such complaints. If the "whistleblower" prefers to raise the matter with another member of council staff then the Council's investigations protocol must be followed, a copy of which is included in the Information Source or is available from the Audit, Risk & Information Service.

11.11.2 The authority's investigations protocol sets out the arrangements for handling allegations of impropriety and is designed to ensure that all staff in the council deal with allegations in an appropriate and effective manner.

## **11.12 CHILD PROTECTION**

11.12.1 Schools are required to release staff to attend child protection case conferences, North Somerset Council will reimburse the school to help meet the costs. Details are included in The Information Source.

### **11.13 SCHOOL MEALS**

11.13.1 North Somerset Council has produced a school meals policy which governing bodies should have regard to in discharging their duties in relation to school meals.

### **11.13 DISCLOSURE OF EXPENDITURE OVER £500**

11.13.1

# Section 12

## Responsibility for Repairs and Maintenance

Scheme for Financing Schools

## **RESPONSIBILITY FOR REPAIRS AND MAINTENANCE**

### **12.1 RESPONSIBILITY FOR REPAIRS AND MAINTENANCE**

- 12.1.1 The authority has set "de minimis" levels of **£5,000 in all schools except small schools which is £3,500 (where the capacity of the school based on admission numbers is less than 180)** as detailed in [Annex D](#) in respect of what is regarded as capital expenditure i.e. all expenditure up to this level is regarded as revenue, hence the school's responsibility.
- 12.1.2 Illustrative examples of capital in line with DfE's interpretation of the CIPFA Code of Practice are included **on the Information Source** for information at [Annex D](#).
- 12.1.3 For voluntary aided schools, the liability of the authority for repairs and maintenance (albeit met by delegation of funds through budget shares) is the same as for other maintained schools and no separate list of responsibilities is necessary for such schools. However, eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the "de minimis" limit applied by the DfE to categorise such work not the "de minimis" limit used by the authority.
- 12.1.4 No funds are retained centrally for the repair and maintenance of kitchens; these have been delegated along with the responsibilities for school meals to all schools maintained by North Somerset Council.

# Section 13

## Power to Provide Community Facilities

Scheme for Financing Schools

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## **POWER TO PROVIDE COMMUNITY FACILITIES**

### **13.1 INTRODUCTION**

13.1.1 Schools which choose to exercise the power conferred by S.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under S.28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult its local authority and have regard to advice from the authority. Thirdly, the Secretary of State issues guidance to governing bodies about a range of issues connected with exercise of the power, and a school must have regard to that.

13.1.2 However, under S.28(1), the main limitations and restrictions on the power will be those contained in schools' own instruments of government and in North Somerset Council's Scheme for Financing Schools made under Section 48 of the School Standards and Framework Act 1998. Paragraph 2 of Schedule 3 to the Education Act 2002 extends the coverage of Schemes to the powers of governing bodies to provide community facilities.

13.1.3 Schools are therefore subject to prohibitions, restrictions and limitations in the Scheme for Financing Schools.

13.1.4 This Section of the Scheme does not extend to joint use agreements, transfer of control agreements or agreements between the authority and schools to secure the provision of adult and community learning.

### **13.2 CONSULTATION WITH THE LOCAL AUTHORITY – FINANCIAL ASPECTS**

13.2.1 Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult North Somerset Council and have regard to advice given to them.

13.2.2 Schools wishing to exercise this power should seek advice from North Somerset Council by writing to the Service Manager (Resources) in the Children & Young People's Resources Service at least two terms before exercising such powers. The school should complete a proforma and supply a number of details, a copy of which together with an explanation of requirements has been included in The Information Source under Community Facilities. Please refer to this for guidance.

13.2.3 North Somerset Council will respond to the school within six weeks of the school's request.

13.2.4 The school is required to inform North Somerset Council of its action that it undertook after receiving the advice from the council.

### **13.3 FUNDING AGREEMENTS – LA POWERS**

13.3.1 The provision of community facilities in many schools may be dependent on the conclusion of a funding agreement with a third party which will either be

supplying funding or supplying funding and taking part in the provision. A very wide range of bodies and organisations are potentially involved.

13.3.2 Any funding agreements with third parties (other than North Somerset Council itself) should be submitted to the Council for comment and financial checks at least two terms before such agreements come into force.

13.3.3 If a school has concluded an agreement or is to be concluded against the wishes of North Somerset Council, or has been concluded without informing the Council, which in the view of the authority is seriously prejudicial to the interests of the school or the Council, then this may constitute grounds for suspension of the right to a delegated budget.

#### **13.4 OTHER PROHIBITIONS, RESTRICTIONS AND LIMITATIONS**

13.4.1 In submitting their proposals, schools should provide North Somerset Council with a copy of the proposed business plan, setting out the full financial arrangements of the proposed community facility.

13.4.2 North Somerset Council is in the position of 'guarantor of last resort' for any community provision undertaken by a governing body and public money is at risk. If a proposal is likely to put at risk the financial interest of the authority, the governing body concerned will be asked to make arrangements by either carrying out the activity concerned by forming a limited company, or by obtaining indemnity insurance for risks associated with the project in question, as specified by North Somerset Council.

~~13.4.3 A school will be expected to have used its entire school standards grant to support a community activity before the council is required to act as guarantor. In this instance the council may also require the cessation of the activity.~~

~~13.4.4 The delegated budget share cannot be used to support proposals under this power, either start-up costs, ongoing expenditure or to meet deficits arising from such activities. The school standards grant can be used for this purpose.~~

13.4.5 Schedule 3 of the Education Act 2002 inserts a new provision into Schedule 15 of SSAF 1998 to make the mismanagement of funds received for community facilities a basis for suspension of the right to delegation of the budget share.

#### **13.5 SUPPLY OF FINANCIAL INFORMATION**

13.5.1 Schools that exercise the community facilities power are required to provide North Somerset Council with a summary statement showing anticipated income and expenditure for the coming multi-year period as part of the annual budget submission required by the council by 31 May each year. The format of the statement is included in the Information Source under Community Facilities, and the return is in the same format as the Consistent Financial Reporting (CFR) Framework.

13.5.2 Schools who maintain a local bank account in connection with community facilities are also required to submit a cash flow forecast for the activity with their annual budget submission.

13.5.3 If North Somerset Council believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, the school in question will be required to supply a financial statement every three months, together with the submission of a recovery plan for the activity in question.

### **13.6 AUDIT**

13.6.1 Where a governing body exercises the power of community facilities, the school will allow access to school records connected with the exercise of this power, in order to facilitate internal and external audit of the relevant income and expenditure.

13.6.2 If a governing body enters into an arrangement with a third party pursuant to the exercise of the community facilities power, then such agreements should contain a provision allowing access by North Somerset Council to the records and other property of those persons held on school premises, or held elsewhere insofar as they relate to the activity in question, and in order for North Somerset Council to satisfy itself as to the propriety of expenditure on the facilities in question.

### **13.7 TREATMENT OF INCOME AND SURPLUSES**

13.7.1 All income that is derived from community facilities will be retained by the school except where otherwise agreed with a third party, whether that be the authority or some other person.

13.7.2 The school, in exercise of this power, is permitted to carry forward such retained income over from one financial year to the next as a separate community facilities surplus.

13.7.3 If North Somerset Council ceases to maintain a community or community special school any accumulated retained income obtained from the exercise of community facilities power reverts to North Somerset Council unless agreed with a funding provider.

### **13.8 HEALTH AND SAFETY MATTERS**

13.8.1 The health and safety provisions contained in the Scheme for Financing Schools also apply to those schools that exercise the power of community facilities.

13.8.2 The governing body of a school that exercises this power will be responsible for the costs of securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day. If a funding partner is involved, then the governing body will be free to pass on such costs as part of the agreement with the partner.

## **13.9 INSURANCE**

- 13.9.1 The governing body is responsible for making adequate arrangements for insurance against risks arising from the exercise of the community facilities power. In doing so, the school should seek advice from North Somerset Council's Insurance Officer.
- 13.9.2 The cost of insurance should be funded from the retained income (see 14.7.1) not the school budget share.
- 13.9.3 If North Somerset Council judges that the insurance arrangements are inadequate in respect of community facilities, the authority will undertake its own assessment. North Somerset Council will then make the arrangement itself and charge the resultant cost to the school. Such costs must not be charged to the school's budget share.

## **13.10 TAXATION**

- 13.10.1 Schools who exercise this power should seek the advice of the North Somerset Council VAT Officer and the local VAT Office on any issues relating to the possible imposition of Value Added Tax on expenditure in connection with community facilities; including the use of the local authority VAT reclaim facility.
- 13.10.2 If any member of staff employed by the school or council in connection with community facilities at the school is paid from funds held in the school's own bank account, the school is likely to be held liable for payment of Income Tax and National Insurance, in line with Inland Revenue rules.
- 13.10.3 In exercising this power, schools should follow North Somerset Council's advice in relation to the Construction Industry Scheme, where relevant to the exercise of the Community Facilities power.

## **13.11 BANKING**

- 13.11.1 Schools in exercising their powers of community facilities are permitted to set up a bank account in order to account for all income and expenditure in connection with community facilities.
- 13.11.2 Where a school already has a bank account it still may require a separate account unless the school can demonstrate that it has adequate internal accounting controls to maintain separation of funds.
- 13.11.3 Where a school does not have a bank account and does not wish to open one for community facilities, the school may use North Somerset Council's banking facilities where the authority will be able to have separate accounts for the budget share and community facilities.
- 13.11.4 Guidance on banking issues (eg signing of cheques, titles of bank accounts) and financial matters concerning community facilities is included in the Information Source.

~~13.11.5 The North Somerset Council approved list of Banks and Building Societies is set out in [Annex D](#) of the Scheme for Financing Schools.~~

13.11.6 Where schools have bank accounts for community facilities they shall be allowed to retain all interest earned on these accounts.

13.11.7 Schools that have a bank account for community facilities should not allow that account to go overdrawn.

13.11.8 Schools may only borrow money (except from the LA) with the written consent of the Secretary of State for Education. (See [Annex A](#) of the Scheme for Financing Schools).

# Annex A

# School Borrowing Guidance

## **Scheme for Financing Schools**

### **SCHOOL BORROWING - GUIDANCE**

#### **1. INTRODUCTION**

- 1.1 The School Standards and Framework Act 1998 allows schools to borrow if they have the permission of the Secretary of State. This guidance is intended to assist schools, and their local authorities, in considering whether and how a school should make an application to the Secretary of State for permission to borrow.

## **2. BACKGROUND**

- 2.1 All borrowing by schools has to be accommodated within the DfE's baseline - in practice the schools capital baseline - and compete with orthodox capital support. In reality, there will be few occasions when allowing a school to borrow from the market will be better value to the public purse than providing grant or credit approvals. Grant is normally funded by direct government borrowing while credit approvals allow LAs to borrow, at public sector rates. Both types of borrowing will be at rates lower than those generally available to the private sector.

## **3. DEFINITION**

- 3.1 The types of financing arrangements, which would normally be classed as borrowing, are:

- loans in the broadest sense, whereby lenders make available to the school a sum of money which the school uses for specific aims. The school repays the sum of money (the principal) usually at a price (the interest charges) over the term of the loan;
  - finance leases, whereby the school acquires the use of an asset (e.g. a building or an item of equipment) from the supplier or lender over a specified period. At the end of the period, the school has paid the lender for the underlying cost of the asset plus interest charges;
  - certain types of Public Private Partnerships where the asset is deemed to be "on balance sheet" (See [Annex \(i\)](#)).
- 3.2. There are certain types of financing arrangements which for the purposes of this guidance would not normally be classified as borrowing - for example, where a local fair funding scheme permits an LA to deal with an overspend on a school's budget share by advancing additional sums which are to be charged against future years' budget shares. There are certain other circumstances where the DfE would not normally require the school to obtain permission before entering into a financial arrangement. These are set out in [Annex \(i\)](#).

## **4. CRITERIA**

- 4.1 Any Community, Foundation, Voluntary Aided, Voluntary Controlled or Special school can apply for approval to borrow. Applications should be made to the Secretary of State by an LA on behalf of the school.
- 4.2 Before the Secretary of State will approve a borrowing request, he will wish to be satisfied that:

- repayments of the proposed loan (principal and interest) will be affordable to the school over the full term of the loan;
- there will be savings in finance charges over central government borrowing. Given the relatively low cost of government borrowing, the only proposals likely to succeed are those where there are no finance charges associated with the loan, and repayments are for the principal only. An example might be where a school can secure an interest-free loan from a charitable trust - perhaps its own Foundation;
- the borrowing is to fund capital expenditure only (which may include a reasonable proportion of relevant professional fees);
- the capital expenditure will contribute directly and demonstrably to improved educational standards;
- the loan agreement between the school and the lender has been reached subject only to the Secretary of State's agreement. The Secretary of State will not consider or agree proposals in principle. However, the DCFS is prepared to give informal advice about the likelihood of proposals being successful;
- the proposal has the endorsement of the LA and a clear statement from the LA that the project funded is high on the list of otherwise unfunded priorities in its agreed Asset Management Plan (AMP). Where the project to be funded is elevated over other higher priority projects in the AMP, there needs to be a clear justification given. Consideration will not be given to proposals where DfE considers the AMP to be unsatisfactory;
- the proposed loan will not be secured on any asset of the school;
- the proposed loan will be for a defined sum; with defined repayments periods, amounts and term, and will be repaid out of the school's delegated budget.

4.3 There are limitations on certain types of borrowing. The following types of borrowing will not normally be approved:

- overdrafts;
- loans which can only be repaid by taking out a further loan or by extending the period of the original loan;
- interest only loans;
- loans in currencies other than Sterling;
- certain other types of loans will only be approved in exceptional circumstances. For example, if a loan offered interest payment holidays or was structured so that the principal was repaid at the end of the loan period, a school would have to demonstrate that the loan offered better value for money than a loan which required regular principal and interest payments and that it was setting aside sufficient funds to meet its obligations when they fell due.

4.4 In considering applications, the Secretary of State will take into account the availability of funds in the DfE's baseline and the priority of other calls on it.

## **5. FORMAT AND TIMING OF APPLICATION**

5.1 There is no fixed format for applications. However, proposals need to provide

the information and address the criteria and issues set out above and be countersigned by the headteacher and the chair of governors, as evidence of the endorsement of the governing body. Completed applications should be sent to the Schools Capital Policy Team, Area 3E, Sanctuary Buildings, Great Smith Street, London, SW1P 3BT.

- 5.2 Applications may be made at any time in the financial year when the borrowing would be drawn down, in which case they will normally be considered each quarter along with other proposals for additional funding. Proposals received in advance of the financial year in which it is intended that the loan should be drawn down will be considered only after the main capital allocations have been made. Where loans span more than one financial year, this should be stated clearly in the application.
- 5.3 Funds should normally be drawn down within the financial year in which approval is given unless cleared with the Schools Capital Policy Team.
- 5.4 Schools should confirm to the Schools Capital Policy Team in writing when loans are drawn down.

## **6. CONTACTS FOR QUERIES**

- 6.1 Queries by schools should be addressed to their LA.

## **1. PUBLIC PRIVATE PARTNERSHIPS (PPPs)**

- 1.1 PPPs provide an opportunity to increase the total resources available to maintain and improve the school building stock by bringing in private sector partnership funding on a commercial basis. PPPs allow schools and LAs to take advantage of the long-term savings that can be achieved through replacing unsound and inefficient buildings. This approach ensures that public funds achieve maximum impact, and should form a key element in every LA's capital strategy.
- 1.2 Because of the longer term nature of PPPs, schools which enter into them should establish whether the commercial interest of their private sector partners constitutes a form of borrowing by the schools. In the case of, for example, a finance lease, borrowing consent would be required.
- 1.3 Borrowing approval will also be required if a PPP transaction is considered to be "on Balance Sheet" under the provisions of Application Note F to FRS5, "Reporting the Substance of Transactions - Private Finance Initiative and Similar Contracts".
- 1.4 It is strongly recommended that before a school enters into a PPP it discusses its proposals with officers of the DfE.
- 1.5 The Department has also published Public Private Partnerships - A Guide for School Governors, which can be found on the DfE website.

### **TYPES OF FINANCIAL ARRANGEMENTS NOT NORMALLY REQUIRING BORROWING APPROVALS.**

There are various circumstances where the DfE would not expect schools to require borrowing approvals, since it would not regard borrowing as taking place.

- where a Diocese spends money on behalf of a Voluntary Aided school, and the DfE subsequently pays grant to the Diocese under paragraph 5(1)(b) of Schedule 3 to the 1998 Act;
- where an association such as a Parents' Association or Former Pupils' Association, takes out a loan to be repaid from its future fund raising, and donates the money to the school;
- where a school takes credit as part of a supplier's standard trading terms;
- certain types of Public Private Partnerships (see above).



# Annex B

# Financial Regulations

Scheme for Financing Schools

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**FINANCIAL REGULATIONS FOR SCHOOLS  
WITH DELEGATED BUDGETS UNDER THE FAIR FUNDING SCHEME**

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## **FINANCIAL REGULATIONS FOR SCHOOLS WITH DELEGATED BUDGETS**

### **1. INTRODUCTION**

The purpose of these Financial Regulations is to ensure that public accountability and high standards of financial integrity are exercised over the control of public funds. The Financial Regulations have been drafted in such a way as to be helpful to governors, headteachers and staff, and it is in their own interest to ensure that these are complied with to be able to demonstrate public accountability. A financial guide is also available to assist managers in dealing with financial matters.

The Director of Finance and Resources to the authority has particular legal duties associated with proper financial administration. The Accounts Audit Regulations 1996 made under the 1972 and 1988 Local Government Acts made the Director of Finance and Resources to the authority responsible for the proper administration of the council's financial affairs and for maintaining a current Internal Audit Service. The Director of Finance and Resources exercises the powers under the general direction of the Executive.

Each governing body, however, has the responsibility for making arrangements for the proper management of the school's finances.

Each governing body is asked to adopt these financial regulations or others. If not these, they should minute why not.

### **2. ALLOCATION OF MANAGEMENT OF FINANCIAL RESOURCES**

#### **2.1 Financial Management**

The Director of Finance and Resources is responsible for ensuring the adequacy of the financial organisation and accounting procedures in all schools. Headteachers must consult with the Audit, Risk & Information Service to ensure the adequacy of any proposals relating to financial procedures and records. It is the duty of the Audit, Risk & Information Service to ensure that financial books and records of the school concerned are properly maintained and do not duplicate the main system of accounting.

#### **2.2 Withdrawal of Delegated Powers**

The authority has the ultimate sanction to withdraw a school's delegated budget where it appears to the LA that the governing body:

- a) Has been guilty of a substantial or persistent failure to comply with any requirements applicable under the Scheme, or
- b) Is not managing the budget put at their disposal for the purposes of the school in a satisfactory manner.

Every headteacher shall submit to the Director of Finance and Resources

such information as is required and should afford the Audit, Risk & Information Service access to all accounting records and documents. The CYPS Service Manager (Resources) is responsible for supplying financial information as appropriate after consultation with headteachers. Every headteacher must ensure that the duties of staff concerned with financial transactions are, as far as is practicable, distributed with regard to the principles of internal control and check and for this purpose, should consult with the Audit, Risk & Information Service.

### 2.3 Leasing Arrangements

To ensure compliance with the government's capital controls, it is necessary that all credit arrangements, including the leasing of furniture, equipment, vehicles and the terms thereof should be approved in advance by the CYPS Service Manager (Resources) and Director of Finance and Resources and comply with the Contract Standing Orders.

## 3. **BUDGETARY PROCEDURES AND BUDGETARY CONTROLS**

### 3.1 Annual Estimates

Each school will be allocated an annual budget in accordance with the formula embodied in the Scheme for Financing Schools.

Each governing body (or committee of), in consultation with the headteacher, must approve an annual budget. Copies of the approved budget should be forwarded as soon as practical, but no later than 31 May, to the authority in the approved form.

As soon as is practicable after the end of the financial year, the governing body must consider a report on actual expenditure compared with the approved budget.

The governing body has the power to transfer funds between heads of expenditure under the Scheme for Financing Schools, except for earmarked items. When transferring funds, the governing body is advised to ensure that:

- a) No transfer may be carried out in respect of those delegated earmarked budgets or other finances over which the school has no control
- b) Any commitment arising as a consequence must be identified and contained within the resources available to the school in subsequent years.
- c) The increased expenditure planned on any budget heading will not lead to an overall budgetary deficit.

Under the Scheme for Financing Schools, schools may carry forward any unspent balance at the end of the financial year.

Schools may not borrow monies. Schools can make arrangements with the

CYPS Funding Team in respect of a multi-year project in accordance with the Scheme for Financing Schools.

A school shall not plan to incur a deficit without prior agreement as above. In the event that an unplanned deficit is incurred, such a deficit will be deducted from the succeeding year's budget.

Any investments/savings must be made with the authority in accordance with the Scheme for Financing Schools.

### 3.2 Capital Expenditure Programmes

Governing bodies shall submit, in the prescribed form, bids for capital expenditure for such years as may be specified and any such proposals will require the approval of the appropriate committee or the council.

### 3.3 Disposal/Acquisition of Land and Buildings

The governing body cannot dispose of or acquire any land and buildings or any interest therein.

## 4. **FINANCIAL ADMINISTRATION**

### 4.1 Internal Audit

The Director of Finance and Resources to the authority is responsible for maintaining a continuous internal audit of the school's accounting and financial transactions including any operations affecting the financial arrangements or the finances of the council.

The Director of Finance and Resources or an authorised representative (where appropriate after consultation with the headteacher concerned) shall have authority to:

- a) Enter at any reasonable times on any school premises or land
- b) Have access to all records, documentation and correspondence relating to any financial and other transactions
- c) Require and receive such explanations as are necessary concerning any matter under examination
- d) Require any staff of schools to produce cash, stores or any other council assets under their control, and
- e) Review, appraise and report on the adequacy and application of financial and other controls, and the protection of the council's property and assets against loss due to fraud or wasteful practices.

Private or voluntary funds or trading organisations must be independently audited and an annual audit certificate provided to the Audit, Risk & Information Service in respect of these funds.

#### 4.2 Fraud

The Executive will agree, and from time to time review, an Anti-Fraud and Corruption Policy. Responsibilities of all concerned are incorporated in this Policy Statement, together with the council's policy on the receipt and acceptance of gifts, hospitality and promotional offers.

Every headteacher shall notify the Audit, Risk & Information Service immediately of any circumstances that suggest the possible existence of any irregularities with a financial implication.

#### 4.3 Banking Arrangements

All banking arrangements are to be made by the Director of Finance and Resources on behalf of schools if they elect to remain within the council's Central Banking Contract or under arrangements made by schools. Schools can only enter into new bank arrangements with effect from the beginning of the new financial year. All accounts opened should bear the name of the school. Under no circumstances shall any account be opened in any individual's name.

#### 4.4 Insurances

Where insurance premiums are paid from central funds or from contributions from schools' delegated funds:

- a) The Director of Finance and Resources will be responsible for those insurance matters relating to the council's assets and interests, and should be consulted on any other insurance matters.
- b) Headteachers should inform the Director of Finance and Resources of all new risks which require to be insured and any alteration affecting existing properties. The Director of Finance and Resources must be promptly informed of any event leading to a claim.

Where insurance funding has been delegated, the governing body should ensure that the insurable risks are considered and adequately insured for. Action to ensure against risks to be taken as and when it is considered appropriate.

The governing body will be responsible for the administration of insurance arrangements, including all aspects of arranging the cover required, maintaining records, paying premiums, holding policy documents and handling claims.

### **5. REPAIR AND MAINTENANCE**

#### 5.1 Day to Day

The governing bodies are responsible for the revenue costs of reactive, and planned preventative maintenance i.e. day-to-day repairs, including internal

decorations and the up-keep and maintenance of grounds, structural repairs and maintenance of the buildings, including external repairs.

Voluntary Aided and Special Agreement schools are treated differently from Community and Voluntary Controlled schools for structural repairs and maintenance due to their different legal responsibilities regarding property. Full details of the respective areas of responsibility are incorporated in the Scheme for Financing Schools. Schools receive capital funding and may undertake to use this funding for capital projects. The council will seek, through negotiation, contribution from schools for capital projects that it undertakes.

## 5.2 Contracts for Building, Engineering or Similar Work (excluding equipment)

Contracts which are not managed and financed from the school delegated budget will be carried out in accordance with the council's Contract Standing Orders and Financial Regulations.

Contracts which are financed from the school delegated budget will be let in accordance with the council's Contract Standing Orders for schools with delegated budgets to ensure that there is fair competition.

For contracts which are financed from the school delegated budget, the governing body will be responsible for the proper management of such contracts and for the authorisation of such payments.

## 6. **ORDERING**

### 6.1 Orders for Work, Goods and Services

All goods and services shall be ordered in accordance with the Contract Standing Orders. No officers shall, in purchasing any works, goods, materials or services, act in a manner having the effect of or intended or likely to have the effect of restricting, distorting or preventing competition.

Ordering procedures shall be agreed with the Audit, Risk & Information Service. The governing body will be responsible for the validity of all orders issued and for their control and safe custody.

It is the responsibility of headteachers to ensure that written orders are issued for all goods and services to be supplied to the council. Such orders are to be signed by staff directly authorised to do so. Verbal orders can be given, but only in an emergency and they must be followed up by a written order as soon as possible.

The headteacher will be responsible for the validating of all orders issued and for their control and safe custody.

## 7. **PAYMENT OF ACCOUNTS**

All payments on behalf of schools will be made by the Financial Services Manager, with the exception of disbursements from petty cash imprests and

from associated subsidiary bank accounts which have been authorised by the Director of Finance and Resources.

Each headteacher is responsible for the submission and certification of accounts for payment in accordance with arrangements made by the council.

Each headteacher issuing an order is responsible for examining, verifying and certifying the related invoice, and similarly for any other payment vouchers or accounts arising from sources in the school.

Before certifying an invoice, the certifying officer shall be satisfied that:

- a) The work, goods or services to which the invoice relates have been received, carried out, examined and approved
- b) The price, extensions, calculation, trade discounts, other allowances, credits and tax are correct
- c) The relevant expenditure has been properly incurred, is properly chargeable to and within the relevant estimate provision and appropriate entries have been made in inventories, stores records or stock books
- d) The account has not been previously passed for payment and is a proper liability of the council. Any question as to what is a proper liability shall be determined by the Financial Services Manager.

Duly certified invoices should be passed without delay for examination and payment. Although schools may use a commitment accounting system, only actual expenditure is to be charged to the school's account. Any amendment to an invoice should be made in ink and initialled by the officer making it, stating briefly the reasons, where they are not self-evident.

Each headteacher shall comply with any instructions issued by the CYPS Service Manager (Resources) in connection with year-end accounting requirements.

## **8. ASSETS, STORES AND STOCKS**

Each headteacher is responsible for safe custody, protection, maintenance and recording of all assets, buildings, land, vehicles, IT equipment, stores and stocks used for the purpose of the school.

Property must be used to the maximum benefit of the council and the services it is required to provide and must be maintained and used in accordance with the council's Property Strategy.

Headteachers are responsible for ensuring there is security for all relevant assets held which is appropriate to the risks involved and the value of the assets concerned.

In the case of cash, limits must be established on the maximum amount to be held. It is the responsibility of the headteacher, in consultation with the Audit,

Risk & Information Service, to decide on the use of safes and other lockable receptacles to be used, together with the procedures to be adopted in the handling of cash and the operation of safes.

Stock-takes should be undertaken on a periodic basis, at least annually. The headteacher should be satisfied that the stock level is appropriate to the usage or sales activity. Stock shortfalls may be written off by the governing body and must be reported to the Audit, Risk & Information Service.

Any significant surpluses or deficiencies revealed in items of stock at any stocktaking should be reported immediately to the governing body to take the appropriate action.

## **9. INVENTORIES**

Inventories must be prepared and kept up to date by the headteacher. All inventories must contain details of the council's assets and be in a form acceptable to the Audit, Risk & Information Service.

Each headteacher must arrange for inventories to be checked at least annually with the physical assets. The governing body shall be advised of surpluses or deficiencies revealed at these checks.

## **10. SALARIES, WAGES AND PENSIONS**

The payment of all salaries, wages, pensions, compensation and other emoluments to school staff or former school staff shall be made by the council's Payroll Services Manager on behalf of schools under a Service Level Agreement or under arrangements made by schools and approved by the Audit, Risk & Information Service.

Arrangements made by schools should comply with guidance issued by the authority. The guidance will cover:

- a) Maintenance of payroll documents and records
- b) Deductions of tax, national insurance, superannuation and attachment of earnings, including relationships with the Inland Revenue, Teachers Pensions Agency and other agencies
- c) Exchange of information with the authority
- d) Stewardship of information
- e) No payments may be made to staff in cash from any petty cash, local bank account or other means other than through the systems established by the Director of Finance and Resources.

## **11. TRAVELLING & SUBSISTENCE AND GOVERNORS' ALLOWANCES**

Claims for payment of car allowances, subsistence allowances and travelling and incidental expenses shall be submitted duly certified on the appropriate

form and in accordance with approved timescales.

The Certifying Officer should ensure that the journeys were authorised, the expense properly and necessarily incurred, and that the allowances are properly payable by the council.

## **12. PETTY CASH AND IMPREST ACCOUNTS**

The Director of Finance and Resources may, on the request of the headteacher, agree to the use of a petty cash account. Responsible officers will maintain records and operate the accounts in accordance with procedures detailed in The Information Source.

An official bank account will be opened by the Director of Finance and Resources in cases where this is necessary. Where a bank account is opened, in no circumstances will an overdraft be allowed.

Corporate Accountancy must be notified by the headteacher concerned whenever an officer holding an imprest account leaves the employment of the council or ceases to be responsible for the advance.

Income received on behalf of the council may not be paid into an imprest account but must be banked or paid to the authority as provided elsewhere in these Regulations.

An officer responsible for an imprest account may be required to give to the Account Services Manager a certificate as to the state of the imprest account.

## **13. INCOME**

Headteachers are responsible for ensuring that all income due to the school is requested and collected as soon as is possible and levied in accordance with the price levels agreed annually by the relevant committee.

The Executive will consider and agree a Pricing Strategy and Funding Strategy that must also be followed by Directors and their Executive Members in considering prices and income.

The council is responsible for the general control and supervision of the collection of all monies due to the council.

The form of records relating to income maintained by each school shall be agreed with the CYPS Funding Team. All official receipt books, tickets, account books, etc., will be ordered, controlled and issued by the Admin. Officer in the Directorate of Finance and Resources. Receipts for money received on behalf of the council must be on the official form.

Officers designated as accounting officers for the purpose of receiving monies due to the council should keep such records as agreed by the Financial Services Manager. The Director of Finance and Resources will agree procedures regarding the method of accounting, frequency of deposit, or payment into a bank account, etc. Headteachers should notify the CYPS

Service Manager (Resources) promptly, and in advance where possible, of any changes in personnel designated as Accounting Officers.

Any sum due shall only be discharged by payment or official write-off. The Governing Body will not write-off any debt belonging to the school which exceeds £1,000.

Any sums above £1,000 will be referred to the Director of Children and Young Peoples Services for approval for write-off.

The formal agreement of the Local Authority's Director of Finance and Resources (Section 151 Officer) will be obtained before a debt exceeding £1,000 is written off. (If any debtor has a number of debts which together exceed the write-off limit then these will be treated as a total amount).

Debts greater than £10,000 can only be written off by the Executive member for finance on advice of the section 151 officer.

Personal cheques must not be cashed out of the money held on behalf of the council.

All transfers of official monies from one member of staff to another should be evidenced in the records of the school concerned by the dated signature of the receiving and surrendering officer. Monies received should be banked intact.

#### **14. COMPETITIVE TENDERING**

Any school based Direct Service Organisation must comply with the 1988 Local Government Act and any other relevant legislation.

#### **15. INFORMATION TECHNOLOGY**

Headteachers are required to implement the councils' Computer Security Policy and the councils' Data Protection Policy agreed by the Executive. These policies must take into account the governing body and headteacher's responsibilities under the Data Protection Act 1998, the Copyrights, Designs and Patents Act of 1988 and the Computer Misuse Act 1990.

#### **16. APPLICATION TO OUTSIDE BODIES**

Every governing body shall take all steps necessary to give effect to these Regulations in dealings with persons other than the council.

## **CONTRACT STANDING ORDERS FOR SCHOOLS**

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## **SECTION A INTRODUCTION AND OVERVIEW**

### **1. INTRODUCTION**

- 1.1 Everyone who purchases goods or services for the school has a responsibility for public money and for ensuring that the school obtains value for money from every purchase it makes. This is a personal responsibility and must not be taken lightly. These Contract Standing Orders are to be followed in purchasing goods, services and works for the school.
- 1.2 Overall responsibility for compliance with these Contract Standing Orders rests with the governors. Every purchase must fall within the procedures given in these Contract Standing Orders. This includes where staff are acting in their role and purchasing for other organisations (for example, government departments) or in any other circumstance of staff undertaking their normal duties, unless the agreement with the third party requires the school to follow the third party's procedures in such matters.
- 1.3 If the school engages a third party to oversee contracts for it, these Contract Standing Orders also apply.
- 1.4 There are exceptional reasons for not following these procedures. However, such exceptions must be approved by the headteacher and the governing body, and this is explained in [Contract Standing Order 14](#).
- 1.5 Failure to adhere to these Contract Standing Orders may be regarded as a serious act in breach of proper practice and a disciplinary offence.

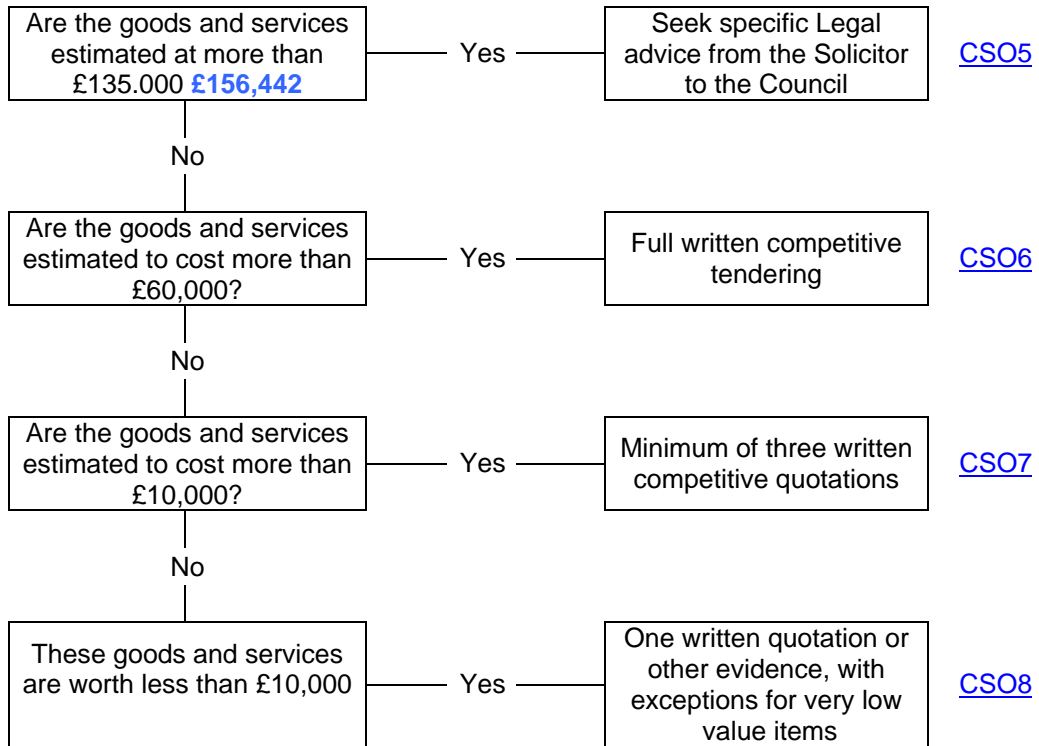
### **2. DECIDING WHAT TO PURCHASE AND ESTIMATING THE COST**

- 2.1 Every purchasing decision must start by deciding what the school needs to purchase and why. It is for purchasing officers to decide the extent of the documentation required to establish what is to be purchased. General guidance follows.
- 2.2 For straightforward small purchases of consumable goods (under £500) such as stationery, paper, etc., this is an easy process and does not need documenting. If the goods purchased are larger items such as a desk or chair, then a brief record should be made of the requirements before purchasing is commenced.
- 2.3 For more complex items such as IT equipment, vehicles and plant, and for all services, a clear documented assessment of what is required, when and where must be made first. This is the specification and will aid later decisions in the procurement process; it should be tailored to the purchasing situation. For straightforward purchases of goods, a simple description of the goods should be made. For more complex supplies, this specification should include plans, drawings or other information to help contractors fully appreciate the school's requirements.

- 2.4 An estimate of the likely cost should also be made. For purchases likely to be over £10,000, the estimated cost should be documented, together with evidence and any assumptions made. This will be required to demonstrate that the correct purchasing route has been taken.

### 3. OVERVIEW

- 3.1 For ease of use, the following diagram shows which procedures apply in what circumstances over the period of the contract:



## **SECTION B** **WHICH ROUTE TO TAKE?**

### **4. ACCEPTING THE LOWEST PRICE**

- 4.1 The school will accept the lowest tender or quotation in all purchasing decisions unless:
- a) After having followed the procedures there is good evidence that the lowest priced supplier cannot perform to the specification, or
  - b) A decision has been taken to judge quality and price together before prospective suppliers have been sought. This is explained in [Contract Standing Order 12](#) which must be followed, and is likely to apply for all EU contracts and purchases over £60,000 (plus some under £60,000 if such a decision is taken).
- 4.2 There will be no other reasons for not accepting the lowest tender if the following procedures are followed.
- 4.3 If a contract is to be entered into by the school to dispose of any goods, services, property or any item of intellectual property (such as trademarks, computer programmes, patents, etc), then the school will accept the highest tender in all such actions. Procedures for the disposal of goods, services, property or any item of intellectual property will be issued separately under Financial Regulations and must be followed.

### **5. GOODS OR SERVICES SUBJECT TO EU LEGISLATION**

- 5.1 Each year the European Union (EU) issues Regulations in relation to the procurement of goods, services or works which state the value over which the school must comply with EU public procurement legislation.
- ~~5.2 At 1 January 2008 these limits were for the supply of goods or services with a value of more than £139,893 or works with a value of more than £3,497,313.~~
- 5.2 At 1 January 2010 these limits were for the supply of goods or services with a value of more than £156,442 or works with a value of more than £3,927,260**
- 5.3 If the estimated value of any contract is above the minimum value stated by the EU (at the time of the contract letting), then the Solicitor to the council must be involved in giving advice in relation to the proposed contract letting to ensure that the school complies with EU public procurement legislation.

### **6. PURCHASES OF £60,000 OR MORE IN VALUE (TENDERING) OVER THE PERIOD OF THE CONTRACT**

- 6.1 If the estimated value of the goods, works or services is £60,000 over the contract period or more, then the work must be tendered.

6.2 Procedures to follow are:

- a) Advertise (see [Contract Standing Order 9](#))
- b) Financially vet those responding to the advertisement ([Contract Standing Order 10](#))
- c) Technically vet those responding to the advertisement ([Contract Standing Order 10](#))
- d) Issue specification and invitation to tender
- e) Receive, open and check tender ([Contract Standing Order 11](#))
- f) Apply quality criteria and model, and identify the most economically advantageous tender in accordance with an agreed evaluation model, if applicable ([Contract Standing Order 12](#))

6.3 The invitation to tender must include the predetermined specification ([Contract Standing Order 2](#)), plus a statement that the council does not bind itself to accept the lowest, or any, tender submitted.

**7. PURCHASES OF £10,000 OR MORE, BUT UNDER £50,000 (THREE WRITTEN QUOTATIONS)**

7.1 If the estimated value of the goods, works or services is under £60,000 but over £10,000 over the period of the contract, then at least three written quotations must be obtained and retained by the officer concerned. The form of quotations is for the officer responsible to decide. They may be obtained however the officer responsible regards as appropriate and may include faxes and e-mails. Evidence must be retained to evidence compliance with this Contract Standing Order as well as [Contract Standing Order 4](#) on accepting the lowest price.

7.2 The invitation to quote must include the predetermined specification ([Contract Standing Order 2](#)), plus a statement that the council does not bind itself to accept the lowest, or any, quotation submitted.

**8. PURCHASES UNDER £10,000 (ONE WRITTEN QUOTATION OR OTHER EVIDENCE) OVER THE PERIOD OF THE CONTRACT**

8.1 If the estimated value of the goods or services is under £10,000, then evidence must be retained to demonstrate that before any order was placed the officer was aware of the value of the goods, works or services being ordered and that it was below £10,000 over the period of the contract.

- 8.2 For everyday purchases of consumables such as stationery, minor items or other small purchases that can be made from petty cash, there is no requirement for quotations or other evidence to be compiled. It will be for the officers discretion to decide when to obtain evidence for larger items, and when not. In accordance with [Contract Standing Order 2](#), it will also be for the officer to decide when and whether to document any specification.

## **SECTION C** **OTHER PROCEDURES TO FOLLOW**

### **9. ADVERTISEMENTS**

- 9.1 For tenders over £60,000, an advertisement must be placed requesting any interested parties to respond. Initially, at least 14 days public notice must be given of the school's intention to let a contract for such goods or services. This notice must:
- a) Be published in one or more newspapers or journals or on the councils website.
  - b) Must express the nature and purpose of the contract
  - c) Detail a contact officer
  - d) Indicate the last date and time when tenders (or expressions of interest) will be received, and
  - e) Invite immediate expressions of interest from any interested supplier for the contract or inclusion on a select list.

### **10. TECHNICAL AND FINANCIAL VETTING**

- 10.1 Technical vetting of potential tenderers must be undertaken. This is to ensure that the school is contracting with organisations capable of conducting the work. It is for the officer responsible for the contract letting to decide how to judge technical ability, but issues such as experience in the field and previous standards of work are likely to apply. Advice on technical vetting can be given by Internal Audit: please contact the Audit, Risk & Information Service for assistance if required.

If the estimated value of the contract is over £100,000 (annualised value) then potential contractors must be financially vetted by Internal Audit. **Please note that financial assessments carry a charge.**

### **11. RECEIPT, OPENING AND ACCEPTANCE OF TENDERS**

- 11.1 The following shall apply for [Contract Standing Orders 5 and 6](#).
- 11.2 Every notice to tenderers or suppliers requesting tenders shall contain a statement to the effect that no tender or quote will be accepted unless in a plain sealed envelope, every such envelope to have:
- a) A red label bearing the word TENDER, followed by a description of the subject matter of the tender/quotation
  - b) The address for delivery

- c) No other marks, details or other information to identify the sender or (if different) the tenderer
- 11.3 All envelopes shall be dated, time-stamped and initialled by the receiving officer at the point of receipt, but **not** opened, and forwarded to the headteacher, who shall record details and secure the envelope until the time appointed for opening.
- 11.4 At the appointed time, the tenders shall be opened. This opening shall be in the presence of the Chairman of the governing body or governor designated, and the headteacher or deputy headteacher. All those present shall sign the tender register, which shall be dated, and initial all pages of tenders received which include priced elements.
- 11.5 For all tenders, at the time of opening the headteacher shall maintain a record (register) of all such tenders received, including brief particulars of the tenders, such a record to be open for public inspection after tenders have been evaluated and decided.
- 11.6 Any tenders received after the appointed time will not be accepted unless the governing body and headteacher are of the opinion that they should accept the document as the others have not been opened. In either case, the tender will be recorded together with the decision to accept, or reject (as the other tenders had been opened).
- 11.7 If checking any tenders received identifies any errors or discrepancies which would affect the tender sum in the otherwise successful tender, the tenderer is to be given details of the error. The tenderer is to be offered three choices:
- a) Confirming the tender offer
  - b) Withdrawing
  - c) Correcting the error
- Any of these choices to be confirmed in writing by the tenderer.
- 11.8 If a tenderer withdraws, the second lowest tender is examined and dealt with in the same way as described in Contract Standing Order 11.7 above.
- 11.9 The tender shall only be accepted by the governing body, or by a sub-committee authorised on its behalf, having considered a report from the headteacher. If, in the opinion of the governing body, the lowest tender bid is considered to be well in excess of the original estimate, the governing body may resolve to re-examine the specification and re-tender the works, goods or services, or accept the tenders in view of their overall budget limits.
- 11.10 Under the above Contract Standing Order 11.9 and, if the governing body so resolve, then elements of the specification may be deleted and the shortlisted contractors asked if they wish to confirm the remaining prices in their tender or withdraw.

- 11.11 The headteacher shall notify the successful contractor of the school's acceptance of any tenders.
- 11.12 Unless the standard conditions of contract state otherwise (for example RIBA), there shall be no negotiation of any element of any tender or quotation at any stage in the procurement process.

## 12 ELECTRONIC TENDERING

Essentially the preservation of an audit trail and the Council's reputation are the main factors in electronic tendering. It is for the Schools to determine whether or not any electronic tendering system has installed a secure and reliable system. The Governing Body should be satisfied that this is so and sanction its use. If challenged, the School must be able to demonstrate that their electronic tendering system is both secure and reliable. On the tender closure date and time you should:

- (a) Take a 'print screen' of all the names of renderers' who have submitted a tender, to evidence the time each tender was received, and to include their tender price;
- (b) Ensure that the 'print screen' includes the time and date (usually located bottom right of PC);
- (c) Print off a copy of each tender;
- (d) Ensure a minimum of two people (Chair of Governors or designated Governor, and the Headteacher or Deputy Headteacher) sign off (signature and date) the monetary/financial values of each separate tender;
- (e) Ensure the evaluation of tenders is completed against the original specification and/or pre-approved evaluation documents with essential / desirable criteria specified. Sign/date when this has been done; and
- (f) Keep all tenders (not just the successful tender) for a minimum of two years, or until the service has been audited.

If you have any queries in relation to electronic tendering and the audit requirements please contact the Audit, Risk and Information Service.

## 13. QUALITY CONSIDERATIONS

- 13.1 If it has been decided that quality factors are to be considered in the award of a contract, the following must be adhered to:

### ***Price and Quality Together***

- 13.2 Before advertising the contract, a clear documented decision must be made on how quality is to be measured for the services, works or goods in question. This is for staff to decide, although advice is available from the Solicitor to the

council, and the Audit, Risk & Information Service. Areas which may be included are: technical expertise, experience of providing such services, goods or works, external quality accreditations.

- 13.3 If the contract is covered by EU legislation, a number of factors cannot be taken into account, and in these circumstances, the Solicitor to the council should be contacted.
- 13.4 After having placed an advertisement and received expressions of interest, those prospective suppliers should be requested to provide a minimum set of information to be able to judge against the pre-determined quality measures. This is sometimes referred to as a Pre-Qualifying Questionnaire and advice on such questionnaires is available from the Solicitor to the council.
- 13.5 It is key in any interaction between quality and price that a pre-determined model is constructed to evaluate such circumstances before the tenders are issued, that quality measures are determined before prospective suppliers are sought, and that the suppliers are aware of the criteria being used. In any such case, any model must be approved by the governing body and checked by the Audit, Risk & Information Service. A copy of the model must be provided as part of the invitation to tender.
- 13.6 At the tender stage, the interaction between quality and price can be evaluated in accordance with the quality and price model. Such a model would award points for price and quality. When tenders are received, the information can be fed into the model and the tender which is 'most economically advantageous' identified. This may not be the lowest tender if the quality of a higher priced tender is judged to be sufficient to outweigh the price considerations.

#### **14. ESTIMATES**

- 14.1 Where an invitation to tender or quotation is based on an estimated amount of work, quantity of goods or materials, the request for a tender or quotation must provide for:
- a) The tenderer to state their rates based on such estimates
  - b) The rate to be a fixed rate whether or not the estimate is reached or exceeded during the currency of the contract

#### **15. EXCEPTIONS**

- 15.1 Providing that the reason is recorded in the minutes of the governing body, tenders or quotations need not be invited if:
- a) The purchase is required as the result of an emergency and that financial loss, injury or substantial damage would arise from any delay
  - b) The subject of the purchase is of such a specialist nature that there is only one supplier of the goods or service involved and no advantage

would be gained by the council from a competitive process

- c) There is no effective competition for the goods or service in question because payment is fixed under statutory authority or because the subject matter is a patented or proprietary item

Such reports are to clearly demonstrate why the exception applied to the decision taken.

## **16. PURCHASING LAND, BUILDINGS AND OTHER ASSETS**

- 16.1 Purchase of all land and buildings must involve the Solicitor to the council, the Valuation Services Manager and the Director of Finance and Resources at the earliest available opportunity. No property related contract, sale, purchase, tenancy or lease must be entered into without the involvement of the Solicitor to the council.

## **17. CONSORTIUM ARRANGEMENTS**

- 17.1 The council has entered into a small number of consortium purchasing arrangements. In such cases, it will be accepted that a price given by any such consortium will be adequate evidence for contracts under £50,000 of either a written competitive quotation, a quotation or evidence of the cost of the goods before purchasing.
- 17.2 However, under [Contract Standing Orders 5 and 6](#), no consortium arrangements are acceptable.

## **18. CATALOGUES AND STANDING PRICE LISTS**

- 18.1 The use of catalogues for contracts under £60,000 in value is acceptable evidence of a quotation.
- 18.2 It is accepted that some suppliers may only wish to provide a standing price list on an occasional basis and update that price list when they wish (quarterly, annually, etc). In such cases, there is no requirement to request a quotation for every purchase: the standing price list is adequate evidence of a quotation.

## **19. VARIATION ORDERS**

- 19.1 It is the responsibility of any staff managing contracts to control variation orders to any contract and also to remain within the allocated budget. If variation orders are likely to increase the cost of any contract by more than 10% or £100,000 (whichever is the least), then the headteacher should be informed of the reasons and authorise the continued contract within overall school budget.

## **20. COMPLIANCE PROCEDURES AND ADVICE**

- 20.1 As stated in [Contract Standing Order 1.1](#), these Contract Standing Orders

must be followed by everyone making purchases for the school. It will be the responsibility of the headteacher to ensure that all staff in their school covered by these Contract Standing Orders understand the requirements and follow procedures in place to comply with them.

- 20.2 Internal Audit will review compliance with these Contract Standing Orders on the basis of a risk assessment and report accordingly on the reviews taken.
- 20.3 The senior procurement officer will also advise officers on any aspect of these Contract Standing Orders to clarify or assist in interpretation or application. Please contact the Senior Procurement Officer in the first instance or alternatively the Audit, Risk & Information Service.

**SECTION D**  
**GENERAL POWERS, DOCUMENTATION AND TERMS**

**21. GENERAL POWERS OF THE GOVERNING BODY**

21.1 Subject to full compliance with these Contract Standing Orders and the council's Financial Regulations, governors are authorised to determine whether to enter into contracts for goods, works or services provided:

- a) They have a sufficient revenue or capital budget
- b) Any committee/council approvals necessary have been obtained including detailed scheme approval
- c) Any necessary external, legal, governmental or other consents have been obtained.

**22. CONTRACT DOCUMENTATION**

22.1 Any contract over £60,000 in value shall be signed by the Chair of governors and the Headteacher or their nominated representative. If the contract needs to be executed as a deed, normally for land or construction contracts, then specific legal advice should be sought.

22.2 Any contract under £60,000 in value shall be signed by the headteacher, or their nominated representative, plus one other authorised signatory.

22.3 All contract documentation shall be retained for a minimum of six financial years after the date of payment (or any final payment in staged payment arrangements), or 12 years if under seal.

**23. TERMS INCLUDED IN CONTRACTS**

23.1 All contracts must be in writing and specify:

- a) Obligations of the contractor
- b) Payment to be made, or the method by which payment is to be calculated, together with discounts or other deductions
- c) The time/s or period that the contract covers
- d) The public liability insurance cover required, as stipulated by the council's Insurance Officer
- e) An appropriate cancellation or forfeiture clause
- f) Any relevant bonds or guarantees given by the contractor to the council

- 23.2 Any contracts awarded over the value of £60,000 shall provide for liquidated damages to be paid by the contractor if the contract is not performed, any such contracts to be agreed with the Solicitor to the council.
- 23.3 Any contracts awarded under EU legislation may require a performance bonds or parent company guarantees. The headteacher, the Director of Finance and Resources and the Audit, Risk & Information Service shall decide together on the level of any such bond or guarantee. In the case of the contracts, a performance bond or parent company guarantee may be required if the risk is regarded as warranting the additional security. This decision is to be taken by the officer responsible for the contract letting.
- 23.4 Any contracts over £60,000 in value shall include a clause enabling the council to cancel the contract and recover any loss arising from the cancellation if:
- a) The contractor has offered, given or agreed any favour, gift or consideration of any kind to any employee, governor or other contractor of the council, or
  - b) The contractor is seen to be seeking to be acting deliberately against the council's Anti-Fraud and Corruption Policy
- 23.5 Where British Standards Specification or a British Standard Code of Practice applies to the work, then the school should require contractors to apply any such standards when performing the contract. If an equivalent European standard exists this should always be quoted in preference to the British standard.
- 23.6 Any contracts over £60,000 in value shall require the contractor to supply a written statement of health and safety policy, prepared in accordance with relevant legislation at that time. The contractor must be able to satisfy the school of their ability to comply with the requirements of any such legislation applicable to the goods, services or work being performed. Any contractor exempt from the legislation because of the size of their organisation will be required to be able to demonstrate compliance with the council's own safety policy, any other council policy relevant to the contract, and any legislation applicable to the contract.

## **24. SUSPENSION OF CONTRACT STANDING ORDERS**

- 24.1 The Executive responsible for the letting of any contract may suspend any of these Contract Standing Orders if, in the particular circumstances of the contract being let, it deems it appropriate to do so. Any suspension is to be approved by the Executive.

## **25. TERMS USED**

- 25.1 For the purposes of these procedures, the following are to be taken as definitions:

- Contract - means an agreement for the supply of goods, services or works, or for the disposal of immovable property, and includes the nomination of a sub-contractor, the placing of an official order, and a series of related orders or transactions.
- The Council - includes any Committee, Sub-Committee or Officer of the Council acting under delegated powers
- Tender - means a formal written offer, in the form common to all tenderers, on the basis of a detailed description or specification of the works, goods or services required
- Quotation - means a written statement, from the prospective supplier, of the price for the works, goods or services required on the basis of a detailed description or specification
- Value - when assessing the value of tenders or quotations, VAT shall be ignored. However, any delivery, installation or other charges to be levied on top of the quotation or tender received shall be taken into account.

# Annex C

# Principles of Best Value

Scheme for Financing Schools

## **PRINCIPLES OF BEST VALUE**

### **1. BEST VALUE AND SCHOOLS**

- 1.1 This statement is intended to assist schools in considering the relevance of best value principles to the expenditure of funds from their delegated budget share. When submitting annual budget plans, schools are required to say how best value principles are being followed.
- 1.2 Best value will be a statutory duty to deliver services to clear standards, covering both cost and quality, the most effective, economic and efficient means available. Legislation is to place a duty on local authorities to secure best value in respect of the way in which they exercise their functions. The new duty is not intended to apply to those functions which are exercised by the governing bodies of LA maintained schools. However, schools will be encouraged to adopt the best value performance management framework.
- 1.3 In relation to schools and expenditure from delegated budgets, the main features of best value can be summarised as a need for the governing body of a school to ensure:
- a) The existence of a programme of performance review which will aim for continual improvement. Existing mechanisms such as school development plans and post-OFSTED inspection plans can be developed to satisfy the requirements for review. The reviews should include:
    - challenging how and why a service is provided (including consideration of alternative providers)
    - comparison of performance against other schools taking into account the views of parents and pupils
    - mechanisms to consult stakeholders, especially parents and pupils
    - embracing competition as a means of securing efficient and effective services
  - b) The development of a framework of performance indicators and targets which will provide a clear practical expression of a school's performance, taking national requirements into account
  - c) That the following are included in school development plans:
    - a summary of objectives and strategy for the future
    - forward targets on an annual and longer term basis
    - description of the means by which performance targets will be achieved

- a report on current performance
- d) That internal and external audit takes place ensuring that performance information is scrutinised. Authority oversight of school finances provides external review.
- 1.4 The DfE publication called “Best Value in Schools” is available on the DfE website.
- 1.5 The independent inspection and intervention elements of the best value framework will be the responsibility of other bodies and therefore not relevant to demonstration by a governing body of adherence to best value principles.

# ~~Annex D~~

**This Annex to be removed as per DfE guidance – it was useful when these budgets were first delegated but is less relevant now**

# ~~Responsibility for Repairs and Maintenance~~

~~Scheme for Financing Schools~~

## Responsibility for Repairs and Maintenance and Capital in North Somerset Council

Please note:

1. All revenue expenditure is the responsibility of the school
2. The authority has set a “de minimis” level of £5,000 for all schools except small schools with pupils below 180 which is £3,500, any expenditure below this level is deemed as revenue.
3. Items over the “de minimis” level but included in the ‘REVENUE: SCHOOL’ column below are still considered as revenue and therefore are the responsibility of the school.
4. Items over the “de minimis” level and included in the ‘CAPITAL’ columns below are capital expenditure and may be funded by the school, by the Authority or jointly (subject to negotiation on each individual project or scheme)

	CAPITAL: LA *(see below)	CAPITAL: SCHOOL	REVENUE: SCHOOL
Flat Roof	Structure. New Structure (not replacement)		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	Screed/insulation. Replacement/repair of substantially all. Improve effectiveness of insulation	Repair/replacement of screed/insulation where defective. 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	Edge Trim/Fascia, Replacement of all/substantially all on existing roof	Repairs/replacement. (uPVC) Repainting

	Drainage on new build, Other e.g. Flashings, Rooflights on new build	Replacement of all/substantially all on existing roof	Clearing out gutters and downpipes. Replacement/repair/repainting of individual gutters/pipes, Repair/Replacement/cleaning of individual items
Pitched roof	Structure. New structure(not replacement), Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure		Repair/replacement of small parts of an existing structure, Replace/repair small areas of rotten/defective joists, rafters, purlins etc Not complete trusses
	Insulation in a new building/extension	Insulation. Replacement/repair of substantially all. Improve insulation to current standards	Repair/replacement/increasing thickness of insulation in an existing roof
	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	Drainage. Replacement of all/substantially all on existing roof	Clearing out gutters and downpipes. Replacement/repairs of individual pipes/gutters

	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	Rebuild or substantially repair structure of existing covered link, add porch etc. to existing building, rebuild or substantially repair structure of existing porch	Minor repairs, maintenance to existing covered link or structure
Ground Floor	Structure and dpc in new building	Structure and dpc – Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	Repair/replacement of small parts of an existing 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	Screed and Finish – as ground floor	As ground floor
Ceilings Top/ only storey	New Build – Suspension ———— Membrane ———— Fixed ———— Access Panels	Non-New Build – Suspension ———— Membrane ———— Fixed ———— Access Panels	Repair/replacement incl. from water damage, & necessary decoration
Ceilings Lower storeys	New Build – Suspension ———— Membrane ———— Fixed	Non-New Build – Suspension ———— Membrane ———— Fixed	Repair/replacement

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 and External Finish on new build,	External Finish on existing builds where needed to prevent imminent or correct actual major failure of the structure. e.g. repointing/recladding work affecting most of a building/replacement build	Repairs Preventive measures e.g. tree removal, repair/replacement of small parts of an existing structure. e.g. repointing/recladding a proportion of a wall where failure has occurred
Windows and Doors	Framing, Glazing – new build	Framing – structural replacement programme	Repair/replacement of individual frames. Repainting frames, 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/repointing
Solid Internal walls		Complete including various internal finishes, linings and decorations, refurbishment and redecorations	Repairs and redecoration to internal plaster/linings tiles, pin boards etc, minor alterations
Partitions internal walls		Complete structure including linings, framing, glazing, decoration etc, refurbishment and alterations	Repairs and redecoration, minor alterations
Doors & Screens	Framing/Screens/Doors to new buildings including glazing, ironmongery, jointing and internal decorations	Framing/Screens/Doors to non-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 (which can include safety film but there is a life to this product and should be regularly inspected, subject to manufacturers recommendations)	Replacement of broken glass
Sanitary services Lavatories	In new buildings provision of all toilet fittings, waste plumbing and internal drainage,	Large scale toilet refurbishment	Repair/replacement of damaged fittings, waste plumbing etc, small areas of refurbishment
	Provision of disabled facilities, and specialist facilities related to pupils with statements		

Kitchens	Kitchens in new buildings, complete with fittings, equipment, waste plumbing and internal drainage. Internal finishes and decorations	General refurbishment. Large and costly items of equipment	Maintain kitchen to requirements of LA Cleaning out drainage systems Redecoration, repairs and replacement parts
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 Regular inspections
	Safe removal of old/damaged asbestos boiler and pipework 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. Monitoring/temperature control and visual inspection tanks.
Gas	Distribution on new and major refurbishments, 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 pipework. Simple heat recovery systems. Solar heating plant and equipment
Electrical Services	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 etc		All testing, repair and replacement of small items of equipment
Lighting		Provision of luminaires and emergency lighting.	Replacement of luminaires, all testing, adjustments and improvements to emergency lighting.
Other	Lightning protection in new build, Alarm systems, CCTV, lifts/hoists etc., provision in new build	New installation of communication systems, radio/ TV, call, telephone, data transmission, IT etc	Repair/replacement and maintenance, including all door access systems

External 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
Miscella needs external	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 external	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 electricity mains, renewal of any above.		Annual servicing and testing as required by individual supply utility.
<p><b>*Such projects will be part of the schools building maintenance and development plan. The LA will seek, through negotiation, contributions from school to all capital projects it undertakes</b></p>			

# Annex D

## Redundancies and Early Retirements

## 1. Definitions:

1.1 Applies to all community, voluntary aided, voluntary controlled, foundation and trust schools.

1.2 Termination of employment costs in this policy relate to redundancy compensation payments, early retirement, ill health retirement and any strain on the pension fund for permanent employees.

1.3 Exclusions are:

- compromise agreements
- costs associated with the termination of temporary or fixed term contracts
- costs associated with staff employed for temporarily funded activities such as support for children that receive audit funding.
- Costs associated with capability dismissal or dismissal under the disciplinary policy

## 2. Funding arrangements:

2.1 Termination of employment costs will not have to be funded from within an individual schools delegated budget share if all four of the requirements below are met:

1 - The costs are incurred in order to rectify a deficit budget which has/will occur in the financial year during which the termination costs will be incurred; and

2 - The LA has agreed, through working in partnership with the school, the scale of necessary reductions, the details of the reductions, the timescales and process for the reductions; and

3 - The school has followed:

- all relevant employment policies and procedures;
- given due consideration to any employment risks which have been identified;
- the deficit recovery plan;
- the advice and implementation processes specified by the LA, and

4 – That any posts terminated are deleted and no replacements made.

2.2 If the criteria specified above are not complied with, in full, or a school is considered to have been negligent, all termination of employment costs, including strain on pension fund, will be met by the individual school's delegated budget share.

2.3 In those circumstances where termination of employment costs do not have to be funded by the individual school's delegated budget share, the costs will either be funded from the LA budget or from the centrally retained element of the schools budget. A definition of which budget will fund these costs is determined in regulations and is summarised below:

Centrally retained schools budget: Termination of employment costs will be charged to the schools budget in respect of premature retirement costs, or for the purposes of securing the resignation of any person employed in a maintained school where there are consequential savings to the schools budget and such cost have been approved by the Schools Forum

LA budget: Historic and residual termination costs will be charged to the LA budget along with any new costs that do not comply with the definition of what can be charged to the schools budget

### **3. Sign off protocol:**

3.1 Where termination of employment costs meet the criteria to be charged to the centrally retained schools budget or the LA budget, a protocol to finalise the arrangements needs to be completed. This involves the agreement of the following post holders:

- Director of Children and Young People's Service
- Head of Performance Improvement and HR
- Service Manager (Resources), C&YPS

3.2 In making a decision on whether or not to agree for an individual's contract to be terminated, the costs incurred will be a factor that is taken into consideration.

3.3 Any agreements made will be subject to audit and scrutiny.



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