

**CUMBERLAND LA  
SCHEME FOR FINANCING  
SCHOOLS AND PRUs**

**January 2023**

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## SECTION 1 INTRODUCTION

### 1.1 The Funding Framework

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

Under this legislation, local authorities determine for themselves the size of their schools budget and their non-schools education budget – although at a minimum an authority must appropriate its entire Dedicated Schools Grant to their schools budget. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together, is all expenditure, direct and indirect, on an authority's maintained schools except for capital and certain miscellaneous items. Authorities may deduct funds from their schools budget for purposes specified in regulations made by the Secretary of State under s.45A of the Act (the centrally retained expenditure). The amounts to be deducted for these purposes are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their Schools Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the schools budget left after deduction of centrally retained expenditure is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).

Authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the Act. The financial controls within which delegation works are set out in a scheme made by the authority in accordance with s.48 of the Act and regulations made under that section. All proposals to revise the scheme must be approved by the Schools Forum, though the authority may apply to the Secretary of State for approval in the event of the forum rejecting a proposal or approving it subject to modifications that are not acceptable to the authority.

Subject to any provision made by or under the scheme, governing bodies of schools may spend their budget shares as they think fit for any purposes of their school\* and for any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act. (\*Section 50 has been amended to provide that amounts spent by a governing body on providing community facilities or services under

Section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (s.50(3A) of the Act.)

An authority may suspend a school's right to a delegated budget if the provisions of the authority's financial scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (schedule 17 to the SSAF Act 1998) but in that case there is no right of appeal. Further details are available in Annex F.

This document forms the required scheme for this authority.

Each authority is obliged to publish each year a statement setting out details of its planned schools budget and other expenditure on children's services, showing:

- the amounts to be centrally retained;
- the budget share for each school;
- the formula used to calculate those budget shares;
- the detailed calculation for each school.

These statements are available on the Cumberland Council website.

The detailed publication requirements for financial statements are set out in directions issued by the Secretary of State. A copy of each year's budget and outturn statement should be made easily accessible to all schools.

Regulations also require a local authority to publish their scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force together with a statement that the revised scheme comes into force on that date.

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

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

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

This scheme applies to all community, nursery, voluntary (aided and controlled), foundation (including trust), community special, foundation special and pupil referral units (PRUs) maintained by the authority, whether they are situated in the area of the authority or situated elsewhere. The scheme will also apply to any new maintained schools which open after the date of this revised scheme. It does not apply to

schools situated in the authority's area which are maintained by another authority. Nor does it apply to academies.

There may be differences in the application of certain elements of this scheme to different types of school (for example voluntary aided schools) and these are outlined at the relevant sections of the scheme.

### **1.3 Publication of the scheme**

A copy of the scheme will be supplied to the governing body and the head teacher of each school covered by the scheme on the Schools Portal, and a copy will also be published on the authority's website, and any approved revisions will be notified to each such school.

### **1.4 Revision of the scheme**

Any proposed revisions to the scheme will be the subject of consultation with the governing body and the head teacher of every school maintained by the authority before they are submitted to the schools forum for their approval. It is also possible for the Secretary of State to make directed revisions to schemes after consultation. Such revisions become part of the scheme from the date of the direction.

All proposed revisions will be submitted to the schools forum for approval by members of the forum representing maintained schools. Where the schools forum does not approve them or approves them subject to modifications which are not acceptable to the authority, the authority may apply to the Secretary of State for approval.

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

The governing body should consider the extent to which it wishes to delegate its financial powers to the head teacher and record its decision (and any revisions) in the minutes of the governing body. The authority would prefer that governing bodies delegate responsibility for routine spending decisions and financial administration, and must formally approve and adequately monitor the nature, scope and effectiveness of such arrangements. All individuals involved in the spending, collection or custody of authority resources or property must observe satisfactory standards of financial probity and regularity as reflected by these conditions and requirements, by the Financial Regulations for Schools, by the Financial Regulations of the Council and in associated guidance issued by the Chief Finance Officer (Section 151 Officer).

Whatever internal arrangements are put in place at school level, the first formal budget plan of each financial year (to be sent to the authority by May 31st) and the mid-year budget plan review (if required) must be



approved by the governing body, or by a committee of the governing body.

## **1.6 Maintenance of schools**

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

## **SECTION 2      FINANCIAL CONTROLS**

### **2.1      General Procedures**

#### **2.1.1    Application of financial controls to schools**

The governors are responsible for managing and controlling the finances of the school within the framework prescribed in this scheme and within the Financial Regulations for Schools and having regard to advice and guidance provided by the authority.

The authority's requirements differ for schools with their own bank accounts (see section 3).

#### **2.1.2    Provision of financial information and reports**

Where schools do not use the Council's accounting system (E5) and do not receive monthly reports from the accounting system (E5), showing actual expenditure and income (i.e. schools with their own bank accounts), they will have a duty to submit the reports listed at Annex D. The procedures for applying for chequebook status can be found in the Financial Regulations (see Section 6).

Where a school does not use the Council's accounting system E5, then the governing body must ensure that:

- (a) the authority is provided with such information as it may require, in the format, to the level of detail and according to frequency and deadlines prescribed by the authority and defined in Financial Regulations;
- (b) all pension contributions are paid over to the authority according to deadlines prescribed by the authority and in accordance with Financial Regulations, to enable the authority to transfer such contributions to the bodies concerned in compliance with requirements which they prescribe; other statutory deductions and contributions are accounted for directly and paid over by the school;

This is essential to enable completion of statutory returns and accounting requirements and to avoid costs and penalties which may arise as a result of delays or inaccuracies in such matters.

#### **2.1.3    Payment of salaries; payment of bills**

Schools are required to make satisfactory arrangements for the payment of employees, creditors and other items, ensuring the correct application of (and accounting for) all statutory and other deductions, also complying with the requirements of Financial Regulations and advice and guidance

from the Chief Finance Officer (Section 151 Officer) to consistently maintain adequate financial standards.

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

Each school must maintain an inventory of its moveable non-capital assets. Governing bodies shall ensure that assets are recorded, issued and held securely, and checked at regular intervals, and that there is a formal procedure for the write-off and disposal of redundant or damaged items. They shall maintain an adequate level of security for premises, other assets and for information held in paper and electronic form.

Schools are free to determine their own arrangements for keeping a register of worth less than £1,000, however, generally all non-consumable items having a value of £250 or more should be included in a register of some form, particularly anything that is portable and attractive, such as a camera.

Governors must not dispose of authority capital assets nor take any decision which would adversely affect the value of such assets. The disposal of non-capital assets must be recorded and offers should normally be by competitive tender or public auction. In determining the disposal of assets the primary objective of governors should be to obtain the best sale price. The value of sale proceeds from items originally purchased from a school's budget share may be added to its budget share, but proceeds from the sale of any item funded directly by the authority must be recycled.

Further guidance on the control of assets is available in the Financial Regulations for Schools.

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

Schools are required to abide by the accounting policies and procedures as detailed in the Financial Regulations for Schools and any other guidance issued by the Local Authority Finance Team.

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

Governing Bodies have authority to write-off debts in respect of items of income due to the school's delegated budget and collectable by them but which are irrecoverable. Such write-offs shall be formally considered and approved by the governing body, and recorded in the minutes of the meeting concerned. Debts should only be written-off once all steps and efforts have been made to recover the debt. Schools should maintain a record of all write-offs in a form approved by the governing body. This should include as a minimum the value of the individual write-off, details of the debtor, a description of the debt and the period it related to, steps

taken to recover the debt, and the date of the governor's meeting where the debt was authorised for write-off.

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

The Finance Regulations for Schools detail the relationship between the school and the Council in terms of recovering debts for schools where schools use the Council's accounting system.

## **2.2 Basis of accounting**

Where schools do not use the Council's accounting system E5, they are free to use any financial software they wish, provided that they meet any costs of modification to provide output required by the authority. Finance software can be either a cash or accruals accounting system.

Quarterly reports and accounts (as set out in Annex D) furnished to the authority should be on a consistent basis, although schools may use either a cash or accruals basis.

Final accounting reports (Individual School Budget Final (ISBF) and Individual School Budget Detailed (ISBD)) must be prepared on an accrual basis.

Where a school has a deficit or a continuing deficit position, the LA may require the governing body to submit reports and accounts more frequently than quarterly until the deficit situation is eliminated.

## **2.3 Submission of budget plans**

Schools must submit a three year budget plan by 31st May. The format of this plan together with guidance to schools on assumptions such as inflation is published by the Local Authority Finance Team no later than 28<sup>th</sup> February preceding the financial year and is available on the School Portal.

This budget will be for the ensuing financial year and for the following two years. The financial forecasts are used in conjunction with the authority's balance control mechanism.

Schools are also required to submit revised budget plans by October 31<sup>st</sup> of the financial year if requested by the authority in writing and/or to reflect any significant changes from the May three year budget plan. These plans should take into account any further budget allocations to the school, plus the effect of any change in circumstances (e.g. staffing).

The authority will provide each school with all income and expenditure data which it holds in respect of that school, where this is necessary to

efficient planning and supply schools with an annual statement showing when this information will be available at times through the year.

Schools should take full account of estimated deficits/surpluses at the previous 31<sup>st</sup> March in their budget plan.

The schools three year budget plan must be approved by the governing body or a committee of the governing body.

## **2.4 School Resource Management**

Schools must seek to have effective management of resources and value for money, to optimise their use of resources and to invest in teaching and learning, taking into account the authority's purchasing, tendering and contracting requirements outlined in Section 2.10.

It is for heads and governors to determine at school level how to secure better value for money. This includes:

- The economic, efficient and effective use of all the resources in their charge;
- The avoidance of waste and extravagance;
- The prudent and economic administration of the school;
- The establishment and maintenance of a system of financial governance, including sound internal spending controls, keeping up to date financial records, continuous financial monitoring and timely reporting; and
- Ensuring all financial transactions represent value for money.

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

## **2.5 Virement**

Schools are able to vire freely between budget headings in the expenditure of their budget shares, where this does not result in putting the school budget into deficit. Such virements should show on the quarterly returns submitted to the authority if the school does not use the Council's accounting system E5. Any item funded directly by the LA with an earmarked budget must be accounted for separately. Any surplus at the year end in an earmarked budget must be returned to the LA, unless specific authorisation has been given.

## **2.6 Audit: General**

School accounts, and financial management and administration generally, will be subject to the internal audit regime determined by the authority, which is the responsibility of the Chief Finance Officer (Section 151 Officer) under Section 151 of the Local Government Finance Act 1972. Further information on the internal audit process can be found in

the Financial Regulations for Schools. Schools are also subject to the authority's external audit regime.

The Chief Finance Officer (Section 151 Officer) or their nominee will have the right to attend meetings of the governing body to report and advise on matters arising from audit reviews.

The governing body will co-operate with internal and external auditors and give them access (for the purposes of audit) to such premises, staff, assets, documents, information and explanations as the auditors consider essential to perform their audit.

The governing body and/or head will immediately notify the Chief Finance Officer (Section 151 Officer) of any suspected financial irregularity.

Financial records and vouchers must be preserved by the governing body and the head until their disposal has been agreed by the authority's internal auditors, or until they become eligible for disposal in accordance with criteria specified in the Financial Regulations for Schools.

## 2.7 Separate external audits

Governing bodies may use funds from its budget share to obtain external audit certification of their school's accounts, separate from any authority internal or external audit process. However, such external audits will not be looked upon as a **substitute** for the Authority's audit regime, and will only access records held by the school.

## 2.8 Audit of voluntary and private funds

Schools are required to provide audit certificates to the authority or its auditors upon request in respect of voluntary and private funds held by schools and of the accounts of any trading organisations controlled by the school. Guidance on this matter can be found in the Financial Regulations for Schools. The cost of the audit of such funds (including such certificates) will be charged to each fund concerned.

## 2.9 Register of business interests

The governing body of each school must hold a register which lists for each member of the governing body and the head teacher:

Any business interests they or any member of their immediate family have;

Details of any other educational establishments that they govern;

Any relationships between school staff and members of the governing body;

The register must be kept up to date with notification of changes and through annual review of entries and must be available for inspection by

governors, staff and parents, and the authority. The register must be published, for example on a publicly accessible website.

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

Schools must abide by the Financial Regulations for Schools and the authority's Contracts Procedure Rules in purchasing, tendering and contracting matters. This includes a requirement to assess in advance, where relevant, the Health and Safety competence of contractors, taking account of the authority's policies and procedures.

However, any section of the authority's financial regulations for schools and contracts procedure rules shall not apply if any provision requires the schools:

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

Schools may seek advice on a range of compliant deals via <https://www.gov.uk/guidance/buying-for-schools>

Guidance on the authority's Contract Procedure Rules are found in Part 5H of the Constitution which is available on the Council website.

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

Schools have the right to opt out of authority arranged contracts.

Although governing bodies are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts, in most cases they do so on behalf of the authority as maintainer of the school and owner of the funds in the budget share.

Other contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations – for example, contracts made by voluntary aided or foundation schools for the employment of staff.

## **2.12 Central funds and earmarking**

The scheme permits the authority to make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget shares. Such allocations will be subject to conditions, setting out the purpose or purposes for which the

funds may be used. Although these conditions do not preclude virement (except of course, where the funding is supported by a specific grant which the authority itself is not permitted to vire) this should not be carried out to the point of assimilating the allocations into the school's budget share.

Such allocations might, for example, be sums for SEN or other initiatives funded from the central expenditure of any authority's Schools Budget or other authority budget.

Any earmarked funds must be returned to the authority if not spent within the period stipulated by the authority over which schools are allowed to use the funding.

The authority will not make any deduction, in respect of interest costs to the authority, from payments to schools of devolved specific grant.

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

Section 50(3) of the School Standards and Framework Act 1998 allows governing bodies to spend budget shares for the purposes of the school, subject to regulations made by the Secretary of State and any provisions of this scheme. By virtue of section 50(3A) (which came into force on 1<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.

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 Budgets Shares (Prescribed Purposes) (England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes) (England) (Amendment) Regulations 2010 (SI 2010/190). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools or academies.

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

Governing bodies may use their budget share to meet the costs 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. However, if the expected capital expenditure from the budget share in any one year will exceed £15,000, the governing body must notify the authority and take into account any advice from the Assistant Director – SEND, Education and Inclusion (as the representative of the Director of Children and Family Wellbeing) as to the merits of the proposed expenditure. If the premises are owned by the authority, or the school has voluntary controlled status, then the governing body should seek the consent of the authority to the proposed works. Such consent can only be withheld on health and safety grounds. The reason for these provisions is to help meet responsibilities with the School Premises



(England) Regulations 2012, the Workplace (Health, Safety and Welfare) Regulations 1992, the Regulatory Reform (Fire Safety) Order 2005, the Equality Act 2010, and the Building Regulations 2010.

These provisions would not affect expenditure from any capital allocation made available by the authority outside the delegated budget share.

## 2.15 Notice of Concern

The authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Chief Finance Officer (Section 151 Officer) and the Assistant Director – SEND, Education and Inclusion, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the authority or the school. As set out in the Challenge and Support Process for Schools/ PRUs with a Deficit Budget (Annex J), this will follow a Financial Review Meeting.

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

These may include:

- Insisting that relevant staff undertake the appropriate training to address any identified weaknesses in the financial management of the school;
- Insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;
- Placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the authority;
- Insisting on regular financial monitoring meetings at the school attended by authority officers;
- Requiring a governing body to buy into any authority's financial management systems; and
- Imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

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

A notice of concern will not be used in place of withdrawal of financial delegation where that is the appropriate action to take, however, it will

provide a way of making a governing body aware of the authority's concerns short of withdrawing delegation and identifying the actions a governing body should take in order to improve their financial management to avoid withdrawal.

A notice of concern will be withdrawn once the Chief Finance Officer (Section 151 Officer) and Assistant Director – SEND, Education and Inclusion are satisfied that the governing body has complied with requirements specified in the notice of concern. For further information about suspension of a school's right to a delegated budget see Annex F.

## 2.16 Schools Financial Value Standard (SFVS)

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

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

All maintained schools with a delegated budget must submit the form to the local authority before the end of the financial year on 31<sup>st</sup> March. The Local Authority Finance Team will specify annually a date by which schools must submit a completed copy of the SFVS to the team.

## 2.17 Fraud

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

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

Schools should be vigilant to the possibility of money laundering and should report any suspicions to the Chief Finance Officer (Section 151 Officer).

Headteachers and governing bodies are responsible for having arrangements in place to check that there are adequate internal controls within school and that these are operating effectively. Details of the type

of internal controls that should be in place are found in the Financial Regulations for Schools (Annex H).

## **SECTION 3      INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS**

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

### **3.1      Frequency of instalments**

Schools with their own bank accounts will receive their budget share in 13 instalments. There will be two instalments in April, the first equal to 5.833% and the second equal to 8.333% of the budget. One instalment will be paid each subsequent month, and each of these instalments will for May to February be equal to 8.333% of the budget, with the balance of the budget share (2.50%) to be paid in March. This arrangement is intended to recognise the typical cash flow of schools generally. Each instalment will be paid to the school bank account on a due date to be determined by the authority and notified to the school in advance of the budget year. Any additional allocations made during the year, including top up payments for pupils with high needs, are made on a monthly basis and will be included as part of the next instalment for schools with their own bank accounts.

Schools without bank accounts are effectively able to draw down all of their budget share from the start of the year, although in practice this will not happen.

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

Where schools have their own bank accounts, funding will be paid during the year into this account for the entire budget allocation, including any specific grant allocations.

Annex B includes further information related to this matter.

### **3.3      Interest clawback**

The authority will deduct from budget share instalments an amount equal to the estimated interest lost by the authority in making available the budget share in advance. The method of this calculation is shown in Annex C.

The authority will not make any deduction, in respect of interest costs to the authority, from payments to schools of devolved specific grant.

#### **3.3.1      Interest on late budget share payments**

The authority will add interest to late payments of budget share instalments, where such late payment is the result of authority error. The

interest rate used will be the same as that for clawback (as per 3.3 above).

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

Budget shares of schools for which approval for discontinuation has been secured, will be made available until closure on a monthly basis.

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

All maintained schools may have external bank accounts into which budget share instalments (as determined by other provisions) will be paid. All schools which hold such accounts will be allowed to retain all interest payable on the account, subject to the arrangements set out in Annex E.

Any governing body wishing to operate a bank account for their school must use it to make all payments (payroll and non- payroll) from its delegated budget share, as the authority will not make any categories of payment from its main bank account on behalf of the school.

New bank account arrangements may only be made with effect from the beginning of each financial year and schools are advised to seek guidance on procedural matters from the Local Authority Finance Team. A school which is in deficit will not be able to have such an account until the deficit is eliminated.

Any school wishing to opt for its own bank account for the first time in future years may only do so after giving a period of notice of 3 months (i.e. by 31<sup>st</sup> December).

Where a school opens an external bank account in this way, the authority must, if the school desires, transfer immediately to the account an amount agreed by both school and authority as the estimated surplus balance held by the authority in respect of the school's budget share, on the basis that there is then a subsequent correction when accounts for the relevant year are closed.

Schools may operate separate bank accounts for community facilities (whether they have a bank account for their budget share or not), however, permission for this must be sought from the Local Authority Finance Team before opening any bank accounts. Schools must also abide by the requirements of Section 13 of this Scheme particularly in relation to the requirement to consult the Local Authority before any community facility is embarked upon, and with regard to the requirement to submit financial information for the facility.

Bank accounts referred to in this section of the scheme do not include imprest accounts, which may be requested by a school from the authority as an alternative for paying small (non-payroll) transactions.

### 3.5.1 Restrictions on account

Schools with their own bank accounts are required to comply with the specific conditions set out in the Financial Regulations for Schools.

The bank or building societies accounts that can be held for the purpose of receiving budget share payments must be on the authority's approved list and must provide full banking facilities including electronic transactions through the BACS system. Before finalising arrangements for their bank account the governing body should consult the Local Authority Finance Team who will provide advice on this aspect.

Such bank accounts for schools may be either in the name of the school or combine the title of the school with "(Cumberland Council)", but shall not be in the name of any person or persons. Where a school has an account in the name of the school only, the account mandate should provide that the authority is the owner of the funds in the account; that the authority is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the authority.

Budget share funds paid by the authority and held in school accounts remain authority property until spent (S.49(5) of the Act).

A minimum of 2 (joint) signatories must be required, which must include the head and another member of school staff and may include a governor.

The governing body will not withdraw any authority resources from its official school bank account for deposit in any private fund or other account which is not an official bank account for that school.

If any governing body of a school operating a bank account for payments fails to operate banking arrangements in accordance with this scheme and the Financial Regulations for Schools or fails to submit the authority returns as requested by the Local Authority Finance Team, then the authority may begin formal procedures to withdraw delegation from the Governing Body, as outlined in Annex F.

### 3.6 Borrowing by schools

Governing bodies may borrow money only with the written permission of the Secretary of State and permission is only likely to be granted in exceptional circumstances. From time to time, however, the Secretary of State may introduce limited schemes in order to meet broader policy objectives. Schools are allowed to use any scheme that the Secretary of State has said is available to schools without specific approval, currently including the Salix scheme, which is designed to support energy saving.

Bank account schools may use credit or charge cards, however, no interest charges should be incurred by the school, with balances fully cleared on a monthly basis. Schools that use the Council bank account

and ledger system are required to have Council approved payment cards and use these to make purchases as directed by the Council.

This does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on government accounts. Such 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 borrowing. Governing bodies do not act as agents of the authority when repaying loans.

This provision does not apply to loan schemes run by the authority (see [section 4.10](#)).

### **3.7 Other provisions**

For other requirements and advice on holding and operating bank accounts, schools are referred to the Financial Regulations for Schools.

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

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

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

Where a school opens an external bank account on 1<sup>st</sup> April, the estimated cash balance will be transferred to the school with the 2<sup>nd</sup> instalment of the financial year (due around the end of April, subject to the school's confirmation). Any adjustment will be made after the school accounts have been closed and before the first instalment of the new academic year (the end of August), subject to the school's agreement.

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

Although schools may carry forward year end balances into the following financial year the authority operates a mechanism to remove excess surplus balances where schools cannot demonstrate that balances are properly assigned.

Surplus balances are deemed to be excessive where year end balances are greater than 5% of the budget share for secondary schools or 8% for primary, nursery and special schools, and PRUs.

All Schools with excess surplus balances over the allowable thresholds will be informed in writing after financial year end and requested to submit a return to the authority by 31<sup>st</sup> May to indicate, for any of the balance that is committed, specific purposes for carrying forward the money, how much will be spent and in what timescale. The final decision will be made by the Assistant Director – SEND, Education and Inclusion and schools will be informed of the outcome by the end of the summer term.

Where schools do not provide a justification or where the justification does not meet the criteria in the policy, the excess surplus amount will be deducted from the school's Budget Share. Schools will be informed in writing of the amount to be deducted.

A copy of the policy is available on the School Portal and the Council website and is found at Annex I.

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

Balances held by the Authority on behalf of schools will attract interest.



The method for this is explained in Annex E.

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

Any deficit balances will be carried forward from one financial year to the next.

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

Schools are not permitted to plan for a deficit when preparing their budget plans except in very exceptional circumstances with the agreement of the Assistant Director – SEND, Education and Inclusion (see paragraph 4.9 and Annex J). Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31<sup>st</sup> March of any year effective from 31<sup>st</sup> March 2021.

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

Schools using the Council accounting system E5 and not holding a separate bank account that are in deficit will be charged interest on the deficit balance. The method for this is explained in Annex E.

Schools with their own bank accounts will be charged interest on any funding required in addition to the S251 budget allocation. This method (also shown in Annex C) will be where schools require these additional funds to enable them to manage their finances within a Licensed Deficit Action Plan, as outlined at paragraphs 4.9 and 4.10.

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

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

Funding to give assistance towards the elimination of a deficit balance to support schools in financial difficulty can only come from a de-delegated contingency for mainstream schools (where this has been agreed by the Schools Forum), or a centrally held budget specified for the purpose of expenditure on special schools and PRUs in financial difficulty.

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

Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, a local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share (including any surplus carried over from previous funding periods) of the closing school for the funding period in which it closes.

#### **4.9 Licensed deficits**

The resources delegated to a school by the authority represent a “cash

limited” budget, and each governing body must contain spending within this budget. However, it is recognised that there may from time to time be circumstances in which, despite its best efforts, a school ends a financial year in deficit. In such cases the situation is to be corrected by the end of the following financial year.

However, in exceptional circumstances, a deficit budget proposed by the governing body may be jointly agreed by the Assistant Director – SEND, Education and Inclusion and the Chief Finance Officer (Section 151 Officer), to phase the restoration of a fully balanced budget over a two or three year period. Such an agreement will only be considered when the school has completed the Licensed Deficit Action Plan, contained within the “Challenge and Support Process for Schools and PRUs with Deficit Budgets Policy”. This policy is available on the School Portal and on the Council website. It is also included at Annex J.

Licensed Deficit Action Plans will generally be to buffer the impact of falling pupil numbers (though this should not be seen as an alternative to addressing such things as pupil/teacher ratios) and unexpected overspends in previous years.

A Licensed Deficit Action Plan which is in excess of either £5,000 or 2% of a school’s annual budget (including expected additional allocations) must be approved by the Assistant Director – SEND, Education and Inclusion. The authority is not likely to approve a deficit in excess of 20% of the individual school’s annual budget.

In circumstances where a school requires a budget share advance in order not to be to be overdrawn at their bank, this should be treated as a cash advance and not a loan. This will have no effect on the school’s budget and outturn statements.

#### **4.10 Loan schemes**

The authority may finance loans to schools in specific cases. Such a loan will operate not as a licensed deficit but as an actual payment to the school, on condition that a corresponding amount is repaid to the authority from the school’s budget share over a period of time. The parameters of the scheme are as per paragraph 4.9 above.

Loans will only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year.

Loans will not be used as a means of funding a deficit that has arisen because a school’s recurrent costs exceed its current income.

The Council will make loans to maintained schools for capital schemes in the following circumstances:

- The school is in surplus and is forecasting to remain in surplus in its current 3 year budget plan after accounting for loan repayments (principal and interest);
- In general loans no greater than 10% of a school's annual budget share will be approved except in exceptional circumstances;
- Individual loans will be made between £10,000 up to a maximum of £500,000;
- In any financial year the Council will not make loans of more than £500,000 in totality;
- Interest will be charged for the duration of the loan at the Council average borrowing rate applicable at the date of the loan agreement;
- Repayments will be over a minimum of 2 years up to a maximum of 5 years;
- A loan should deliver both financial and non-financial benefits to the school e.g. opportunities to generate income for the benefit of the school; significantly improve the learning environment;
- If a school academises, loans will be repaid in full at the date of academisation.

Schools must prepare a business case setting out the purpose of the loan, value, repayment period and impact on school financial position taking into account interest charged on the loan.

Business cases will be required to be signed by the Head and Chair of Governors following approval by the Full Governing Body.

Loans will be approved by the Council's s151 Officer in consultation with the Director of Children and Family Wellbeing.

Where a loan is agreed the Schools finance team will request regular monitoring updates from the school on progress, and will monitor the ongoing impact of loan repayment on a school's budget.

Where a loan is approved, schools will be required to sign a formal loan agreement with the Local Authority, including a repayment schedule.

If loans are made to fund a deficit and a school subsequently converts to academy status, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new academy school.

#### **4.10.1 Credit Union approach**

Schools may wish to group together to utilise externally held balances for a credit union approach to loans. In such cases, and if the authority does not itself act as administrator of the arrangement, the credit union accounts will be required to be audited.

## **SECTION 5      INCOME**

### **5.1      Income from lettings**

Schools may retain income from lettings of the school premises and net income (after costs) from leases (when formally approved by the authority) which would otherwise accrue to the authority subject to alternative provisions arising from any joint use or Private Finance Initiative (PFI)/Public Private Partnership (PPP) agreements. Schools may cross-subsidise lettings for community and voluntary use with income from other lettings, provided the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement.

However, schools are required to have regard to directions issued by the authority as to the use of school premises, as permitted under the Act for various categories of schools.

Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school. Schools are required to comply with the requirements in the Financial Regulations for Schools. Where land is held by a charitable trust, it will be for the school's trustees to determine the use of any income generated by the land.

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

Schools may retain income from fees and charges except where a service is provided by the authority from centrally retained funds. However, schools are required to have regard to any policy statements on charging within the Financial Regulations for Schools. Income from boarding charges is collected on behalf of the authority and should not exceed that needed to provide board and lodging for the pupils concerned.

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

Schools may retain income from fund-raising activities.

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

Schools may retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds (in which case it should be for the authority to decide whether the school should retain the

proceeds); or the asset concerned is land or buildings forming part of the school premises and is owned by the authority.

Any retention of funds from the sale of land assets is subject to the consent of the Secretary of State, and any conditions the Secretary of State may attach to that consent relating to the use of proceeds.

Proceeds of sale of premises not owned by the authority is not a matter for this scheme.

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

Schools should comply with the procedures as set out in the Financial Regulations for Schools and all income due to the authority must be collected and paid intact into the Council's bank account or where schools do not use the Council's accounting system E5 into an official school bank account.

The governing body will ensure that law and regulations applicable to Value Added Tax are correctly applied to all income charged and received.

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

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**

### **6.1 General provision**

School budget shares may be charged by the authority without the consent of governors only in the circumstances which are permitted by this scheme and shown below. However, the authority will consult with schools in any such cases and will notify schools when this has been done.

Such cases will arise only where the authority has incurred the expenditure to be charged to the school. Where the Authority cannot incur a liability because the statutory responsibility rests elsewhere (e.g. in some cases the governing body of Voluntary Aided or Foundation schools), no charging is possible.

The amount involved may either be recoverable by the authority as a deduction from subsequent funding transfers of a school's delegated budget share (for schools with bank accounts) or by a charge against the school's budget by accounting transfer (where no bank account is held).

The authority may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of the Schools Forum.

#### **6.1.1 Charging of salaries at actual cost**

The authority must charge the salaries of school based staff to the budget share of a school at actual cost.

### **6.2 Circumstances in which charges may be made**

**6.2.1** Where premature retirement costs have been incurred without the prior written agreement of the authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the authority).

**6.2.2** Other expenditure incurred to secure resignations or dismissal where there is a good reason to charge this to the school.

**6.2.3** Awards by courts or industrial tribunals against the authority, or out of court settlements, arising from action or inaction by the governing body contrary to the authority's advice.

**6.2.4** Expenditure by the authority in carrying out health and safety work or capital expenditure for which the authority is liable where funds

have been delegated to the governing body for such work, but the governing body has failed to carry out the required work. Expenditure by the authority incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the authority or the school has voluntary controlled status.

- 6.2.5** Expenditure incurred by the authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the authority.
- 6.2.6** Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in the service level agreement, and the result is that monies are owed by the school to the authority.
- 6.2.7** Recovery of penalties and/or retrospective assessments imposed on the authority by the Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, Teachers Pensions, the Environment Agency or regulatory authorities as a result of negligence, act or omission by a governing body or its staff or agents in relation to legal requirements, or as a result of their failure to provide information to these bodies (directly or via the authority as may be required) by the due date specified by the authority or by the body concerned.
- 6.2.8** Correction of authority errors in calculating charges to a budget share (e.g. pensions deductions).
- 6.2.9** Additional transport costs incurred by the authority arising from decisions by the governing body on the length of the school day, and failure to notify the authority of non-pupil days resulting in unnecessary transport costs.
- 6.2.10** Legal costs which are incurred by the authority because the governing body did not accept the advice of the authority (see also Section 11).
- 6.2.11** Costs of necessary health and safety training for staff employed by the authority, where funding for training has been delegated but the necessary training has not been carried out.
- 6.2.12** 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.
- 6.2.13** Costs of work done in respect of teacher pension remittance and records for schools using non-authority payroll contractors, the

charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.

- 6.2.14** Costs incurred by the authority in securing provision specified in a statement of SEN, where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs.
- 6.2.15** Costs incurred by the authority due to submission by the school of incorrect data.
- 6.2.16** Recovery of amounts spent from specific grants, which has not been spent on the purpose for which it was given, or which has not been spent by the end of the specified period to which it relates.
- 6.2.17** Costs incurred by the authority as a result of the governing body being in breach of the terms of a contract.
- 6.2.18** Costs incurred by the authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.
- 6.2.19** Recovery of the cost of securing, by other methods, information required from the school by the authority under the terms of this scheme, where the school has failed to provide this.
- 6.2.20** Recovery of costs and damages due to a contractor and falling initially upon the authority, but arising from action or inaction by a governing body in relation to contract terms and conditions which relate to a contract that the governors entered into voluntarily.
- 6.2.21** Costs incurred by the authority in administering admissions appeals, where the local authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.
- 6.2.22** Recovery of cost of statutory interest payable under the Late Payment of Commercial Debts (Interest) Act 1998 because of late payment of bills by the governing body, or failure by them to submit such items in time for payment by the authority, by the due date or statutory time limit beyond which interest falls due.
- 6.2.23** Facilities Provided by Third Parties (used by schools) – Recover either:-
  - (a) the actual costs incurred in securing the provision of facilities and/or premises and for which individual schools chose to use; or
  - (b) the equivalent commercial rate of charge that the school would have had to pay for the use of the facilities/premises



owned by third parties had the council not secured the use of these premises by way of a contract agreement.

The recharge will be the lower of either (a) or (b).

## **SECTION 7      TAXATION**

### **7.1      Value Added Tax**

HM Revenue and Customs have agreed that VAT incurred by schools when spending any funding made available by the authority is treated as being incurred by the authority and qualifies for reclaim by the authority. However, this does not include expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings. See also section 13 – community facilities.

Any amounts reclaimed will be passed back to the school. More detailed guidance and the procedures that schools should follow are set out in the Financial Regulations for Schools.

### **7.2      CIS (Construction Industry Taxation Scheme)**

Schools are required to abide by the procedures issued by the authority in connection with CIS. These can be found within the Financial Regulations for Schools.

## **SECTION 8 THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY**

### **8.1 Provision of services from centrally retained budgets**

The authority shall determine on what basis services from centrally retained funds will be provided to schools. The term services includes existing commitments for redundancy/Premature Retirement Compensation (PRC) payments.

The authority is barred from discriminating in its provision of services on the basis of categories of schools except in cases where this would be allowable under the school and early years finance regulations or the dedicated schools grant (DSG) conditions of grant.

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

The term of any arrangement with a school to buy services or facilities from the authority shall be limited to a maximum of three years from the date of the agreement, and periods not exceeding five years for any subsequent agreement relating to the same services. For contracts for supply of catering services, these timescales may be limited to a maximum of five years, with a maximum agreement of seven years if the contract is extended.

When a service is provided for which expenditure is not retained centrally by the authority under the Regulations made under section 45A of the Act, it must be offered at prices which are intended to generate income which is no less than the cost of providing those services.

#### **8.2.1 Packaging**

The authority may provide any services for which funding has been delegated. Where the authority is offering the service on a buyback basis it must do so in a way which does not unreasonably restrict schools' freedom of choice among the services available, and where practicable, this will include provision on a service-by-service basis as well as in packages of services.

### **8.3 Service level agreements**

Service Level Agreements must be in place by 31<sup>st</sup> March to be effective for the following financial year. Schools must have at least a month to consider the terms of agreements.

**8.3.1** If services or facilities are provided under a service level agreement - whether free or on a buyback basis - the terms of any such agreement starting on or after the inception of the scheme

will be reviewed at least every three years if the agreement lasts longer than that.

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

It should be noted that any centrally arranged premises and liability Insurance are excluded from these provisions as the limitations are impracticable for insurance purposes.

## **8.4 Teachers' Pensions**

Governing bodies of schools which provide payroll services should submit an annual return of salary and service to the authority.

In order to ensure that the performance of the duty on the Authority to supply Teachers Pensions with information under the Teachers' Pension Scheme Regulations 2014, the following conditions are imposed on the authority and governing bodies of all maintained schools covered by this scheme in relation to their budget shares.

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

A governing body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the authority which the authority requires to submit its monthly 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.

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

AVC scheme. The governing body shall meet any consequential costs from the school's budget share.

**SECTION 9 PUBLIC FINANCE INITIATIVES/PUBLIC PRIVATE PARTNERSHIP (PPI/PPP)**

- 9.1** Where an agreement is to be entered into as a Private Finance Initiative or Public Private Partnership, the agreement must be in accordance with relevant regulations issued by the authority.

## SECTION 10 INSURANCE

### 10.1 Insurance cover

If funds for insurance are delegated to any school, the authority may require the school to demonstrate that cover relevant to an 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 if the authority makes such arrangements, either paid for from central funds or from contributions from schools' delegated budgets.

The evidence required to demonstrate the parity of cover should be reasonable, not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier.

The authority will have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement.

The following are suggested as the minimum cover levels:

Business Interruption	£250,000
Contract Works	£500,000
Money	£25,000 but cheques £250,000
Fidelity Guarantee	£250,000
Employers and Public Liability	at least £10m any one incident
Governors' Liability	£500,000
Libel and slander	£100,000 any one incident
Legal expenses	£100,000

These categories are not exhaustive and secondary schools may require higher limits. It is recommend that the school discuss the limits with the insurance provider/consultant.

Old policy documents and proof of premium payment should be retained securely, especially liability policies, as claims can be made many years after they occur.

Instead of taking out insurance, a school may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA. Schools are allowed to join the RPA after 1<sup>st</sup> April 2020. Schools may do this individually when any insurance contract of which they are part expires. All primary and/or secondary maintained schools can join the RPA collectively by agreeing through the Schools Forum to de-delegate funding.

See also paragraph 6.2.5.

## SECTION 11 MISCELLANEOUS

### 11.1 Right of access to information

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

### 11.2 Liability of governors

Because the governing body is a corporate body and because of the terms of s.50(7) of the School Standards and Framework Act 1998 Act, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

An example of behaviour which is not in good faith is the carrying out of fraudulent acts. Breaches of the scheme are not in themselves failures to act in good faith; neither is rejection of authority advice as to financial management.

### 11.3 Governors' allowances

#### Schools without delegated budgets

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

Governing bodies would not normally have discretion in the amounts of such allowances, which would be set by the authority.

Under s.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 delegated budget share. Schools are expressly forbidden from paying any other allowances to governors.

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

#### Schools with delegated budgets

The School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 allows the governing body of a maintained school with a delegated budget to choose whether to pay allowances or expenses to governors. Where they choose to do so, it must be in accordance with a policy. Governors may claim reasonable out of pocket expenses incurred as a direct result of undertaking governor responsibilities or training such as travel or childcare, this does not include payments to



cover loss of earning for attending meetings. Travel expenses must not exceed the HM Revenue and Customs (HMRC) approved mileage rates. Other expenses should be paid on provision of a receipt and be limited to the amount shown on the receipt. Schools may not make payment of any other allowances.

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

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

The effect of this is that a school cannot expect to be reimbursed with the cost of legal action against the authority itself (although there is nothing to stop an authority making such reimbursement if it believes this to be desirable or necessary in the circumstances).

The costs referred to are those of legal actions, including costs awarded against an authority; not the cost of legal advice provided.

Where there is a conflict of interest between the authority and the governing body such that the authority's lawyers could not appropriately advise or represent the school a request should be made in advance to the Director of Children and Family Wellbeing for separate legal representation. The Director of Children and Family Wellbeing and the Chief Legal Officer (Monitoring Officer) will determine if separate legal representation is appropriate and similarly if the cost of that representation should or should not be met by the authority, at least in the first instance.

#### **11.5 Health and Safety**

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

Governing bodies are required to ensure contractors are appointed and managed in full compliance with the Health and Safety at Work etc Act 1974. Community and Voluntary Controlled schools (including PRU's and nurseries) must adhere to the council's health and safety procedures for managing contractors and ensure contractors are compliant with the council's Contractor Health & Safety Code of Practice. Governing bodies are required to assess in advance, where relevant, the health and safety competence of contractors, taking account of the authority's policies and procedures.

As the employer in Community and Voluntary Controlled schools the council provides to these schools (without charge) health and safety

support and advice and educational visits approval for higher risk school visits. These services can also be purchased by other schools through Service Level Agreements.

Additionally, through the centrally retained health and safety budget, the following services are available without charge to all schools covered by the scheme:

- Management of asbestos surveys and annual asbestos re-inspections
- Priority asbestos remedial actions identified by the surveys (other remedial actions must be addressed through individual school budgets)
- Subscription to the CLEAPSS (Consortium of Local Education Authorities for the Provision of Science Equipment) advisory scheme
- Access to the online Evolve Educational Visits software for recording school visits (visit approval service is not covered through the scheme)
- Subsidised health and safety related training
- Support for emergency health and safety measures considered on a case by case basis
- Ad-hoc funding for health and safety initiatives, and for publications and support materials.

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

Governing Bodies are required to permit the Chief Finance Officer (Section 151 Officer), or any officer nominated by the Chief Finance Officer (Section 151 Officer), to attend meetings of the governing body at which any agenda items are relevant to the exercise of his or her responsibilities.

The Chief Finance Officer (Section 151 Officer) attendance will normally be limited to items which relate to issues of probity or overall financial management and will not be regarded as routine. The authority will give prior notice of such attendance unless it is impracticable to do so.

#### 11.7 Special Educational Needs

Schools must use their best endeavours in spending the budget share to secure the special educational needs of their pupils. This is a statutory requirement and the existence of the scheme requirement makes it possible to suspend delegation, where a situation is serious enough to warrant it (although this would not normally relate to an individual pupil).

#### 11.8 “Whistleblowing”

Schools should establish a basis on which staff can properly raise concerns about finance or other matters without prejudice to their personal position. An effective system for raising of concerns will include respect for staff confidentiality, an opportunity to raise concerns outside the line management structure, and an indication of the proper way in which concerns may be raised outside the organisation if necessary. This should be set out in a whistleblowing policy which **all schools should**

**have in place.** Schools should ensure that the whistleblowing policy is available in school and is communicated to all staff and parents.

It is expected that governing bodies of all community and voluntary controlled schools and PRUs would adopt the Council's whistleblowing policy. Foundation and voluntary aided schools are encouraged to do the same.

The Council's Whistleblowing policy can be found on the Council's website, at the link below:

Link to be provided

Schools should provide an alternative person, such as the Chair of Governors, to whom concerns may be reported if the employee believes the Head Teacher is involved in the wrong doing or has failed to take appropriate action when the matter has been raised previously.

Employees may seek advice from the Chief Legal Officer (the Council's Monitoring Officer) if they feel unable to report their concerns to the Head Teacher or Chair of Governors.

Community and voluntary controlled schools which adopt the Council's Whistleblowing Policy will notify the Chief Legal Officer (Monitoring Officer) in accordance with sections 11.1 and 11.17 of the Policy. All schools are encouraged to maintain their own records of the report, investigation and outcome.

## **11.9 Child Protection**

Schools may need to release staff to attend child protection case conferences and other related events. The costs of this activity will be met from the school budget.

## **11.10 Redundancy / early retirement**

The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. Further guidance is provided at Annex G as to how this is applied in Cumberland.

## SECTION 12 RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

**12.1** The authority delegates all revenue funding for repairs and maintenance to schools. This delegation is based on the transfer of responsibility to those best placed to manage day to day maintenance including cyclical maintenance such as boiler servicing, water testing, asbestos management and the like. Only capital expenditure is to be retained by the authority. For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the local authority for financial accounting purposes in line with the CIPFA Code of Practice on local authority accounting. The Authority does not intend to use a de Minimis limit for distinguishing between capital and revenue expenditure.

The attached Annex A sets out the categories of work which governing bodies must finance from their budget shares.

Eligibility for capital grant from the Secretary of State for capital works at voluntary aided schools depends on the de Minimis limited applied by DfE to categorise such work, not the de Minimis limit used by the authority.

## SECTION 13 COMMUNITY FACILITIES

### 13.1 Introduction

Schools can choose to exercise the power conferred by s.27(1) of the Education Act 2002 to provide community facilities. Community facilities are defined in the Act as: any facilities or services whose provision furthers any charitable purpose for the benefit of:

- (a) pupils at the school or their families, or .
- (b) people who live or work in the locality in which the school is situated.

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. Under section 88 of the Children and Families Act 2014, Schools are no longer required consult the local authority or be mindful of a local authority's advice when offering this type of provision. The Secretary of State issues guidance to governing bodies about a range of issues connected with the exercise of the power, and a school must have regard to that.

However, under s.28(1), the main limitations and restrictions on the power will be those contained in the maintaining authority's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998 as amended by paragraph 2 of Schedule 3 to the Education Act 2002. This amendment extended the coverage of schemes to include the exercise of the powers of governing bodies to provide community facilities.

Schools are therefore subject to prohibitions, restrictions and limitations in this Scheme.

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 (ie Community Development Centres or Adult Education Centres)

If there is any uncertainty regarding community facilities and compliance with this scheme, schools are requested to contact the Local Authority Finance Team.

### **13.2 Budget Issues**

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

### **13.3 Consultation with the authority – financial aspects**

Changes made by the Children and Families Act 2014 mean that schools no longer need to consult the local authority when establishing community facilities under Section 27 of the Education Act 2002. Nor do they have to have regard to advice given to them by the local authority. However, as public bodies, they are expected to act reasonably, and this includes consulting those affected by decisions that they make.

### **13.4 Funding agreements – authority powers**

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

Before concluding any such agreements with third parties, the governing body is required to submit any such proposed agreement to the authority for comments. The authority will respond within 6 weeks.

If the third party requires authority consent to the agreement for it to proceed, such a requirement and the method by which authority consent is to be signified is a matter for that third party, not for this scheme.

The authority has no right of veto in such agreements. However, in circumstances where an agreement has been or is to be concluded against the wishes of the authority, or has been concluded without informing the authority, which in the view of the authority are seriously prejudicial to the interests of the school or the authority, that may constitute grounds for suspension of delegated powers.

### **13.5 Other prohibitions, restrictions and limitations**

In a specific instance of use of the community facilities power by a governing body, the governing body concerned must make arrangements to protect the financial interests of the authority by either carrying out the activity concerned through the vehicle of a limited company formed for

the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the authority. This requirement will only be made where the authority has good reason to believe that the proposed project carries significant financial risks.

Where expenditure by governing bodies on community facilities is deemed by the authority to be seriously prejudicial to the interests of the school or the authority, the authority may suspend the right of the governing body to a delegated budget.

### **13.6 Supply of financial information**

The school must submit every six months a financial statement (in a form determined by the authority) for the community facility showing income and expenditure for the previous 6 months and on an estimated basis for the next 6 months. A return at the financial year end detailing the financial position for the community facility will be required. Where there is cause for concern the authority may give one month's notice to the school that financial statements should be supplied every 3 months and, if the authority see fit, to require the submission of a recovery plan for the activity in question. As detailed in paragraph 13.1 above, section 13 of the Scheme does not apply to Community Development Centres and Adult Education Centres and therefore the financial information detailed in here is not required for these arrangements.

### **13.7 Audit**

The school must grant access to the schools records connected with exercise of the community facility power in order to allow internal and external audit of relevant income and expenditure.

This requirement includes access for audit purposes to funding agreements with third parties. Schools are required, in concluding funding agreements with other persons pursuant to the exercise of the community facilities power, to ensure that such agreements contain adequate provision for access by the authority to the records and other property of those persons held on the school premises, or held elsewhere insofar as they relate to the activity in question, in order for the authority to satisfy itself as to the propriety of expenditure

### **13.8 Treatment of income and surpluses**

Schools may retain all net income derived from community facilities unless otherwise agreed with a funding provider whether that be the authority or some other person.

Schools are allowed to carry such retained income over from one financial year to the next, and to either add it to any budget share surplus, or retain it as a separate community facilities surplus. The Local

Authority will specify the requirements as to how any such balance is treated at the financial year end.

### **13.9 Health and safety**

The health and safety provision (see para 11.5) is extended to the community facilities power.

The governing body is responsible for the costs of securing Disclosure and Barring Service (DBS) checks for all adults involved in community activities taking place during the school day. Governing bodies are free to pass on such costs to a funding partner as part of an agreement with that partner.

### **13.10 Insurance**

The governing body has a responsibility to make adequate arrangements for insurance against risks arising from the exercise of community facilities power, taking professional advice as necessary.

The authority may undertake its own assessment of the insurance arrangements made by a school in respect of community facilities to protect itself against possible third party claims and, if it judges these arrangements to be inadequate, the authority may make arrangements itself and charge the resultant cost to the school.

Instead of taking out insurance, a school may join the RPA for risks that are covered by the RPA.

### **13.11 Taxation**

Schools should seek advice from the authority 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. Further information is provided in the Finance Regulations for Schools.

If any member of staff employed by the school or by the authority in connection with community facilities at the school is paid from funds held in the school's own bank account (whether a separate account is used for community facilities or not) the school is likely to be held liable for



payment of income tax and National insurance in line with HM Revenue and Customs Rules.

Schools are required to follow authority advice in relation to the Construction Industry Scheme where this is relevant to the exercise of the community facilities power.

### **13.12 Banking**

Where a school operates a bank account for its budget share, it is required either to maintain separate bank accounts for budget share and community facilities, or to have one account but with adequate internal accounting controls to maintain separation of funds.

As detailed at paragraph 3.5, schools may operate separate bank accounts for community facilities (whether they have a bank account for their budget share or not), however, permission for this must be sought from the Local Authority Finance Team before opening any bank accounts.

## ANNEX A

### RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

The general principle is that the parties occupying and operating the school/PRU premises (“the tenants”) will be required to keep the premises in repair and ensure that they are fit for purpose, safe (compliant), wind and watertight and that they should not do anything or omit to do anything required to comply with this obligation. The Local Authority (as “Landlord”) will be responsible for major capital works as part of its planned maintenance programme designed to extend the life of the building and its major elements.

The table below sets out the responsibilities between the school/PRU and the LA with regard to the fabric of the school building and these ‘major capital works’. These provisions are subject to available funding and the LA shall determine what is prioritised on a safe wind and watertight basis only.

Schools/PRUs should ensure that regular repairs and maintenance are undertaken to safeguard school assets and ensure they achieve their estimated economic lives. Where works are required, that appear to result from a failure to maintain school assets appropriately, the LA reserves the right to recharge a proportion of the estimated costs of works to the school/PRU’s delegated budget.

**Community, Foundation and Voluntary Controlled Schools/PRUs**

	<b><u>RESPONSIBILITY</u></b>	
	<b><u>FROM SCHOOLS/PRUs DELEGATED BUDGET</u></b>	<b><u>LOCAL AUTHORITY SCHOOLS CAPITAL BUDGET</u></b>
<b><u>ROOFS</u></b>		
<input type="checkbox"/> Flat	<input type="checkbox"/> Maintenance and Repair defective areas of a school/PRU block's roof including the eaves, soffit boarding, finish, screed, fascia or roof lights where the cost of individual repairs is up to and including £10k for primary and special/PRU schools or £27k for secondary schools	<input type="checkbox"/> Completely replace/renew or individual repairs where the cost exceeds £10k for primary and special/PRU schools or £27k for secondary schools
<input type="checkbox"/> Pitched	<input type="checkbox"/> Maintenance and Repair defective areas of a school block's roof including the eaves, soffit boarding, finish, screed, fascia or roof lights where the cost of individual repairs is up to and including £10k for primary and special/PRU schools or £27k for secondary schools	
<input type="checkbox"/> Flat or Pitched	<input type="checkbox"/> Maintenance and Repair defective areas of the roof structure [e.g. decks, beams, rafters, trussed rafters and purlins] where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools	
<input type="checkbox"/> Reflective Paint/Chippings	<input type="checkbox"/> Repair defective areas where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools	

	<b>RESPONSIBILITY</b>	
	<b><u>FROM SCHOOLS/PRUs DELEGATED BUDGET</u></b>	<b><u>LOCAL AUTHORITY SCHOOLS CAPITAL BUDGET</u></b>
FLOORS	<ul style="list-style-type: none"> <li><input type="checkbox"/> All maintenance and repairs</li> <li><input type="checkbox"/> Replacement of defective areas of structure, screed etc where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools</li> <li><input type="checkbox"/> Replacement of all finishes/coverings</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Complete replacement of structure, screed and/or boarding [but not finishes/coverings – e.g. carpet, vinyl etc.] where the cost exceeds £10k for primary and special/PRU schools or £27k for secondary schools</li> </ul>
CEILINGS	<ul style="list-style-type: none"> <li><input type="checkbox"/> All repairs/replacement [including from water damage] where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools</li> <li><input type="checkbox"/> Management of Asbestos in accordance with prevailing regulations</li> <li><input type="checkbox"/> Inspection/air testing in relation to asbestos</li> <li><input type="checkbox"/> Applying sealant coats to asbestos surfaces for protection</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Complete Removal/replacement of damaged/disturbed asbestos-based materials where the cost exceeds £10k for primary and special schools/PRU or £27k for secondary schools</li> </ul>
EXTERNAL WALLS	<ul style="list-style-type: none"> <li><input type="checkbox"/> Maintenance and repairs including Repointing, recladding and render for an individual school/PRU block costing up to and including £10k for primary and special/PRU schools or £27k for secondary schools</li> <li><input type="checkbox"/> Repairing/replacing defective areas of existing cavity insulation where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools</li> <li><input type="checkbox"/> Repairing defective areas of an existing external wall of a school/PRU building where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Repointing, recladding and render for an individual school block costing more than £10k for primary and special/PRU schools or £27k for secondary schools</li> <li><input type="checkbox"/> Complete replacement of an external wall of a school building or repairs where the cost exceeds £10k for primary and special/PRU schools or £27k for secondary schools</li> <li><input type="checkbox"/> Complete replacement of cavity insulation in an entire school block</li> </ul>

	<b><u>RESPONSIBILITY</u></b>	
	<b><u>FROM SCHOOLS/PRU DELEGATED BUDGET</u></b>	<b><u>LOCAL AUTHORITY SCHOOLS CAPITAL BUDGET</u></b>
EXTERNAL WINDOWS AND DOORS	<ul style="list-style-type: none"> <li><input type="checkbox"/> All repairs and maintenance including painting, preservation on a cyclical basis</li> <li><input type="checkbox"/> Replacement of windows where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools</li> <li>Replacement of door units (including screens) where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Replacement of windows over £10k</li> <li><input type="checkbox"/> Replacement of door units over £27k</li> </ul>
CHIMNEYS	<ul style="list-style-type: none"> <li><input type="checkbox"/> All Maintenance and repairs including Repairing defective areas of an existing chimney stack where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Complete replacement of a chimney stack</li> <li><input type="checkbox"/> Repairs costing over £10k for primary and special/PRU schools or £27k for secondary schools</li> </ul>
ROOF LIGHTS	<ul style="list-style-type: none"> <li><input type="checkbox"/> All maintenance and repairs</li> <li><input type="checkbox"/> Replacement roof lights where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Complete Replacement roof lights</li> </ul>
GUTTERS/RAINWATER PIPES/SOIL STACKS	<ul style="list-style-type: none"> <li><input type="checkbox"/> All maintenance and repairs to internal and external gutters/rainwater pipes and soil stacks</li> <li><input type="checkbox"/> Replacement of defective areas where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools internal</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Complete replacement of an entire school block</li> <li><input type="checkbox"/> Partial repairs costing over £10k for primary and special/PRU schools or £27k for secondary schools</li> </ul>

	<b><u>RESPONSIBILITY</u></b>	
	<b><u>FROM SCHOOLS/PRU DELEGATED BUDGET</u></b>	<b><u>LOCAL AUTHORITY SCHOOLS CAPITAL BUDGET</u></b>
INTERNAL WALLS, SCREENS AND WINDOWS	<ul style="list-style-type: none"> <li><input type="checkbox"/> All maintenance and repairs to/replacement of internal plaster, linings, tiles, pinboards etc</li> <li><input type="checkbox"/> All repair, maintenance and replacement of doors and screens [as opposed to solid walls]</li> <li><input type="checkbox"/> All replacement of broken glass</li> <li><input type="checkbox"/> Minor alterations up to £10k primary and special/PRU schools and £27k Secondary Schools</li> <li><input type="checkbox"/> Repairs to defective areas of solid walls where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Complete rebuilding/replacement of solid walls over £10k primary and special/PRU schools and £27k secondary schools</li> </ul>
SANITARY SERVICES	<ul style="list-style-type: none"> <li><input type="checkbox"/> All repair/replacement of damaged sanitary ware, fittings, waste etc., other than to external drinking fountains fixed to school/PRU buildings</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> N/A</li> </ul>

	<b><u>RESPONSIBILITY</u></b>	
	<b><u>FROM SCHOOLS/PRU DELEGATED BUDGET</u></b>	<b><u>LOCAL AUTHORITY SCHOOLS CAPITAL BUDGET</u></b>
HEATING AND HOT WATER	<ul style="list-style-type: none"> <li><input type="checkbox"/> All repairs and servicing of heating plant, including gas, oil fired, solid fuel and other heat source plant</li> <li><input type="checkbox"/> General maintenance of all boiler house plant, including repairs, replacement of defective parts and services</li> <li><input type="checkbox"/> Replacement of individual pumps and valves</li> <li><input type="checkbox"/> Repair/replacement of expansion tanks and pipework</li> <li><input type="checkbox"/> Replacement of individual water heaters</li> <li><input type="checkbox"/> Repairs to distribution pipework including radiators</li> <li><input type="checkbox"/> Replacement of radiators where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools</li> <li><input type="checkbox"/> Repairs to convectors including motors/fans</li> <li><input type="checkbox"/> Replacement of individual convector units where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Complete replacement of boilers which are past the end of their useful life</li> <li><input type="checkbox"/> Complete replacement of control systems which are past the end of their useful life</li> <li><input type="checkbox"/> Complete replacement of calorifiers which are past the end of their useful life</li> <li><input type="checkbox"/> Replacement of water heaters over £10k primary and special/PRU schools and £27k Secondary Schools</li> <li><input type="checkbox"/> Complete replacement of distribution pipework including radiators Complete replacement of convector unit where past the end of their useful life over £10k primary and special/PRU schools and £27k Secondary Schools</li> <li><input type="checkbox"/> Complete Removal/replacement of damaged/disturbed asbestos-based materials where the cost exceeds £10k for primary and special/PRU schools or £27k for secondary schools</li> </ul>
COLD WATER	<ul style="list-style-type: none"> <li><input type="checkbox"/> Servicing</li> <li><input type="checkbox"/> Maintenance, repair and replacement of defective parts up to and including a cost of £10k for primary and special/PRU schools or up to and including £27k for secondary schools</li> <li><input type="checkbox"/> Replacement of defective areas of distribution pipework up to and including a cost of £10k for primary and special/PRU schools or up to and including £27k for secondary schools</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Complete replacement of storage tanks</li> <li><input type="checkbox"/> Complete replacement of distribution pipework</li> <li><input type="checkbox"/> Repairs/partial replacement costing over £10k for primary and special/PRU schools or over £27k for secondary schools</li> </ul>

	<b><u>RESPONSIBILITY</u></b>	
	<b><u>FROM SCHOOLS/PRU DELEGATED BUDGET</u></b>	<b><u>LOCAL AUTHORITY SCHOOLS CAPITAL BUDGET</u></b>
GAS	<ul style="list-style-type: none"> <li><input type="checkbox"/> Servicing</li> <li><input type="checkbox"/> All repairs and maintenance costing up to and including £10k for primary and special/PRU schools or up to and including £27k for secondary schools</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Complete replacement of terminal units, gas valves or distribution pipework where past the end of their useful life or repairs/partial replacement costing over £10k for primary and special/PRU schools or over £27k for secondary schools</li> </ul>
VENTILATION SYSTEMS	<p>For ventilation below roof level:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Servicing/testing</li> <li><input type="checkbox"/> All repair/replacement of defective systems and units costing up to and including £10k for primary and special/PRU schools or up to and including £27k for secondary schools</li> <li><input type="checkbox"/> Initial provision of local ventilation</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> N/A</li> </ul>
SWIMMING POOL PLANT	<ul style="list-style-type: none"> <li><input type="checkbox"/> All servicing/repair/replacement of pumps, plant control, water treatment equipment, distribution pipework, heat recovery systems etc costing up to and including £10k for primary and special/PRU schools or up to and including £27k for secondary schools</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Replacement of complete installations over £10k for primary and special/PRU schools and £27k for Secondary Schools</li> </ul>
LIFTS/HOISTS ETC	<ul style="list-style-type: none"> <li><input type="checkbox"/> Servicing</li> <li><input type="checkbox"/> All repairs and maintenance subject to a maximum cost for passenger lifts of £10k for primary and special/PRU schools or £27k for secondary schools</li> <li><input type="checkbox"/> Replacement of hoists etc</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Complete replacement of passenger lifts</li> <li><input type="checkbox"/> Repairs and maintenance of passenger lifts where the cost exceeds £10k for primary and special/PRU schools or £27k for secondary schools</li> </ul>
EXTERNAL/INTERNAL DECORATION	<ul style="list-style-type: none"> <li><input type="checkbox"/> All work</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> N/A</li> </ul>
MAINS SERVICES	<ul style="list-style-type: none"> <li><input type="checkbox"/> Annual servicing of heating mains, gas mains, water mains and electricity mains</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> N/A</li> </ul>
	<b><u>RESPONSIBILITY</u></b>	



	<b><u>FROM SCHOOLS/PRU DELEGATED BUDGET</u></b>	<b><u>LOCAL AUTHORITY SCHOOLS CAPITAL BUDGET</u></b>
ELECTRICAL SERVICES	<p>For internal installations:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Servicing and testing of fixed electrical installations</li> <li><input type="checkbox"/> Earthing and bonding to meet Health and Safety requirements</li> <li><input type="checkbox"/> Testing and repair of distribution boards</li> <li><input type="checkbox"/> Repair and maintenance of all switchgear and interconnecting cables</li> <li><input type="checkbox"/> Repair/replacement of all light and power fittings except where the circuit is being rewired as part of Local Authority planned maintenance and where it is impossible to put back the existing fittings on Health and Safety grounds.</li> <li><input type="checkbox"/> Servicing and Repair of all emergency lighting systems</li> <li><input type="checkbox"/> Replacement of all emergency lighting systems costing up to and including £10k for primary and special/PRU schools or up to and including £27k for secondary schools</li> <li><input type="checkbox"/> Servicing and Repair of lightning protection, fire and security alarm systems, CCTV systems and door access systems</li> <li><input type="checkbox"/> Replacement of lightning protection, fire and security alarm systems, CCTV systems and door access systems</li> </ul>	<p>For internal installations:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Complete Replacement of obsolete/dangerous wiring systems over £10k for Primary and Special/PRU Schools and £27k for Secondary Schools</li> <li><input type="checkbox"/> Complete Replacement of control gear, major items of fixed equipment, protection etc over £10k for Primary and Special/PRU Schools and £27k for Secondary Schools</li> <li><input type="checkbox"/> Complete Replacement of light/power fittings where this is inescapably linked to replacement of the wiring [i.e. where it is impossible to put back the existing fittings on Health and Safety grounds] over £10k for Primary and Special/PRU Schools and £27k for Secondary Schools</li> </ul>

	<b><u>RESPONSIBILITY</u></b>	
	<b><u>FROM SCHOOLS/PRU DELEGATED BUDGET</u></b>	<b><u>LOCAL AUTHORITY SCHOOLS CAPITAL BUDGET</u></b>
EXTERNAL WORKS	<ul style="list-style-type: none"> <li><input type="checkbox"/> Maintenance and repair of car parks, playgrounds/hard-paved areas and paths</li> <li><input type="checkbox"/> Maintenance, repair and replacement of all perimeter, fences and gates</li> <li><input type="checkbox"/> Maintenance, repair and replacement of boundary and retaining walls where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools</li> <li><input type="checkbox"/> Maintenance and repair of drains, gullies, grease traps, manholes, etc (Maintenance includes annual clearing of leaves and other detritus that might affect the performance of drains and hence contribute to flooding).</li> <li><input type="checkbox"/> All repair, maintenance and replacement of flagpoles, refuse bins, etc</li> <li><input type="checkbox"/> Maintenance of trees and landscaping</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Complete reconstruction of a car park or hard play area</li> <li><input type="checkbox"/> Complete replacement of an entire drainage system on a school playing field</li> <li><input type="checkbox"/> Rebuilding of/repairs to boundary and retaining walls where the cost exceeds £10k for primary and special/PRU schools or £27k for secondary schools</li> </ul>
FIRE ESCAPES STAIRS	<ul style="list-style-type: none"> <li><input type="checkbox"/> All repairs, maintenance and replacement where the cost is up to and including £10k for primary and special/PRU schools or £27k for secondary schools</li> <li><input type="checkbox"/></li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Complete replacement of a fire escape or fire escape stairs where the cost exceeds £10k for primary and special/PRU schools or £27k for secondary schools</li> </ul>
FURNISHINGS/ FITTINGS/SPORT EQUIPMENT/ INTERNAL JOINERY ETC	<ul style="list-style-type: none"> <li><input type="checkbox"/> All repairs, maintenance and replacement</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> N/A</li> </ul>
SCHOOL CATERING FACILITIES	<ul style="list-style-type: none"> <li><input type="checkbox"/> Schools responsibility</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> N/A</li> </ul>

## ANNEX B

### PROPORTION OF BUDGET SHARE PAYABLE AT EACH INSTALMENT

Schools operating their own bank accounts receive 100% of their delegated budgets in funding instalments.

All bank account schools will receive their budget share in 13 instalments. There will be two instalments in April, the first of which will be the first working day of that month. The second April instalment and all subsequent instalments will be paid to the school bank account on a due date to be determined by the authority and notified to the school in advance of the budget year.

Each budget share will be calculated by the following formula :

Initial budget share instalment  
less  
interest clawback  
plus  
additional budget allocations

The initial budget share instalments throughout the year will be:

April 1 <sup>st</sup> instalment	5.833%
April 2 <sup>nd</sup> instalment	8.333%
May	8.333%
June	8.333%
July	8.333%
August	8.333%
September	8.333%
October	8.333%
November	8.333%
December	8.333%
January	8.333%
February	8.333%
March	2.500%
<b>Total</b>	<b>100%</b>

In addition schools will receive Devolved Formula Capital in the month it is drawn down and any other specific grants will be paid in accordance with the payment terms in the conditions of grant. There will be no interest charge on these allocations.

## ANNEX C

### INTEREST CLAWBACK PROVISIONS

The authority will deduct from budget share instalments an amount equal to the estimated interest lost by the authority in making available the budget share in advance. The method of this is explained below.

To ensure that this clawback is as low as possible, it will be based around a standard date, when most schools are expected to pay teacher salaries. The table below shows the schedule of charges.

<i>When instalments 2-13 paid</i>	<i>Interest charge</i>
Payment into account on the standard day	0.0051% of instalment
Payment into account 1 working day before the standard day	0.0061% of instalment
Payment into account 2 working days before the standard day	0.0072% of instalment
Payment into account 3 working days before the standard day	0.0083% of instalment
Payment into account 4 working days before the standard day	0.0094% of instalment
Payment into account 5 working days before the standard day	0.0105% of instalment
Payment into account 6 working days before the standard day	0.0116% of instalment
Payment into account 7 working days before the standard day	0.0127% of instalment

Assumptions made are:

- Payroll will account for 80% of funds.
- The remainder of the money will be spent evenly throughout the month and therefore the ability to attract interest will decrease as the month progresses.
- The rates above use a bank base rate of 0.5%. As this changes, so will those rates above.

Example :

- Total school budget, as per S251 statement: £2,500,000.
- School receives cash two days before the standard day.
- Rate = 0.0072% (to four decimal places).

Instalments			interest	funding advance
1	5.833%	145,833	-10.50	145,822.5
2	8.333%	208,333	-15.00	208,318
3	8.333%	208,333	-15.00	208,318
4	8.333%	208,333	-15.00	208,318
5	8.333%	208,333	-15.00	208,318
6	8.333%	208,333	-15.00	208,318
7	8.333%	208,333	-15.00	208,318
8	8.333%	208,333	-15.00	208,318
9	8.333%	208,333	-15.00	208,318
10	8.333%	208,333	-15.00	208,318
11	8.333%	208,333	-15.00	208,318
12	8.333%	208,333	-15.00	208,318
13	2.500%	62,500	-4.50	62,495.5
100%			-180.00	2,499,820

The standard date is the 28<sup>th</sup> day of each month, except July and December, when it is the 20<sup>th</sup>. Where the Standard Date falls on a weekend, the Friday preceding that weekend will be used.

## ANNEX D

### PROVISION OF FINANCIAL INFORMATION AND REPORTS

#### (i) Income and Expenditure Reports and Bank Reconciliations

Schools not using the Council's accounting system (E5) and not receiving monthly reports from the authority should provide the following reports:

Name of Report	Period ending	Submission by
<b>Budget Monitoring Reports:</b>		
ISBQ1	30 <sup>th</sup> June	20 <sup>th</sup> July
ISBQ2	30 <sup>th</sup> September	20 <sup>th</sup> October
ISBQ3	31 <sup>st</sup> December	20 <sup>th</sup> January
<b>Bank Reconciliations:</b>		
Full reconciliation, including:	Every month	20 <sup>th</sup> of the following month
<input type="checkbox"/> bank statement		
<input type="checkbox"/> details of outstanding receipts/cheques	30 <sup>th</sup> June	
<input type="checkbox"/> bank history – Payments / Receipts Listing	30 <sup>th</sup> September	
	31 <sup>st</sup> December	
<b>VAT Report (Electronic)</b>		20 <sup>th</sup> July
		20 <sup>th</sup> October
		20 <sup>th</sup> January

ISBQ returns should include a Trial Balance to support the figures, details of any manual adjustments if not input onto accounting system, and a breakdown of Accruals/Prepayments.

Quarterly VAT Returns should be submitted via the online form on the Schools Portal.

The authority reserves the right to require schools to submit monthly actual expenditure and income reports on an individual basis. This will generally be where schools are in deficit or in financial difficulties. Schools will be notified in writing of this requirement.

#### (ii) Final Accounts

Schools not using the Council's accounting system (E5) will be required to submit a final actual expenditure and income summary report (ISBF) and

a final actual expenditure and income detailed report (ISBD) by a date specified by the Local Authority Finance Team.

These reports will form part of the authority's audited accounts and no amendment to these will be permitted without the sanction of the Chief Finance Officer (Section 151 Officer).

(iii) **Earmarked Revenue Grants**

The scheme requires there to be an accounting mechanism for schools to demonstrate that earmarked funding from centrally retained funds is spent only on the purposes for which it is given.

Therefore, although income and expenditure in relation to earmarked grants will form part of the reports listed above, the school should keep separate records of such income and expenditure, as it will be required to submit a separate accounting form for this funding. This is to enable the authority to carry out its duty of certifying that the conditions for any such grant have been met.

## ANNEX E

### METHOD OF CHARGING INTEREST ON DEFICIT BALANCES AND PAYING INTEREST ON SURPLUS BALANCES

Schools that operate bank accounts will not be paid interest on any surpluses as they receive 100% of their delegated budget by funding instalments. These schools will be allowed to retain any cash balances at the year end, as part of ongoing cash flow arrangements, in accordance with the provisions of the Scheme.

Schools that operate their bank accounts and are in deficit will in effect be receiving a cash loan from the authority, as agreed by the authority under a Licensed Deficit Action Plan. Interest will be charged on this loan (explained at note A below) and therefore no further interest will be charged on a deficit budget.

Schools that use the Council's bank account will be charged or paid interest on any balance at the year end. The method for this charge/payment is explained at note B below.

#### A. Interest on additional funding required for Licensed Deficit Action Plan

Interest will be charged on the additional funding required as per the Plan at a rate which is equal to base rate. This interest will be charged at the year end and will use the following formula:

$$\text{(Profiled Loan based on funding instalment)} \times \text{(Profiled Interest Rate)} \times \text{(average annual base rate for past year)}$$

#### B. Interest on balances held in the Council's bank account

Interest charged/paid on balances will be charged on the average balance throughout the year. The Bank of England base rate will be used in the following formula:

$$\frac{\text{(Opening balance + Closing balance)}}{2} \times \text{(average annual base rate for past year)}$$



## **ANNEX F SUSPENSION OF A SCHOOL'S RIGHT TO A DELEGATED BUDGET**

### **1. Introduction**

The authority is ultimately responsible for all the actions of governing bodies for the schools it maintains. It has a duty to encourage high standards of all the functions of a school. The authority should be aware of the performance of every school and direct its management effort at schools, which are showing signs of weakness.

The authority will offer advice and support to help all schools perform to a satisfactory standard, but where there is a breakdown of management, under certain circumstances listed below, the authority has the power to suspend a Governing Body's right to a delegated budget.

The Local Authority can exercise its powers of intervention either under the School Standards and Framework Act 1998, under the provisions contained in s.51 and schedule 15 (para 1) or under s. 66 of the Education and Inspections Act 2006.

### **2. Possible Reasons for the Suspension of Delegation**

A governing body's right to a delegated budget may be suspended on the grounds that the governing body has been guilty of a substantial or persistent failure to comply with any delegation requirement or restriction or where it is not managing in a satisfactory manner the expenditure or appropriation of the delegated budget.

It may also be suspended where the school is eligible for intervention under s.60 to s.62 of the Education and Inspections Act 2006.

The Local Authority retains its discretion regarding the use of its powers in these circumstances but the following are envisaged as possible (but not exclusive) reasons why a delegated budget may be suspended:

- (1) Standards of performance of pupils at the school are unacceptably low.
- (2) There has been a serious breakdown in the way the school is managed or governed.
- (3) The safety of pupils or staff at the school is threatened.
- (4) Found by Ofsted to require special measures or to have serious weaknesses or to require significant improvement
- (5) Has failed to respond satisfactorily to a formal warning notice.
- (6) Substantial or persistent failure to comply with any requirements under the Authority's scheme for the financing of its schools.
- (7) The school is not managing the delegated budget satisfactorily

### **3. Formal Warning Notice**

Where advice and support for the school has not addressed the problems, the authority will issue a Formal Warning Notice. It will contain details of the problem and a clear recommendation for action by the governing body within a practical and defined timescale.

The notice will be sent to the Headteacher and to the Chair of Governors with a copy to every member of the governing body.

### **4. Suspension**

In general the authority will give the governing body one month's notice of suspension.

A shorter notice period or immediate suspension of delegated powers may be given in cases of gross mismanagement or incompetence or other emergency such as where the safety of pupils or staff is threatened.

The notice must be in writing and state the grounds for suspension. It will be sent to the Headteacher and to the Chair of Governors with a copy to the Secretary of State and to every member of the governing body.

### **5. Management of the school during the period when delegated powers have been withdrawn**

The governors will continue to have day-to-day responsibility for operation of the school. They will be expected to carry out the recommended actions detailed in the formal warning notice.

The authority will nominate an interim manager for the school. He/she will have the power of veto over any decision by the governing body. The interim manager must endorse all decisions by the governing body.

### **6. Revoking Suspension**

The authority will review suspension annually before the beginning of the funding period. If the suspension is revoked the Headteacher and the governing body will be notified in writing of the authority's decision.

## **ANNEX G RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS**

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

Section 37 of the 2002 Education Act says:

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

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

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

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

but examples set out below indicate the situations in which exceptions to the default position might be taken.

Charge of dismissal/resignation costs to delegated school budget:

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

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

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

Costs of early retirements or redundancies may only be charged to the central school services block of the schools budget, as a historic commitment, where the expenditure is to be incurred as a result of

retirement and redundancy charges agreed before 1<sup>st</sup> April 2013. Costs may not exceed the amount budgeted in the previous financial year.

The local authority can retain a central budget within the schools budget to fund the costs of new early retirements or redundancies by a deduction from maintained school budgets, excluding nursery schools, only where the relevant maintained school members of the schools forum agree.

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

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

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

- (7) Where a local education authority incur costs –
- (a) In respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or
  - (b) In respect of the dismissal, or for the purposes of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes;

They shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.

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

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

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

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

### Cumberland Council Arrangements

As agreed by the Cumberland Schools Forum, and subject to an annual vote by the maintained school representatives of the Forum, a de-delegated contingency budget is held centrally for maintained schools.

In line with the School and Early Years Finance Regulations, expenditure on the schools specific contingency is central expenditure deducted for the purpose of ensuring that monies are available to enable an increase in a school's budget share after it has been allocated and where it subsequently becomes apparent that a governing body has incurred expenditure which it would be unreasonable to expect it to meet from the school's budget share, which may include expenditure in relation to:

- schools in financial difficulty;
- the writing off of deficits of schools which are discontinued, excluding any associated costs and overheads;
- new, amalgamating or closing schools; or
- circumstances which were unforeseen when the school's budget share was initially determined

The Schools in Financial Difficulty element of the budget may be used to fund redundancy and severance costs where the following conditions are met:

- The school has a significant falling rolls situation
- Falling rolls are as a result of demographic changes which can be evidenced through modelling
- The school can demonstrate it has planned the reduction/restructure in staffing and not let the schools deficit escalate with no action
- The school has a deficit balance, or the costs of the redundancy would cause the school to go into deficit
- The decision to make redundancies has been taken in close consultation with the Local Authority School Improvement, Finance and HR teams
- The Local Authority has assurance of reasonable spending decisions in light of the budget/staffing reductions
- The schools has followed the principles as set out in the Cumberland Council redundancy and early release policy
- The school can demonstrate the above through a detailed and robust business case

The Local Authority will not consider funding redundancy and severance costs where:

- The school has balances available i.e. the school is making staffing reductions which the local authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit
- The deficit has arisen for other reasons than a falling rolls situation, eg pressures caused by formula changes or impact of non-inflationary increases to budgets
- The school cannot demonstrate it has planned the reduction/restructure in staffing and not let the schools deficit escalate with no action
- The school has a surplus balance
- The school has not taken Local Authority Advice, including School Improvement, Finance and HR
- The school has incurred unreasonable expenditure in advance of the redundancy situation
- The schools has not followed the principles as set out in the Cumberland Council redundancy and early release policy
- The school cannot provide a detailed and robust business case

The contingency budget is also used to fund ill-health retirements in line with these relating to circumstances which were unforeseen when the school's budget share was initially determined.

## [ANNEX H](#)

### FINANCIAL REGULATIONS FOR SCHOOLS

## FINANCIAL REGULATIONS FOR SCHOOLS/PRUs

These revised Financial Regulations for Schools provide a detailed description of various requirements outlined in the Cumberland LA Scheme for Financing Schools. The Regulations apply to all Maintained Schools and PRUs within Cumberland.

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## INTRODUCTION

### Summary

1. Maintained Schools operate within the Cumberland LA Scheme for Financing Schools (the Scheme) as part of the Children & Family Wellbeing Directorate of Cumberland Council, and their financial transactions are part of the accounts of the LA. The Governing Bodies of schools exercise considerable managerial freedom with regard to delegated budgets, within the framework of some standard rules and procedures prescribed by the LA relating to financial management and administration and the use of public money.
2. The rules are summarised within the Scheme itself and are supplemented and underpinned by these Financial Regulations that specify the minimum requirements for financial management and administration. Together these comprise the LA regulatory framework for school financial affairs and define the standards required.
3. Governing Bodies will determine much of their own financial management, systems and processes, having regard to advice and guidance provided by the Chief Financial Officer of the LA (the Chief Finance Officer (Section 151 Officer)). Any further clarification can be obtained from the finance team on behalf of the Chief Finance Officer (Section 151 Officer).
4. The Regulations have been presented in a format, which brings together the key elements under various generic headings. These are listed in the Contents page.

### Role of Governing Body

5. It is the responsibility of each Governing Body to ensure compliance with these Financial Regulations, and to review their existing arrangements in relation to the financial standards required, and to ensure that these are communicated to, understood and observed by all school employees. As set out in The School Governance (Roles, Procedures, Allowances) (England) Regulations 2013, one of the core strategic functions of the governing body is ensuring financial resources are well spent.
6. Where any Governing Body considers that complying with financial regulations in a particular situation might conflict with the achievement of value for money or the best interests of the Council, the issue shall be raised with the Chief Finance Officer (Section 151 Officer) who will if it is considered necessary and appropriate seek formal approval for a specific waiver of the regulations, or an amendment to the regulations themselves.

### Role of Chief Finance Officer (Section 151 Officer)

7. The Chief Finance Officer is the designated Section 151 officer for Cumberland Council. The Section 151 Officer is the Officer responsible for the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972, and Sections 112-114 of the Local Government Finance Act 1988.
8. Nothing in any scheme of financial administration or delegation shall detract from the statutory duties and powers of the Chief Finance Officer (Section 151 Officer) to ensure the proper administration of the Council's financial affairs.
9. To assist the Chief Finance Officer (Section 151 Officer) in fulfilling this role, the LA will update these Regulations upon changes in the Cumberland LA Scheme for Financing Schools and the Council's Constitution.

- 10.** The Chief Finance Officer (Section 151 Officer) shall be given access to any information that is necessary to comply with their statutory duties and with the requirements of the Cumberland LA Scheme for Financing Schools.

## 1.

### **ORGANISATION OF RESPONSIBILITY AND ACCOUNTABILITY**

**Sound internal control and accountability for financial matters can only be achieved by clear arrangements for delegation of powers and responsibilities and the separation of duties, with an effective system of monitoring, feedback and reporting.**

- 1.1 Each Governing Body shall ensure that the duties, responsibilities and delegated powers for financial matters of each individual within their school organisation are clearly defined in writing, and are communicated to and understood by the staff.
- 1.2 The systems and detailed arrangements for the exercise of delegated powers within the school organisation are subject to the provisions of the Cumberland LA Scheme for Financing Schools, and these Financial Regulations and such arrangements shall be formally approved and monitored by the Governing Body.
- 1.3 The arrangements for delegation must clearly specify the limit(s) upon the authority delegated to each individual, and the circumstances in which a decision must (before being taken) be referred back to a higher management level or to the Governing Body for decision.
- 1.4 The arrangements must clearly specify the way in which individuals will be accountable for the exercise of their delegated powers, including the requirements for reporting and feedback by them to higher management and by the Head to the Governing Body (frequency; type of information; method; etc).
- 1.5 With regard to those individuals who are authorised to sign on behalf of the Governing Body (e.g. ordering, certification and payment), the Governing Body will communicate such authorisation (or withdrawal of authorisation) in writing to the individuals concerned, and will maintain a register of posts, names and specimen signatures for audit and control purposes.
- 1.6 The system of delegation itself shall be reviewed by the Governing Body each year, or more frequently and as necessary if control weaknesses indicate the need for revising the procedures involved.
- 1.7 The Governing Body is responsible for ensuring that adequate and effective systems of internal control are operated to ensure the accuracy, legitimacy and proper processing of transactions, and management of activities.
- 1.8 In allocating responsibilities, the Governing Body shall have regard to the importance of securing an adequate and effective level of internal control by allocating roles in a way that in itself gives some assurance that transactions will be properly processed and that errors will be detected promptly. Examples of such controls are
  - *Internal Check (the checking of one person's work by another)*
  - *Segregation of Duties (assigning key tasks within a process to different members of staff, for example ensuring that the raising of invoices and collection of income are separate tasks undertaken by separate individuals).*
  - *Systems Manuals (descriptions of how systems and individuals shall operate)*
  - *Authorisation (certification that a transaction or event is acceptable for further processing)*
  - *Monitoring roles; scrutiny of exceptions; general supervision.*

- 1.9** On an annual basis the Governing Body must complete a report (Schools Financial Value Standard). The standard is a mandatory requirement for local authority maintained schools. Governing bodies of maintained schools or management committees of pupil referral units (PRUs) have formal responsibility for the financial management of their schools, and so the standard is primarily aimed at governors or management committees. A copy of this report must be provided to the Local Authority to give assurance that the school/ PRU has secure financial management in place.

## 2.

### FINANCIAL MONITORING REQUIREMENTS

**Monitoring of school financial activity and transactions, within the school and by the Governing Body, is essential to ensure that planned outcomes are translated into reality.**

#### **Budgetary Control and Monitoring**

- 2.1** Each Governing Body will ensure that adequate and effective systems are operated to monitor and control expenditure (and commitments) against detailed budget approvals. To achieve this, such systems must provide information, at an adequate level of detail, about
- (a) *actual* spending;
  - (b) *expenditure* committed but still to be paid (and any bad debts to be written off);
  - (c) the further cost of remaining work and contractual commitments, etc.
  - (d) *approved* budget figures
- 2.2** In this context, the Governing Body shall consider whether it is adequate for control purposes to assess outstanding commitments periodically, or whether it is essential to maintain an ongoing commitment accounting system.
- 2.3** Heads and Governing Bodies shall seek advice from the finance team on behalf of the Chief Finance Officer (Section 151 Officer) when designing budget management systems, to ensure they are effective.
- 2.4** Reports shall be submitted at least six times a year to the Governing Body by the Head, to show the latest position against budget, and including a forecast of the probable out-turn for the year and a cash reconciliation statement (where applicable). Any variances from spending plans must be identified at the earliest stage possible and the Governing Body advised of corrective action taken to offset potential over-expenditures against spending limits on individual budget headings and/or on the school budget as a whole, and of opportunities to reallocate resources where actual expenditure is forecast to be less than the budget. Although these monitoring reports shall be submitted not less than six times a year to the Governing Body, they should be prepared on a monthly basis in school, and may be requested by the LA Finance Team at any time. Schools forecasting a deficit for the financial year must submit to the LA Finance Team a copy of their forecast outturn against budget as at September and as at December in line with the Challenge and Support Process for Schools and PRUs with a Deficit Budget.

### **3.**

#### **FINANCIAL REPORTING**

**A system for regular reporting of financial matters within the school to the Governing Body, and by the Head and Governing Body to the LA, is one of the methods by which accountability is achieved, stewardship of public funds is demonstrated, and communication of essential information is obtained.**

- 3.1** School expenditure and income are part of the overall accounts of the LA, and all accounting procedures, systems, records and accounts shall be operated by schools to a satisfactory standard (including probity and regularity) in accordance with advice and guidance from the Chief Finance Officer (Section 151 Officer) as the officer holding overall statutory responsibility for satisfactory financial administration.
- 3.2** It is the responsibility of each school to maintain adequate and effective accounting information, and those schools operating their own accounting systems must ensure that they supply the LA (reliably, accurately and on time) with information required to compile the statutory accounts of the LA, for completion of financial returns to Government Departments and other organisations, and for monitoring purposes, as outlined in the Scheme.
- 3.3** Where there is a need to reconcile one accounting period with another, for example the reconciliation of the accounting record of cash at bank to the bank statement (which should be done monthly), such tasks should be completed in a timely manner to a timetable established at the start of the year by the Head. All discrepancies should be corrected or adjusted not later than the next scheduled reconciliation date.
- 3.4** Any failure to return information to the LA or carry out a reconciliation of the school's accounting records to an agreed timetable should be reported by the Head to the governors.

## 4.

### AUDIT REGIME

**Impartial monitoring and inspection of activities is essential to a healthy organisation. All financial operations may be subject to audit reviews and investigations which assist the Chief Finance Officer (Section 151 Officer) to meet statutory responsibilities, and also provide Governing Bodies and managers with an objective view of the standard of their financial management and administration and general performance.**

#### Monitoring and Inspection

- 4.1 Each Governing Body is responsible for ensuring that sound financial procedures are operated throughout their school, including compliance with these Regulations. Aspects of particular interest will be
- (a) *quality of financial management*
  - (b) *soundness of financial decisions*
  - (c) *efficiency and effectiveness of deployment of resources to achieve aims and objectives in line with priorities*
  - (d) *efficiency and effectiveness of financial control*
  - (e) *action taken to evaluate the cost effectiveness of the operation*

Accordingly, each Governing Body must undertake periodic reviews (at least annually) of their financial procedures and should not rely exclusively on the outcome of internal and external audits to provide reassurance. It is the responsibility of Governing Bodies and school management to ensure that internal controls are adequate and effective, and to take all necessary action to secure this on an ongoing basis. As detailed at paragraph 1.9, the Governing Body must complete on an annual basis the Schools Financial Value Standard.

#### External Audit

- 4.2 The LA and its schools are subject to external audit and are also subject to inspection by various other external auditors and inspectors (*for instance, European Union (EU); H M Revenue & Customs*)
- 4.3 The Cumberland LA Scheme for Financing Schools permits schools (if they wish) to purchase external audit reviews in addition to the LA external audit, but where this occurs those auditors will have access only to records and information held by the school and not to records and information held centrally by the LA.

#### Internal Audit

- 4.4 The Accounts and Audit Regulations 2011 require the Council to maintain adequate and effective internal audit arrangements. The Council's internal audit is provided by the Cumberland Internal Audit Service ("Internal Audit").
- 4.5 The Cumberland Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The Audit Charter agreed by the Council's Audit & Assurance Committee sets out the role; purpose; responsibility; and objectives of Internal Audit.
- 4.6 Internal audit's core purpose is to provide the Council's Corporate Management

Team and Audit and Assurance Committee with independent, objective assurance that the Council has adequate and effective systems of risk management, internal control and governance.

- 4.7** Internal Audit carries out an annual risk assessment, and uses this to prepare an annual risk-based audit plan. This allows resources to be targeted at the areas identified as highest risk to the Council. Internal Audit can then give an informed annual overall opinion on the Council's systems of risk management, internal control and governance.
- 4.8** The annual report and opinion is a mandatory requirement and is a key contributor to the Council's Annual Governance Statement which accompanies the annual statement of accounts. The governance statement provides assurance to the Audit and Assurance Committee that an effective internal control framework is in place.
- 4.9** Internal Audit supports the Section 151 Officer to discharge their responsibilities under section 151 of the Local Government Act 1972, the Accounts and Audit Regulations 2011 and the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. This statement places on the Chief Financial Officer, the responsibility for ensuring that the Council has put in place effective arrangements for internal audit of the control environment and systems of internal control as required by professional standards.
- 4.10** Internal audit also supports the Head of Paid Service (Chief Executive) in providing high level assurances relating to the Council's Governance arrangements.
- 4.11** Internal Audit also supports the Monitoring Officer in discharging their responsibilities for maintaining high standards of governance, conduct and ethical behaviour.
- 4.12** As part of the above requirements schools are included in the annual risk assessment undertaken by Internal Audit in conjunction with management. Visits may also be undertaken at the request of Headteachers; Governing Bodies; or the S.151 Officer. Audits may be undertaken at individual schools or across a sample of schools based on an agreed theme.
- 4.13** The primary purpose of the internal audit of schools is to provide the Council's Section 151 Officer, Corporate Management Team and Audit and Assurance Committee with independent, objective assurance that schools have adequate and effective systems of risk management, internal control and governance in place. Outcomes of any Internal Audit work at schools are also reported to Governing Bodies to assist in their oversight of financial governance at schools.

### **Internal Audit reports**

- 4.14** A written audit report will generally be provided at the conclusion of each audit. For thematic audits, each school selected to participate in any thematic review will receive an individual report summarising issues for the particular school. In addition a composite report will be provided to all schools outlining good practice and also key areas for development but this will not identify any individual school.
- 4.15** All reports will clearly identify the audit findings, potential risks and proposed recommendations, and these will be submitted initially as draft reports to the Head to review and complete the Action Plan and return to Internal Audit.



Reports will then be issued for formal consideration by the Governing Body whose Chair will be asked to confirm acceptance of the report, including any action plan.

- 4.16 Copies of all agreed final audit reports will be made available to relevant staff within the Council's Directorates. The Council is also obliged to make any internal reports available to its external auditor on request.
- 4.17 Final audit reports will not usually be considered by the Council's Corporate Management Team and Audit and Assurance Committee but summaries of these will be included in Internal Audit reports to these groups.
- 4.18 Follow up audits will also be carried out periodically to provide assurance that all agreed actions have been effectively implemented. This does not replace the Governing Body's responsibility for ensuring that all agreed actions arising from audit reports are actioned and this point is emphasised in the requirements of the Schools Financial Value Standard (SFVS).

### **School responsibilities**

- 4.19 The Governing Body and the Head of each school shall consider and respond promptly to all internal audit reports and complete any action plan attached to such reports. Action plans should be approved by the Head and authorised by the Governing Body. Their response should clearly indicate the action to be taken, or where appropriate, the reasons why a recommendation is not accepted or why the proposed action cannot be implemented and a statement to confirm that the school is prepared to accept the risk identified within the audit report. An indication of who will undertake each action and the timescale for implementation should also be noted.
- 4.20 Governing Bodies and Heads hold prime responsibility for the operation of adequate and effective internal controls to ensure secure and reliable operation of financial systems. This includes suitable arrangements for the prevention, detection, reporting and investigation of any irregularity and/or fraud and ensuring value for money. The Chief Financial Officer's role (as S.151 Officer) is to provide advice and guidance, and to monitor and inspect these arrangements.
- 4.21 Internal Audit has the right of access to all assets, property, staff, records, documents, information (including electronic files) and explanations and assistance which they consider to be necessary for the effective performance of the audit, subject to any legal constraints. Although prior notice of requests for such access will be given in most instances, there may be occasions when this is not possible or appropriate, and the absence of prior notice does not invalidate or limit the right of access.
- 4.22 In relation to these rights of access, internal auditors have a personal responsibility to observe the highest standards of confidentiality and personal integrity. Any suspected breach of this would result in an investigation and may potentially lead to disciplinary proceedings against the audit staff involved.

### **Reporting of Irregularities, etc**

- 4.23 Any individual becoming aware of (or suspecting) fraud, theft, irregularity, improper use or misappropriation of the property or resources of the school or LA (including systems and/or information) must report the matter immediately (via the Head or Chair of Governors if preferred) to the Internal Audit Team, who shall take whatever steps considered necessary to investigate and report upon

the matter. The Governing Body and Head shall meanwhile take any appropriate action to prevent further loss and to secure records and documentation against removal or alteration. If there is a possibility that an employee may have been involved, a report by the Internal Audit Service upon the matter shall be considered by the Governing Body and by the Chief Legal Officer as the Council's Monitoring Officer, before deciding what action is appropriate in relation to the employee.

## 5.1

### **FINANCIAL MANAGEMENT, ACCOUNTING AND ADMINISTRATION - GENERAL MATTERS**

**Good financial management secures value for money, controls spending and achieves objectives on time. Better decisions are likely if informed by accurate accounting information. Secure and reliable records and systems are essential to process transactions and information and to substantiate the use of public money and assets.**

#### **General Principles**

- 5.1.1** Each Governing Body must ensure that proper arrangements are made for financial management and administration (including the appointment of appropriately experienced, trained and qualified staff), and for day-to-day budgetary control within the school. Responsibility shall be formally placed upon named individual(s) for all financial matters, including the preparing of monitoring statements during the year and reporting on year-end out-turns. The Chief Finance Officer (Section 151 Officer) (or their representative) will be entitled to attend and report directly to the Governing Body on matters pertaining to financial probity or overall financial management.

#### **Financial Management**

- 5.1.2** Financial Management is an integral part of service provision and decision-making. Good financial management secures value for money, controls spending, ensures due probity of transactions and achieves objectives on time, and decisions are informed by accurate accounting information. The Headteacher is responsible to the governing body, through a relevant committee if appropriate, for the management of the school's financial position at an operational level.

#### **Financial Administration**

- 5.1.3** All data and information to be processed and supplied by finance staff in schools, shall conform to any timetables defined by/agreed with the Chief Finance Officer (Section 151 Officer). Activities subject to such deadlines will include:

- (a) *data* for processing by finance services contractor(s) (for example payroll providers)
- (b) *budget* preparation; monitoring reports
- (c) *preparation* of interim / final accounts
- (d) *grant* claim submissions
- (e) *information required to calculate funding allocations*
- (f) *statistical* data

- 5.1.4** The Chief Finance Officer (Section 151 Officer) (or Finance Team representative) will issue detailed advice and guidance about the systems and controls required to secure satisfactory standards of probity and regularity and to monitor that these are achieved. Part of that guidance will relate to timetables for transaction processing and supply of data and information.

#### **Accounting Systems**

- 5.1.5** The accounts of the Council include the expenditure and income of schools, and all accounting procedures, systems, records and accounts shall be maintained to satisfactory standards reflected by guidance issued by the Chief Finance

Officer (Section 151 Officer) as the officer holding statutory responsibility under S151 of the Local Government Act 1972.

- 5.1.6** The Chief Finance Officer (Section 151 Officer) is responsible for interpreting accounting standards and regulations, and for providing advice and guidance about accounting systems (if appropriate, via the Finance Team).
- 5.1.7** The Chief Finance Officer (Section 151 Officer) will ensure that the financial data held within the Council's accounting and budgetary control systems are maintained accurately and reliably and updated in accordance with agreed timescales and deadlines. Where a school operates its own accounting system each Governing Body is responsible for ensuring that any financial systems used and maintained by them operate reliably, accurately and satisfactorily to provide the LA with required accounting information.
- 5.1.8** Each Governing Body must ensure that regular reconciliations are made between their school accounting system and (a) any subsidiary financial systems which they operate, and (b) with figures provided by the LA accounting system where appropriate. The LA's accounting system (E5) provides the primary accounting records. In the event of any discrepancy between these financial records and any subsidiary system the E5 accounting records will be used for reporting purposes.
- 5.1.9** Governing Bodies are responsible for ensuring that their staff are properly trained to use local and central financial systems as necessary to perform their role effectively.
- 5.1.10** The Chief Finance Officer (Section 151 Officer) will determine the timetable and process for achieving closure of the Council's accounts for each financial year, and each Governing Body will ensure that any information which the Chief Finance Officer (Section 151 Officer) may require is supplied to them accurately in accordance with the accounting conventions and any deadlines which they may prescribe.

### **Internal Financial Controls**

- 5.1.11** It is the responsibility of each Governing Body to ensure that an adequate and effective system of internal controls is operated (and regularly reviewed to ensure this), having regard to advice and guidance from the Chief Finance Officer (Section 151 Officer). This includes ensuring there are adequate and up-to-date written descriptions of all financial systems and procedures, and that all staff involved in their use are properly trained.
- 5.1.12** Internal control refers to the systems of control operated by a Governing Body to help ensure that their objectives are achieved with the economical, efficient and effective use of resources and to ensure that all income due is collected and that assets and interests are safeguarded, whilst securing probity and legitimacy of transactions and preventing and detecting fraud, misuse or irregularity.
- 5.1.13** The Chief Finance Officer (Section 151 Officer) is responsible for advising on effective systems of internal control. These arrangements must ensure compliance with all applicable statutes and regulations and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.
- 5.1.14** Each Governing Body shall ensure that financial control is maintained in the absence of key staff, for instance by training, documentation of procedures, and by arranging for staff to shadow each other's duties from time to time. Care shall be taken when deploying staff, to ensure that sensitive or valuable data or property is secure. The Governing Body shall ensure that it is informed

immediately by its staff or contractors if at any time it appears likely that account reconciliations, review of budgets and expenditure, arrangements to set up charges for income collection, or other financial control routines may not be undertaken to agreed timetables.

- 5.1.15** With regard to external contracts for the provision of services, the Governing Body will ensure that service specifications require adequate and effective accounting and internal control arrangements by the contractor, which are subject to audit access, and will monitor that such requirements are observed.
- 5.1.16** All financial transactions shall be traceable from the original documentation or data source, to the accounting records and vice versa.

### **Retention of Financial Records and Documents**

- 5.1.17** The Governing Body will ensure that financial records, vouchers and documents will be preserved and retained in accordance with the Council's data retention policy prescribed by the Council's arrangements under the Freedom of Information Act and other regulations. The Governing Body should ensure that document retention requirements specified by bodies providing external funding are met to ensure that funding is not jeopardised. On disposing of items, appropriate arrangements will be made by the Governing Body for confidential waste.

### **Hospitality and Gifts**

- 5.1.18** Local government employees must be seen to be acting impartially and with integrity. The rules on acceptance of gifts and hospitality are detailed in the Council's Constitution, Part 6B: Officers' Code of Conduct. As a general rule, gifts and hospitality should not be accepted unless there is good reason, and such action should be authorised or confirmed by the Governing Body and recorded for audit purposes. Schools should retain a register of interests of all staff and governors. There should be a declaration of interests as a standard agenda item at each meeting of the Governing Body, or committee of the Governing Body.

## 5.2

### BUDGETARY PROCESSES

**The allocation of resources to particular purposes enables the conversion of funding into service provision. Budgetary control is a continuous process involving the reviewing and adjusting of spending and financial targets during each year, and exerts accountability over budget holders.**

- 5.2.1** The governing body is responsible for approving the school's budget plan prior to submission to the local authority by 31<sup>st</sup> May annually. Other financial responsibilities may be delegated to a committee of the governing body. However, such a committee needs to be properly constituted and approved by the governing body with defined terms of reference and detailing the extent of any delegation.
- 5.2.2** At the start of the budget process, the Head will report to the Governing Body upon the general financial situation of the school, and upon any significant matters or events that will need to be considered in determining the coming year's budget or that may affect the financial position of the school in the longer term.
- 5.2.3** Having regard to the Head's reports and advice, the Governing Body will determine the general budget strategy to be adopted, and should consider and determine financial targets or limits for the various budget headings of the school and its subsidiary parts.
- 5.2.4** The Head will control and manage spending to ensure that it is contained within the approved budget spending limits determined by the Governing Body. The Head must seek further approval from the Governing Body for any proposal that involves a new policy or a change to an existing policy where this would have a financial effect on the forward planning of resources and before taking any action which might significantly increase spending or reduce income in the current or any future year or which might significantly limit the discretion of the Governing Body in the future allocation of its resources.
- 5.2.5** In preparing draft budgets, the Head shall ensure that the figures are supported and interpreted by the use of non-financial statistics and indicators and information to provide the Governing Body with an adequate understanding of the various influences behind the figures which drive the budget.

#### Revenue Budget

- 5.2.6** The Head will prepare annually a forward revenue budget in accordance with the criteria, format, timetable and targets determined by the Governing Body. The revenue budget as drafted shall as a minimum distinguish between
- (a) the "continuation" position (*ie. existing level of service adjusted for changes in price base and in pupil numbers, and implementation of changes already committed and approved*)
  - (b) proposed changes, including any effect on annual revenue costs
  - (c) gross *expenditure* and income
- 5.2.7** Over 80% of the budget of a school is usually spent on staffing. Therefore, a review of the required levels of staff needed to deliver the curriculum should be done on an annual basis as part of workforce planning.
- 5.2.8** Where significant savings or increased income which were not included in the Budget arise fortuitously because of external factors outside the Head's control, these new resources shall be reported to the Governing Body before any

decision is taken about their use.

- 5.2.9** At the end of each financial year all under and over spends of the school budget allocation will be carried forward to the following financial year. The Governing Body shall take any necessary action to eliminate any deficit or to determine an appropriate strategy for any balance in hand. All Maintained Schools will be subject to the Local Authority's 'Challenge and Support Process for Schools/PRUs with a Deficit Budget and the 'Control of Surplus Balances in Schools and PRUs Policy'.

### **Virement**

- 5.2.10** Virement is the transfer of resources between budget headings (lines), involving a formal process of approval. It involves a change to the budget that involves a change in the use of such resources. This may involve using the budget to buy a different mix of inputs to deliver the same service, or moving resources so that they can be used to deliver a service other than the one for which it was originally allocated. (A "budget line" is the lowest level of detail at which approval of the original budget takes place).
- 5.2.11** The Governing Body shall determine rules for Virement of resources within the overall school budget between the budget headings and amounts which it approves each year for each part of the school. The Governing Body shall ensure that it receives regular reports on virement affecting its budget, as part of ongoing monitoring, and budgets shall be monitored and controlled at budget line level. Approval of virements shall not be anticipated or assumed in advance, and monitoring routines should identify the need for virement (and for adjustments to expenditure) sufficiently in advance for options to be identified and planned and for appropriate action to be taken.

## **5.3**

### **EMPLOYEE AND PERSONNEL ASPECTS**

**Employee costs are the largest element of a school's expenditure, and reliable and timely information from schools is essential to ensure correct payment. Failure to apply taxation and National Insurance regulations correctly to all payments could incur significant financial penalties for the school.**

- 5.3.1** Each Governing Body shall establish procedures for the management and administration of personnel and payroll matters, having regard to relevant law and regulations; LA policies; advice and guidance from the Chief Finance Officer (Section 151 Officer); the school's payroll services provider; and seeking specialist advice on personnel matters as necessary.
- 5.3.2** Governing Bodies shall ensure that all payroll transactions (including any other amounts subject to personal taxation) are submitted (accurately, in the form required, and according to deadlines) to their provider of payroll services for processing and payment (whether the school purchases a payroll service from a payroll provider, uses the Local Authority payroll service, or provides payroll in-house).
- 5.3.3** The Governing Body must ensure that their payroll services provider operates secure and reliable systems to process payroll and employee data and, to make payment on the due date. Any contract entered into by the Governing Body for such services shall incorporate minimum standards, conditions and

responsibilities required by the Chief Finance Officer (Section 151 Officer). The Governing Body is responsible for ensuring that such contract or agreement includes all those service activities currently provided by the Council's payroll services and which are essential to satisfy the requirements of the school and the LA.

**5.3.4** Whether the payroll service is delivered by the school or a payroll provider each Governing Body is responsible for ensuring that adequate and effective systems and procedures are operated for personnel and payroll aspects, to ensure that

- (a) payments are only authorised to bona fide employees, for the period of entitlement;*
- (b) payments are only made where there is a valid entitlement, and only the sum due is authorised for payment;*
- (c) Conditions and Contracts of Employment are correctly applied.*

**5.3.5** Such systems and procedures (whether the payroll service is delivered by the school or a payroll provider) must include arrangements to ensure that

- (a) employee names listed on the payroll are checked at regular intervals to verify accuracy and completeness;*
- (b) there is an effective system of checking and certification of payroll and personnel forms;*
- (c) all starters, leavers, pay scale and grade point changes are notified promptly, and timesheets and claims are submitted promptly, to the school's payroll services provider.*

**5.3.6** The Governing Body must put in place arrangements for the authorisation of payroll and any changes to the payroll as part of its delegation arrangements and schools must ensure that these are communicated to and adhered to by any payroll provider.

**5.3.7** With regard to staff claims for travel and subsistence (which must be paid through the payroll system for taxation and national insurance requirements), the Governing Body has responsibility for ensuring compliance of claims with the approved scheme of allowances, and for ensuring that the most cost effective use of travel arrangements is achieved.

**5.3.8** Where an overpayment to an employee arises because payroll notifications etc have not been sent by the school to the payroll services provider in accordance with deadlines, or because incorrect payroll data have been submitted to the payroll services provider, then the cost of the overpayment will be charged against the school's delegated budget, together with the administrative cost involved in recovering or attempting to recover such amounts.

**5.3.9** Governing Bodies and their staff are responsible for ensuring that all items subject to taxation or national insurance are submitted to their payroll services provider in accordance with advice from and procedures required by the service provider and any requirements specified by the Chief Finance Officer (Section 151 Officer) (or a representative from the Finance Team). Any failure to comply with this requirement may subsequently give rise to a financial penalty or charge by the government agency involved, and this cost may be charged to the delegated budget of the school concerned. The payroll services provider shall be required by the Governing Body to advise whether an arrangement to acquire services is to be treated as a contract of employment for this purpose (e.g. payments to self-employed individuals acting as consultants or trainers), and where necessary to obtain personnel and/or legal advice before determining whether a particular arrangement constitutes a contract of employment.



- 5.3.10** Each Governing Body is responsible for ensuring that all taxable benefits enjoyed by individual employees are notified to the payroll services provider (having regard to advice and guidance issued by the service provider on this aspect), so that all such benefits can be included on the annual statement issued to each employee by the payroll services provider (for inclusion in their self-assessment personal tax returns).
- 5.3.11** The Governing Body shall ensure the contract shall require that if (having received the correct payroll data) an error by the payroll services provider occurs in the processing of the data and/or payment of the amount due, the payroll services provider will ensure corrective action is taken promptly and will reimburse to the school any cost directly occurring as a consequence of such error (including for instance any sum overpaid but not recovered).
- 5.3.12** The contract shall place upon the payroll services provider the over-riding responsibility to pay employees securely and accurately, to maintain appropriate records and to ensure that a proper allocation of those costs, deductions and related employer's contributions and payments is provided to the LA (as required by the Chief Finance Officer (Section 151 Officer) for updating the Council's statutory accounts and financial information system records and completing returns. **The contract must ensure that this information is provided to the level of quality, accuracy and timeliness that is required by the Local Authority, and within the frequencies that this is required.**
- 5.3.13** Where appropriate the payroll services provider shall be required by the Governing Body to pay over to the Council deductions from pay or other sums that the Council may be required to consolidate by law or regulation with other amounts for payment by the Council. The Council shall be reimbursed by the payroll services provider or, if in default, by the school any sum not so paid over or any costs incurred as a result of late or incorrect payment of such items to the Council.
- 5.3.14** The contract shall require the payroll services provider to regularly review the payroll systems and so to identify any system changes and developments required to meet changing needs of the school and the LA, and to comply with statutory requirements. The cost of any proposed changes and developments will be subject to normal budgetary disciplines and procedures.
- 5.3.15** Governing Bodies are responsible for establishing and maintaining effective ongoing systems and routines to record and monitor employee costs, including the detailed modelling and projection of commitments in relation to the approved budget for this expenditure. The Governing Body shall require the payroll services provider to supply such information about employee costs as they may require to assist the monitoring and control of this expenditure.
- 5.3.16** The Governing Body shall take all necessary action to minimise risk from claims by its employees, for instance relating to health and safety, equal opportunities / discrimination, unfair or wrongful dismissal, etc (see also Section 5.5).
- 5.3.17** Where a member of staff wishes to undertake additional work in excess of his/her contract of employment with the school, this should first be approved by the Governing Body, who should also consider and agree if appropriate the financial basis of such an arrangement having regard to its effect upon the school and its operational and financial position.

## 5.4 ASSETS AND SECURITY

**Assets represent a significant value, which must be safeguarded, particularly when resources are severely constrained.**

- 5.4.1** Assets include buildings, vehicles, furniture and equipment, computer systems, inventories and materials, money and investments; also less obvious things such as data and information. Each Governing Body shall ensure that adequate and effective arrangements are operated for the care and custody of all assets and property for which they are responsible. Use of assets must be properly authorised and controlled (including adequate and effective security measures to prevent loss, and procedures to minimise damage and vulnerability of assets).
- 5.4.2** Maximum limits for cash holdings (and the minimum frequency of banking) will be agreed with the Chief Finance Officer (Section 151 Officer) and shall not be exceeded except as authorised by them.
- 5.4.3** In accordance with arrangements made or agreed by the Chief Finance Officer (Section 151 Officer), Governing Bodies shall maintain appropriate records and inventories and ensure procedures are operated for the safe custody, issue and disposal of assets such as goods, equipment, information and supplies.
- 5.4.4** The Governing Body shall arrange regular physical checks of equipment, stores, etc against the relevant records. Any significant surplus, deficiency or deterioration revealed as a result of such checks shall be investigated and reported to the Internal Audit Team for their advice and/or assistance.
- 5.4.5** The Governing Body shall arrange for the valuation of assets where required for accounting purposes on a basis and according to a timescale determined by the Chief Finance Officer (Section 151 Officer).
- 5.4.6** The disposal of redundant items (also subject to the Cumberland LA Scheme for Financing Schools) shall be recorded, and shall normally be by competitive tender or public auction, except as agreed otherwise by the Chief Finance Officer (Section 151 Officer).
- 5.4.7** The Chief Finance Officer (Section 151 Officer) shall be notified of the intention to dispose of any item that might be regarded as capital or was obtained via leasing agreement. (The sale of capital assets, and the application of capital receipts, is subject to any government regulations and approval by the LA).
- 5.4.8** Unless agreed otherwise, the Chief Legal Officer (Monitoring Officer) shall have custody of the original documents for all contracts, leases, deeds and agreements, and similar legal documents made under the Council's seal.
- 5.4.9** Assets purchased by or for the school/LA shall be marked to identify them as property of the school/LA, and shall not be removed or used except as required for the business of the school/LA and in accordance with specific procedures prescribed by the Governing Body.
- 5.4.10** School/LA assets purchased from delegated funding shall not be made available for use by other persons or bodies except by approval of the Governing Body, who will also determine the terms generally or specifically to be applied to such arrangements.

### **Private Property**

- 5.4.11** In general, no responsibility shall be accepted for private property of employees and pupils except as required by LA policies. Where facilities are provided for the deposit of personal property, notices must be displayed disclaiming any liability on behalf of the LA. Where it is necessary to take custody of private property, the Head shall ensure that a complete inventory is prepared, and where possible agreed and certified by the owner of the property; otherwise being witnessed by another member of staff. All valuables shall be kept in safe custody and each Governing Body shall have written procedures for their staff, having regard to guidance from the Chief Finance Officer (Section 151 Officer).
- 5.4.12** In the event of loss, damage or alleged theft of such possessions whilst on LA property, a Governing Body may consider whether an ex gratia payment should be made. This shall however only be done after consultation with the Chief Legal Officer (Monitoring Officer) as to the legal implications, and will be charged to the delegated budget of the school involved.

### **Confidentiality, Security & Protection of Information**

- 5.4.13** All Governors, Heads and their employees have a personal responsibility with regard to the protection and confidentiality of information, whether held in manual or computerised records. Information may be sensitive, or privileged, or may possess some intrinsic value, and its disclosure or loss could result in a cost to the LA in some way. Such cost will be a charge against the delegated budget of the school involved.
- 5.4.14** The LA has adopted an Information Security Management System (ISMS) policy, and Governing Bodies shall ensure that their employees are familiar with this document, and that adequate and effective controls and security routines are operated to protect data against the hazards described (for instance, computer viruses; unauthorised access; loss of data, abuse of Internet facilities) and also that an accurate and up to date record is maintained of software and that licences relating to such software are retained.
- 5.4.15** It is the responsibility of the Governing Body and the Head to ensure that all computerised and manual systems and records within their responsibility are operated (and registered as required) in accordance with the requirements of Data Protection, Freedom of Information, and other legislation, including any necessary registration of such information, security, and properly administering any rights of access. Failure to comply with such requirements may result in some infringement of the legal rights of the individuals to which such records relate, with possible costs falling upon the LA that will be charged to the school delegated budget.
- 5.4.16** Where computer-based records are maintained, procedures must be in place to recover and restore data lost because of system failure or other cause.
- 5.4.17** A business continuity or disaster recovery plan should be prepared and reviewed by the governing body at least annually, and tested at appropriate intervals, to ensure that all essential financial management and administrative functions, and manual and computerised financial systems and activities, have adequate and effective disaster recovery arrangements.

## 5.5

### INSURANCES AND RISK MANAGEMENT

**Insurances and risk management strategies are an essential part of the way in which the LA attempts to minimise the potential cost of loss, damage and legal liability claims. The increasing cost of insurance premiums has previously led to an LA policy of "self-insurance" for some risks, and a more proactive approach to Risk Management.**

- 5.5.1** The Council will decide which risks must be covered by insurance. The Chief Finance Officer (Section 151 Officer) may cover the whole or part of those risks by self-insurance, charging premiums for this self-insurance to those schools involved in addition to premiums for external insurance cover.
- 5.5.2** Depending on the decisions of the maintained school representatives of the Cumberland Schools Forum on the de-delegation of budgets for insurance, schools may arrange their own insurance for those risks that the Council has decided must be covered by insurance. Where relevant the school may arrange cover as part of the self-insurance arrangements operated by the Chief Finance Officer (Section 151 Officer). In all cases where the school arranges its own insurance cover the Chief Finance Officer (Section 151 Officer) shall be given upon request a copy of the insurance documents relating to such cover and any associated information, so that they can confirm the adequacy of the insurance put in place by the Governing Body.
- 5.5.3** Where the responsibility for insurances has been delegated to the school, the Governing Body shall effect all those insurances falling within the framework of insurable risks agreed by the Council, and shall ensure that insurance cover is maintained at least to the standard of cover which would have been provided by the Council, seeking advice from the Chief Finance Officer (Section 151 Officer). The Governing Body will then also deal with all claims by contact with their insurers.
- 5.5.5** In addition to those risks that the Council has mandated to be covered by insurance, schools may cover other risks either by insurance or by carrying the risk and meeting any costs that do occur. For some of these risks the Chief Finance Officer (Section 151 Officer) may arrange cover on behalf of participating schools but only on payment by them of the relevant premium. For these risks no central budget is held and no specific insurance budget will be delegated.
- 5.5.6** It is the responsibility of each Governing Body to assess all risks, including those risks not covered by external or internal insurance schemes operated by the Chief Finance Officer (Section 151 Officer) or arranged by themselves under delegated powers, and to determine an appropriate approach to Risk Management, which should be formally recorded and approved. Management of such assessed risks is the responsibility of each Governing Body having regard to advice from the Chief Finance Officer (Section 151 Officer) and other specialist officers (e.g. - crime prevention; fire prevention; health & safety). In general, costs and losses not insured externally and not covered by the LA fund will fall as a charge upon the delegated budget of the school to which the item relates. Also, claims for insured risks could result in increased levels of future premiums, and this emphasises the need for effective preventive measures against all risks.

- 5.5.7** Each Governing Body shall give prompt notification to the Chief Finance Officer (Section 151 Officer) of all new or changes to risks, properties, vehicles and other assets or potential liabilities for which insurance may be required. The Governing Body shall also notify the Chief Finance Officer (Section 151 Officer) in writing without delay of any loss, liability or damage or any event likely to lead to a claim, and shall provide such information and explanations required by the Chief Finance Officer (Section 151 Officer) or (where relevant) the LA's insurers promptly and, where applicable, to meet any deadline required by law, regulation or court proceedings. Where the school arranges its own insurance the revised arrangements or cover should be notified to the Chief Finance Officer (Section 151 Officer).
- 5.5.8** The Governing Body shall consult the Chief Legal Officer (Monitoring Officer) and the Chief Finance Officer (Section 151 Officer) before giving any indemnity.
- 5.5.9** Before entering into any contract or other arrangement involving a legal relationship, the Governing Body involved must ensure that they have adequate legal powers and where appropriate that there is adequate professional indemnity insurance to cover and minimise any risk to the school and/or the LA and to those individuals involved (advice should be obtained from the Chief Legal Officer (Monitoring Officer) and/or the Council's Insurance Officer where necessary before proceeding).
- 5.5.10** Each Governing Body shall review all insurances prior to each annual renewal date and shall where making their own insurance arrangements ensure that the extent of cover meets the minimum requirements of the LA, represents a realistic assessment of risk, and the cost of such insurance represents good value for money.

## 5.6

### INCOME

**Income is increasingly important at a time of reducing resources, and the prompt, secure and efficient collection and banking of all income and the optimisation of cash flow are vital aspects of good financial management and administration. Income can be vulnerable unless adequately and effectively controlled.**

#### Income

- 5.6.1** All sums due to the school and LA must be recorded, collected, held securely and banked promptly in accordance with the directions of the Chief Finance Officer (Section 151 Officer). All income must be banked intact, and payments shall not be made from receipts. The encashment of cheques (or giving of change against cheques) on behalf of employees, pupils, parents, governors or other individuals or bodies is not permitted.
- 5.6.2** Cheques received in payment shall be made payable only to Cumberland Council for schools using the Council's accounting system E5 or the name of the official bank account of the school into which the LA transfers instalments of delegated budget funding, and shall not be made payable to any individual. The Head will ensure that this requirement is communicated to payers at the time the amount is requested, and is understood by employees involved in collecting income.
- 5.6.3** The Head will ensure that, where applicable, VAT is charged in calculating any income due (see Appendix A).

**5.6.4** Records of all income transactions will be maintained by the Head as required by the Chief Finance Officer (Section 151 Officer).

**5.6.5** Every individual paying money into a bank account shall enter on the paying in slip (and on the counterfoil or duplicate paying-in slip) the particulars of such payment, including the name of the individual paying in, and the establishment involved, and in the case of each cheque particulars of the debt to which it relates.

**5.6.6** All receipt forms, tickets, invoices and all other prime documents required for accounting for income, shall be ordered and controlled by the Chief Finance Officer (Section 151 Officer) or under arrangements commissioned or approved by the Chief Finance Officer (Section 151 Officer). No individual shall give a receipt for money received on behalf of the school or LA on any form other than an official receipt form.

**5.6.7** Scales of charges for services and other income shall be reviewed at regular intervals (minimum annually) by the Governing Body. They shall ensure that there is appropriate statutory provision and LA policy for the levying of any charge or fee for service.

### **5.6.8 Online Payment Systems**

**5.6.8.1** Schools may collect income for school meals, trips, music lessons and fees for before and after school clubs etc via an online payment provider. Online payment systems allow parents to pay online using either a debit or credit card and offer a safe and secure collection of income. All income due to the school's delegated budget must be paid directly into the school's official bank account (chequebook schools) or into the Council's bank account (non chequebook schools).

**5.6.8.2** Schools must have suitable procedures in place to reconcile income received through BACS payments from the online payment provider into the school's bank account (chequebook) or Council's bank account (non chequebook schools) to the amounts of income expected from parent accounts.

**5.6.8.3** Non chequebook schools must ensure that the online provider can meet the below minimum requirements before entering into a contract:

- All income must be paid directly into the Council's bank account. This will entail authorisation by a local authority officer.
- The payment credits must not be more frequent than weekly and ideally fortnightly
- The BACS reference should include a unique reference so that the school can be clearly identified. This reference must be the school's 7 digit cost centre number. Ideally the BACS payment should be split into multiple BACS references to identify the different types of income received, so that the authority's finance team can code the income directly to the school's E5 cost centre without the need to request a copy of the income analysis report from the school. This reference number should replicate the E5 nominal code list as

follows:

70000 Sales (books)

70004 Sales (uniform, retail, shop)

70020 Sale of Meals

70202 Lettings

71500 Before & After Clubs

71505 Fees & Charges (e.g. music lessons etc.)

71508 Exam Fees

71600 Contributions to visits

72000 Donations

- The online provider's charge for this service must either be by invoice to the school or collected via direct debit from the Council's bank account, in which case the direct debit mandate must be authorised by an LA officer and the school's unique reference number must be included in the BACS reference.

### **5.6.9 Debt Collection**

**5.6.10** The Governing Body is responsible for ensuring that all amounts due to the Council are factually correct and recorded and collected promptly and in the most efficient way, as agreed with the Chief Finance Officer (Section 151 Officer). As a general principle, income shall be collected at the time of the transaction whenever possible, to optimise cash flow and to minimise administrative costs.

**5.6.11** Where income cannot be collected immediately, the Head shall ensure that a debtor's account is raised in accordance with procedures agreed by the Chief Finance Officer (Section 151 Officer).

**5.6.12** The Governing Body shall make adequate and effective arrangements for the control, recording and collection of any amounts due to the school and/or LA, and shall regularly monitor the position with regard to such debts and shall ensure they are provided with appropriate information for this purpose.

**5.6.13** Once identified by the school, no debt may be cancelled except by full payment, or by writing off by the Governing Body at the request of the Head, who will submit regular reports to the Governing Body of amounts proposed for write-off. Such write-offs shall be formally considered and approved by the Governing Body and recorded in the Minutes of the meeting concerned. Debts should only be written-off once all steps and efforts have been made to recover the debt. Schools should maintain a record of all write-offs in a form approved by the Governing Body. This should include as a minimum the value of the individual write-off, details of the debtor, a description of the debt and the period it related to, steps taken to recover the debt, and the date of the governor's meeting where the debt was authorised for write-off.

**5.6.14** A credit note to reduce a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt.

- 5.6.15** Governing Bodies have a responsibility to assist the collection of debts which they have originated, by providing any further information requested by the debtor, and in pursuing the matter as requested by the Chief Finance Officer (Section 151 Officer).
- 5.6.16** The cost of all bad debts originally raised by a school as income within their delegated budget will be borne by the delegated budget of that school.
- 5.6.17** The LA's Accounts Receivable Team will prepare regular reports about the overall position on collection of the Council's debts, including centrally collected debts and devolved debts, and also including such information as may be required about internal debts. Governing Bodies will provide the LA with any information required for this purpose.

***The following provisions relate to the collection of debts by the LA's Accounts Receivable Team if undertaking this on behalf of the school:***

- 5.6.18** The LA's Accounts Receivable Team is responsible for maintaining records of debts raised and notified to them for collection, and is also responsible for subsequently sending out reminders to debtors to obtain such payments, according to a timescale agreed with the Chief Legal Officer (Monitoring Officer)
- 5.6.19** Schools should not set up payment by instalments with debtors unless agreed by the Accounts Receivable Team.
- 5.6.20** The Accounts Receivable Team together with the Chief Legal Officer (Monitoring Officer) will take all necessary steps to obtain recovery of debts (involving debt collection agencies and/or court proceeding as appropriate). Governing Bodies will provide the Accounts Receivable Team and / or the Chief Legal Officer (Monitoring Officer) with all information required for the collection of debts.
- 5.6.21** Where the Accounts Receivable Team is pursuing debts, the Governing Body shall advise them of the decision to write off an individual debt, so that further recovery action can be discontinued.
- 5.6.22** Where it appears to the Chief Finance Officer<sup>i</sup> (Section 151 Officer) (having regard to advice from the Accounts Receivable Team) that any debt referred to the debt recovery provider is not likely to be collected then he may charge that debt back against the delegated budget of the school to which the income due originally related (or for schools with bank accounts, by deduction from the next advance of budget funding). The Chief Finance Officer (Section 151 Officer) will in all cases notify the school of their intention to write back a bad debt and to consider any information provided by the school before taking such action.

## **5.7**

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

**It is essential that funding advanced to schools by the LA (where a school has chequebook status) is held only by banks and building societies which provide an adequate range of banking facilities and which provide assurance of proper security of public monies entrusted to them by school governing bodies**

#### **General**

- 5.7.1** All arrangements concerning the operation of the Council's central bank accounts shall be made solely upon the direction of the Chief Finance Officer (Section 151 Officer), and is authorised to open such subsidiary bank accounts



as are necessary.

- 5.7.2** The Chief Finance Officer (Section 151 Officer) is responsible for the management of the Council's overall cash flow and associated temporary investment strategy. Such management will be carried out in accordance with the CIPFA Code of Practice for Treasury Management in Public Services as adopted by the Council. A main objective is to minimise the daily cleared net balance of the Council's bank accounts, with a view to maximising interest receipts and minimising charges, within appropriate levels of risk.

### **Chequebook School Status**

- 5.7.3** Subject to the provisions of the Cumberland LA Scheme for Financing Schools, a school Governing Body may choose to operate an official school bank account for all transactions relating to the school's delegated budget. The detailed requirements of this scheme of devolved payments are specified in Section 6 of these Regulations.
- 5.7.4** Such individual bank accounts for schools may be either in the name of the school, or may combine the title of the school with "Cumberland Council" (see also paragraph 6.13). All delegated funds paid into the bank account are the property of the LA until the money is spent (S49(5) of the SSFA Act 1998). No Governing Body or their employee or their agent may place LA resources in any fund or account unless designated as the sole property of Cumberland Council.
- 5.7.5** Each school bank account must be held with one of the major clearing banks or those building societies that provide full banking facilities including electronic transactions through the BACS system. Before finalising arrangements for their bank account the Governing Body shall consult the Chief Finance Officer (Section 151 Officer), who will provide advice on this aspect and will maintain a list of banks and building societies which may be used by schools for this purpose. It is the responsibility of each Governing Body to ensure that their banking arrangements provide all the necessary facilities and provide a high standard of security for the public money which is delegated to them.
- 5.7.6** The Chief Finance Officer (Section 151 Officer) and their authorised senior staff are the only officers empowered to lend and invest centrally-held LA resources (as necessitated for cash flow and investment management). Governing bodies of schools wishing to place delegated budget funding which they have received in an investment account pending utilisation of such resources shall seek guidance from the Chief Finance Officer (Section 151 Officer) concerning those banks, building societies or other financial institutions which he regards as appropriate for such investments. The Government places strict limits on the type of investments that can be made; usually fixed interest sterling investments. The prime consideration of any Governing Body must be the safety and security of such public monies.

### **Schools without Chequebook Status (Non-Chequebook Schools)**

- 5.7.7** A local payment facility for small amounts via imprest accounts (petty cash) will be available for non-chequebook schools and the Finance Team (on behalf of the Chief Finance Officer (Section 151 Officer) will after consultation with each school as the need arises arrange such imprest accounts as may be appropriate. Governing bodies shall provide the Finance Team with any necessary details and with specimen signatures. Such accounts must be reconciled regularly by the school (at least monthly) and may not be overdrawn. Schools cannot themselves open or operate any other bank accounts for transactions involving LA delegated resources. There should normally be two

(joint) staff signatories for each imprest account, formally designated by the governing body.

- 5.7.8 The Finance Team (by agreement of the Chief Finance Officer (Section 151 Officer)) will prescribe those categories of item payable from school imprest accounts, and all other items chargeable to the school budget will be certified by the school and forwarded for payment by the Council's Accounts Payable Team.

## 6.

### **BANKING AND CASH FLOW MANAGEMENT (CHEQUEBOOK SCHOOLS)**

**The operation of appropriate bank account arrangements and optimisation of cash flow are vital aspects of good financial management and administration.**

#### **Schools Involved**

- 6.1 The Cumberland LA Scheme for Financing Schools enables any school that holds an official bank account for delegated budget funding to operate a bank account on the basis outlined below. Any school which does not have a bank account and which is not in budget deficit may request chequebook status from the LA. Schools can request such facilities from 1 April next, by notification to the Finance Team by the preceding 31 December. The procedure for applying for chequebook school status can be found at Appendix D.

#### **Roles and Responsibilities**

- 6.2 The Governing Body of each school will be responsible for giving formal consideration and approval to the arrangements within their school for managing, controlling, and administering the school bank account and all related processes and records, and for establishing, maintaining and monitoring these arrangements.
- 6.3 The Chief Finance Officer (Section 151 Officer) holds overall statutory responsibility for ensuring the proper administration of the financial affairs of the Council (including schools). They will provide advice, guidance and information (using the Finance Team where appropriate to achieve this). They are also responsible for the statutory accounts of the LA (including schools' expenditure) and for the internal audit of schools' financial management and administration.

#### **Relationship of Central/Local Systems**

- 6.4 Chequebook status also devolves some important responsibilities for the LA accounting records/processes that were previously performed at central level. Prime records such as bills, vouchers and documentation will be held in schools and details of transactions will be recorded first in school records. The LA will depend upon the school records to supply the data necessary to create the expenditure/income analysis required to compile the accounts of the LA. School accounting systems must be accurate, secure, and reliable. It is therefore a condition of the LA in approving chequebook status for schools that the governors shall maintain the school accounting system (and supporting documentation) to meet standards specified by the Chief Finance Officer (Section 151 Officer) and as required by these Financial Regulations or as otherwise notified to schools. Schools will supply information required by the LA accounting system analysed/summarised as required by the Chief Finance

Officer (Section 151 Officer) and according to specified deadlines. Failure to comply with these requirements may result in the LA withdrawing the bank account facility from the school involved as provided by the Scheme.

### **Scope of Chequebook Status**

- 6.5** Those schools operating their own bank account under chequebook status must use them for all transactions covered by their delegated budgets (including employee and non-employee costs).
- 6.6** Schools with chequebook status will be required to pay employee-related costs (e.g. pay, allowances, employer's contributions) either by BACS to the school bank account or direct debit charges as and when they arise each payment run, and in time to ensure payment on the due date.
- 6.7** All providers of goods and services that are part of Cumberland Council will bill chequebook schools, in a similar way to external suppliers. Chequebook schools will pay these bills by drawing a cheque payable to "Cumberland Council", or may be required as part of the service agreement to pay such transactions and service fees by direct debit to minimise administrative costs.

### **"Earmarked/ "Ring-fenced" Budgets**

- 6.8** In addition to the delegated school budget share, schools may receive "earmarked" or "ring-fenced" allocations. These are given for a specific purpose and can only be spent by the school in accordance with the criteria specified by the LA.

### **Bank Accounts**

- 6.9** Each Governing Body will be responsible for choosing the bank where it wishes its account to be held, and for determining the type of account that it wishes to operate, subject to the following conditions.
- 6.10** Governing Bodies are required to obtain the most advantageous banking terms available, commensurate with security of funds, convenience of location and the provision of services required, and should operate an interest-bearing cheque account or a cheque account linked to (or used in conjunction with) an interest-bearing account. In negotiating and selecting banking arrangements, Governing Bodies must observe any requirements of the Contracts Procedures Rules Part 5H of the Council's Constitution, and ensure due impartiality and objectivity, and should observe advice and guidance provided by the Chief Finance Officer (Section 151 Officer) (or the Finance Team representative).
- 6.11** The banking arrangements for each school must be the subject of a written agreement between the governors and the bank concerned, which shall clearly specify the services to be provided, the responsibilities of the bank and the Governing Body, the schedule of charges, and the period of the contract. Where required to ensure a satisfactory arrangement, the Governing Body shall seek advice from the Chief Finance Officer (Section 151 Officer) before entering into any such contract.
- 6.12** The Governing Body shall not borrow funds or incur overdrafts and shall plan its finances accordingly. The governors shall inform the Finance Team immediately if it becomes apparent that payments in excess and/or in advance of available funding are likely to occur.
- 6.13** The governing body is responsible for the opening of the school bank accounts, and for authorising signatory arrangements, which must comply with the following requirement.

- (a) The bank account title must take one of the following formats
  - (i) "..... School (Cumberland Council) Account"; or
  - (ii) "Cumberland Council, .....School Account"; or
  - (iii) "..... School Account"
- (b) The bank account should *not* have overdraft facilities.
- (c) A minimum of two (joint) signatories must be required, which must include the Head or another senior *member* of the school staff, and may include a governor (preferably the Chair of Governors, or Chair of Finance Sub Committee). One or two alternative signatories (either senior staff or governors) should also be designated to act when necessary in the absence of either of the two main signatories.
- (d) The bank account should offer the facility of standing orders and direct debits.
- (e) The bank account should not provide access to facilities such as loans or personal credit; schools are precluded from using these facilities should they be offered. Credit cards are not acceptable although the use of debit or procurement cards is acceptable.
- (f) The bank account must offer full clearing bank facilities for electronic transactions through the BACS system.
- (g) Bank statements should be supplied to the school no less frequently than monthly and the bank should be required to forward a copy of bank statements for any specified period (as and when requested) to the Council's Finance Team.
- (h) The bank must be told in writing that the account is the property of Cumberland Council, and that the Council has the right of access to information about all aspects of the account.

**6.14** The Finance Team should be contacted if advice is required on any aspect of opening and/or operating school bank accounts.

**6.15** Where a school is implementing chequebook status for the first time, to enable the necessary preliminary arrangements to be made it should enter into negotiations with prospective providers of banking services sufficiently in advance of the effective date of commencement, to enable the account to be opened and bank stationery to be produced in readiness for that date. However, no transaction may be paid from the new account until the effective date as specified by the Chief Finance Officer (Section 151 Officer) (or Finance Team representative) acting for the LA.

**6.16** A standard Form of Notification supplied by the Finance Team (on behalf of the Chief Finance Officer (Section 151 Officer) shall be completed and returned to them by the Head sufficiently in advance of the effective date of commencement, giving full details of the bankers and bank account selected by the Governing Body. The proposed arrangements (and subsequent changes) are subject to prior formal agreement of the Finance Team on behalf of the Chief Finance Officer as S151 officer.

**6.17** Funds cannot be withdrawn from the school account(s) for investment or deposit other than in accordance with the Council's Treasury Management Policy and the Cumberland LA Scheme for Financing Schools. Under no circumstances should any private, personal, or "non-school" transactions be routed through the school bank account.

**6.18** Bank charges and interest will be charged/credited direct to the school's account by their bankers, and the amounts involved should be entered into the school accounting system.

### **Internal Control Arrangements**

- 6.19** Before using the new system, the Governing Body should formally consider, approve and minute the arrangements for operating and controlling local payments, and this should be seen within the context of its general arrangements for delegation. An over-riding aim must be to ensure strict control and security over the holding and issuing of cheques and withdrawals and use of funds. The Governing Body should also consider whether they should authorise individual payments in excess of a particular value (or of a particular type).
- 6.20** In determining the arrangements, Heads and governors should have regard to the desirability of separating those responsibilities and duties that would, if combined, enable one individual to record and process a complete transaction. Functions where adequate separation should be considered include: (a) authorising orders; (b) checking deliveries; (c) authorising bills for payment; (d) signing cheques; (e) recording transactions. This will be advisable to secure adequate and effective internal check over the payment/purchase process as part of the school's internal control systems.

### **Reconciliation of Bank Accounts**

- 6.21** Governing Bodies shall ensure that school bank accounts are reconciled to the balance in hand as recorded in the school accounting system. This should be done at least monthly, and a summary of the reconciliation (supported by a listing of un-presented cheques and credits) shall be produced (certified and dated by the person responsible for its preparation and by the Head or such other person as nominated by the governing body to review the reconciliation) and retained on file for audit purposes.
- 6.22** For those schools which obtain their accounting information from the Council's E5 accounting system, a summary of the reconciliation will be required from the school by the Finance Team (on a standard form which will be supplied) to support each monthly return of expenditure from the school.

### **Transfer of Funding**

- 6.23** The Finance Team (on behalf of the Chief Finance Officer (Section 151 Officer)) will arrange for the transfer of instalments of funding in accordance with the requirements of the Scheme from the Council Payments Account to the individual current account of each of the schools.
- 6.24** Those schools moving to chequebook status for the first time may have budget balances brought forward from the preceding financial year. Any underspending brought forward (when finalised and agreed by the Finance Team) will be paid into the school bank account, but only after deduction of any element which is required to balance the school budget for the ensuing financial year. Any overspending brought forward from the preceding financial year will be deducted from the funding transfer otherwise due to the school for the ensuing year.
- 6.25** The transfer of funding to a school's bank account will be conditional upon the Finance Team receiving from the school the necessary accounting information required by the LA under the provisions of the Scheme according to the timescale specified. Failure and/or inability to supply this information would result in suspension of transfer payments and possibly the withdrawal of chequebook status until the problem is resolved to the satisfaction of the Chief Finance Officer (Section 151 Officer), who is authorised by the LA to take what action they may consider appropriate if this situation arises.

- 6.26** Each school is required to submit an online claim at the end of each quarter to

the Finance Team to recover the net amount of VAT relating to transactions during that quarter, having regard to guidance provided by the Finance Team (on behalf of the Chief Finance Officer (Section 151 Officer)).

- 6.27** Any amounts of income collected by the school of a type falling outside the delegated budget and due to the LA, or unidentified payment or receipt into a school account, shall be notified by the school to the Finance Team within five working days of the date such items appeared on the school bank account statement.
- 6.28** The advancing of funding to schools and the payment of brought forward budget balances in hand into school accounts, will provide Governing Bodies with the opportunity to earn interest by prudent management of the expenditure pattern and cash flow of the school. To the extent that this will result in a loss of interest to the Council at central level (income which is used to underpin the Council's existing budget), to avoid a net increase in expenditure overall at a time of increasing financial constraints it will be necessary for the LA to deduct the estimated loss of interest each year from the resources distributed to those schools operating bank accounts. This is set out in the Cumberland LA Scheme for Financing Schools (paragraph 3.3).

### **Petty Cash Imprest Accounts**

- 6.29** Any petty cash imprest accounts held by a school prior to implementing devolved payments will cease to be operated when use of the new bank account commences. Each school will be required to balance the old imprest account at that date and produce a final reconciliation with the bank balance and an analysis of disbursements up to date of closure. A cheque for the remaining balance (after allowing for uncleared cheques) will be drawn on the old account and sent to the Finance Team with these details. The school will draw a cheque on the new school bank account for the value of any stamps and cash floats in hand at date of closure.
- 6.30** The value of cash floats funded from the new bank account will be recorded by each school and an ongoing record of their value and location will be maintained by the Governing Body. Disbursements from cash floats shall be recorded in detail and supported by vouchers, receipts and documentation, and summarised and entered in the school accounting system at least monthly (and included in their expenditure summaries).

### **Preparation of Payments**

- 6.31** Having chequebook status does not reduce the need for an adequate and effective process for the checking, coding, authorising and recording of each payment, and the collection and banking of income. The Governing Body will ensure that appropriate systems and procedures are approved, and observed by all individuals involved, having regard to detailed guidance provided by the Chief Finance Officer (Section 151 Officer) (or Finance Team representative).
- 6.32** A clear trail is required from each paid invoice, claim and prime document through the grouping and batching of invoices, claims, timesheets, etc; the cheque issued; and the entry in the school accounting system and expenditure summaries and analyses. A similar trail is required for each item of income due and received.
- 6.33** The Governing Body should establish a recognised cycle for the payment process within the school, so that all concerned are aware of the deadlines involved for each type of payment, and to ensure that items can be paid without undue delay and according to terms of suppliers (or conditions of service of employees, for pay and expenses).

- 6.34** Details of transactions should be provided to the Governing Body at regular intervals as part of the ongoing reporting process. This could usefully be integrated with other reporting to governors about expenditure against budget.

### **Payment of Creditors**

- 6.35** Each invoice must bear the evidence that specified checks have been performed, and that it has been approved for payment, prior to the authorisation and drawing of a cheque as the next stage. The cheque number issued should be written on the invoice(s) as a cross-reference, and the invoice should be clearly endorsed "paid" to avoid the possibility of duplicate payment. Adequate information should be sent with each cheque to enable the supplier to identify the invoice(s) to which the payment relates.
- 6.36** Schools with chequebook status shall ensure that a certification form (equivalent to Form E40) is attached to each invoice to record coding, VAT category, financial values, and routine checks and authorisation in each case.
- 6.37** To satisfy the VAT inspectorate, paid invoices should be filed in an identifiable monthly batch corresponding to the items included in the monthly bank reconciliation. Paid invoices should be held securely in a locked cabinet, as they provide the main evidence by which the Head and governors can demonstrate satisfactory stewardship and probity in relation to payments and the spending of resources. They should not be released from the school office except in the case of an official request by the Chief Finance Officer (Section 151 Officer) or the Finance Team in relation to VAT inspection or internal audit reviews by the Internal Audit Team, or LA external audit, and all such instances should be recorded and logged.
- 6.38** It is suggested that a weekly payment cycle would be required for payment of invoices, with provision for the occasional "urgent" item when arising. It will be essential that arrangements are adequate to clear any bills due for payment during holiday periods and also to operate securely during absence of key staff. Late payment of energy or telephone bills may result in a cut-off of supplies or service, and governing bodies should be aware that they might incur additional costs (e.g. for reconnection) and possible disruption of school activity if this should occur.

### **Payment of Employees**

- 6.39** Where responsibility and funding has been delegated to a school in respect of payment of employees, the Governing Body will have the choice of either buying the service from the Council, or another provider to supply the services involved, or undertaking the function themselves. In both cases the outflow of funds each pay date for the net cost of the payroll and then the payment over of deductions, will be charged to the school bank account. If an external contractor is used, there will also be a service fee to pay from the school bank account. It would be normal practice to authorise payment of such amounts by BACS/direct debit to ensure that payment can be achieved on the due date. Timing is crucial on such transactions, as late payment can give rise to financial claims by payees and any such costs would be borne by the school delegated budget.
- 6.40** Section 5.3 and Appendix E of these Financial Regulations refer to various aspects of employee-related transactions. It is important that all payments to employees (also including expenses and allowances) and fees to other individuals (for instance) should be routed via the payroll process to ensure that all such amounts are taken into account for tax, NI, etc (an element of mileage allowances is also subject to VAT).
- 6.41** Those schools processing their own payroll and travel allowance claims shall

ensure that timesheets and claim forms are held in batches after processing in a manner which readily enables each document to be related to the entries and charges which appear in the payroll system and the postings which it generates to the school's accounting records.

### **Income**

- 6.42** All income should be paid into the school bank account, and paying-in slips bearing the account title/account number should be supplied by the bank for this purpose. It will be essential to maintain supporting documentation for each item, and to record and analyse income collected and the dates/amounts of related bankings. The income collection record must clearly distinguish between those categories of income that fall within and outside the delegated budget. All income collected (for delegated responsibilities) should be included in the monthly information to the Finance Team, as part of the net cashflow of the school. Income falling within the delegated budget should be entered into the main school expenditure record to provide an ongoing view of net spending against budget.
- 6.43** Income due to the school (relating to its normal educational activities) should not be routed via any "non-LA" school fund account in the first instance, but should be banked direct to the school's official account.

### **School Expenditure Record/Accounting System**

- 6.44** Each school may develop its expenditure recording system to meet the needs of its organisation but it must be accurate, reliable, secure and up to date and able to provide the LA with information and analyses required. There is no "standard" structure or format, although there are clear rules about the information that has to be recorded. The Finance Team can advise on the appropriateness of any system. A school record should
- (b) provide an *ongoing* record of expenditure/income against budget, and
  - (c) provide *management* information to assist/inform decision-making.
- 6.45** Under chequebook status, the school expenditure record must (as well as the information already recorded about transactions) hold the following additional details
- (a) the VAT *category* of every transaction (see Appendix A)
  - (b) the VAT *element* of every transaction
  - (c) *construction* industry contractor payments and tax
  - (d) a *cumulative* record of payments/income under each financial accounting code in the current financial year, to the minimum level of detail required by the LA
  - (e) the *cheque* number of each payment
  - (f) the *funding* ("cash-flow") position of the school
  - (g) amounts deducted from payments and due/paid to the Council and other bodies

This will be essential to enable

- (i) details of school transactions to be provided to the LA as required
- (ii) inclusion of school expenditure/income in the LA central accounting system



- (iii) monitoring and management of spending and cash flow by Head and Governing Body
- (iv) satisfactory *accounting* for statutory and other deductions
- (v) adequate *evidence* for audit

### **Year-end Creditors**

- 6.46** For those invoices that are outstanding at each financial year-end, for goods and services received on or before 31<sup>st</sup> March, schools will be required
- (a) where the *school* uses its own accounting system, to include them as accruals in the final return of expenditure; or
  - (b) where the *school* uses the LA E5 accounting system, to complete a year-end creditors schedule for the outstanding items for return to the Finance Team (within a specified timescale) so that the estimated cost of these items can be charged against the old financial year.

### **Summary Returns of Expenditure and Income**

- 6.47** Each school is required to regularly return to the LA (Finance Team) a summary of income and outgoings to show the net position for the period analysed over expenditure and VAT categories involved (and for schools using E5, also analysed over financial codes). The Finance Team (acting on behalf of the Chief Finance Officer (Section 151 Officer) will provide advice on the content of the returns required from schools. The information for such returns should be drawn from the school expenditure record, which should be sub-totalled at that point. The amounts shown against the various VAT categories (and financial codes) will be shown excluding VAT, which will be shown as a separate element.
- 6.48** It is essential that governing bodies supply this information accurately and consistently, to meet the timescale required, and in accordance with the Scheme. Such returns must be submitted at the end of each quarter in accordance with the Scheme (see Annex D) except for those schools which use the Council's E5 accounting system, which will continue to submit **monthly** returns for input to E5. These monthly returns must be returned to the Finance Team to arrive no later than a due date after the end of each accounting period that it will prescribe.
- 6.49** For those schools which use the Council's E5 accounting system, the monthly expenditure analysis received from each school at the end of each accounting period will be used by the Finance Team as the basis of an accounting transfer to update the Council's E5 accounting system by charging the amounts indicated to the expenditure/income codes and VAT categories indicated.
- 6.50** The Governing Body shall ensure that any other forms or information required in connection with transactions (such as payroll deductions, contractor's taxation and VAT) are completed accurately and submitted on time. Where required on a regular basis, these forms should be submitted with the expenditure return unless required more frequently or schools are notified otherwise.
- 6.51** To ensure efficiencies, the LA seeks to secure any advantages offered by the use of the electronic exchange of data between school and the LA. The Chief Finance Officer (Section 151 Officer) (or Finance Team on their behalf) will prescribe the interface standards and requirements for electronic exchange of financial data that shall be observed by schools.

### **Security of Cheques**

- 6.52** Used and unused cheques must be locked away securely, and custody of/access to cheque stocks should be restricted to a named (and formally designated) individual. Cheques supplied by the bank should bear a pre-printed crossing, and rigorous controls will be required over cheques drawn as payable to "Cash" or "Bearer" (which should be restricted to small amounts necessary for the replenishment of cash floats).
- 6.53** A record should be maintained of the serial numbers of every chequebook received into stock and issued. The Governing Body should ensure that cheque stocks are checked regularly by someone not directly responsible for their custody or use.
- 6.54** Cheques should **never** be pre-signed as an administrative convenience. When signed, there should be secure mailing arrangements for cheques.

### **Returned Cheques, and Cheques not Banked by the Payee**

- 6.55** Governing Bodies should ensure that an effective system is operated within the school to receive, record and hold securely all cheques returned, and to reissue or re-despatch if appropriate. The reason for their return should be investigated, and the action taken also recorded, and any necessary action should be taken to remedy control weaknesses that may be indicated.
- 6.56** Similarly, claims by payees that cheques have been lost, destroyed, not received, or stolen should be recorded and investigated in detail, and a bank "stop" placed on the cheque where necessary.

## 7.

### **CONTRACTS, AGREEMENTS AND PURCHASING**

**Spending the school's resources represents a significant responsibility, and the arrangements and procedures must clearly demonstrate adherence to policies, good value for money, and that governors and school employees act objectively and impartially.**

#### **General Principles**

- 7.1** All contracts, agreements and purchases are subject to the requirements of the Contracts Procedures Rules of the LA and paragraphs 2.10 and 2.11 of the Cumberland LA Scheme for Financing Schools, and the procedures and financial limits that they prescribe (as revised from time to time). The Head will report regularly to the Governing Body, at intervals determined by the Governing Body, on their exercise of delegated powers with regard to such matters.
- 7.2** The Governing Body shall ensure that all transactions comply with the requirements of any relevant government or European Union (EU) regulations.
- 7.3** The Governing Body shall ensure that responsibilities of individuals for ordering, checking, certifying and recording transactions against budget are clearly defined within their delegation arrangements.
- 7.4** Every Governor, the Head and other staff, have a responsibility to declare any links or personal interests that they may have with suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the school or in authorising related payments. Such declarations should be formally recorded and held in a register by the Clerk to the Governors. It is important for everyone involved in spending public money to demonstrate that they do not benefit personally from decisions that they make (or to which they contribute), and to avoid any situation that might be regarded as compromising due objectivity and impartiality.
- 7.5** Before entering into purchasing commitments the Head shall ensure that the estimated cost is covered by financial provision in the budget to which it relates.
- 7.6** Official orders and school or LA contract prices shall not be used by individuals to obtain goods and services for their private use.
- 7.7** Before entering into any relationship with another school or external body which may involve the incurring of expenditure and/or sharing of assets, facilities, staff, costs, income or any other aspects with a possible financial effect or implication, the Governing Body shall ensure that the basis of such arrangement is clearly defined in writing and considered and formally agreed by the Governing Body and any other parties involved, and that such a decision is formally recorded. Legal advice should be obtained where necessary to ensure that the interests of the LA and the school are properly protected. Where such arrangements may involve the Council in any contingent liability, then a report must first be made to Cabinet and then to the Council seeking approval. Therefore if such circumstances arise, the Governing Body involved shall first seek advice from the Chief Legal Officer (Monitoring Officer) before entering into any such agreement.

#### **Routine Purchasing of Goods and Services**

- 7.8** Before concluding any purchase, the Head shall ensure that value for money is obtained.
- 7.9** The Governing Body shall limit to an absolute minimum the value, number and type of goods and services purchased in cash, and will ensure that all their staff

understand the rules for this type of transaction (including written procedures).

- 7.10** The signatory of an order shall first be satisfied that the goods or services are appropriate and needed, that there is adequate budgetary provision, and that quotations and tenders have been obtained if necessary.
- 7.11** The Chief Finance Officer (Section 151 Officer) shall maintain notes of guidance for schools on the procedural standards to be adopted in relation to the placing of official orders and the system for the payment of invoices, having regard to the changing needs arising from organisational changes.
- 7.12** The Head of each school or their formally designated representative(s) shall be responsible for all orders or requisitions issued from their school.
- 7.13** Orders shall be issued on stationery approved by the Chief Finance Officer (Section 151 Officer) and shall be on pre-numbered official stationery to provide a unique identifying reference enabling as agreed or as otherwise authorised by the Chief Finance Officer (Section 151 Officer). Paperless ordering systems involving the preparation, authorisation and transmission of electronic data, may be implemented if adequate and effective controls are operated, but only after prior approval of the Chief Finance Officer (Section 151 Officer), and such systems shall always include a unique identifying reference number in respect of each separate order.

#### **Ordering by using the Internet**

- 7.14** As set out at 3.6 of the Cumberland LA Scheme for Financing Schools, schools that use the Council bank account and ledger system are required to have Council approved payment cards and use these for the majority of purchases except where the type of payment falls into a category deemed inappropriate as set out in the Cumberland Council Schools Payment Card User Manual. Cards are held by nominated individuals and payments are made on behalf of the school. All nominated cardholders must agree to the terms and conditions of operating a payment card as set by the Council. Schools and individual cardholders must adhere to the requirements of the Cumberland Council Schools Payment Card User Manual. Failure to adhere to these requirements may lead to withdrawal of the card.
- 7.15** The use of personal credit cards to make purchases on behalf of the school (with subsequent reimbursement to the individual) is not permitted.

#### **Contracts**

- 7.16** With regard to the purchase of services from a service provider (for example, a bursary service or payroll service) the Chief Finance Officer (Section 151 Officer) will specify (and advise on) minimum financial standards that must be maintained regardless of whether the service provider is internal or external to the Council's organisation. Such minimum standards must be reflected in service specifications used by any Governing Body when procuring such services, and incorporated in service level agreements and contracts, and those persons responsible for managing, delivering and monitoring such arrangements must ensure that minimum standards for services are maintained consistently and satisfactorily.
- 7.17** The Governing Body shall ensure that adequate and effective systems and procedures are operated for arranging, managing and making payments for all contracts and Agreements, having regard to the Financial Standing Orders of the LA and advice and guidance from the Chief Finance Officer (Section 151 Officer) on financial aspects; and also including the proper evaluation of contractors' financial standing, technical capacity and competence.
- 7.18** Except as agreed by the LA, no officer may raise money by securing any legal

charge or claim upon the buildings, property or any other asset or interest of the LA. Any contract or legal agreement involving a charge upon assets or property (of the LA or a contractor) must be forwarded to the Chief Legal Officer (Monitoring Officer) for approval and signature on behalf of the LA.

- 7.19** Except for the Chief Finance Officer (Section 151 Officer) (or unless specifically authorised by them), no-one shall enter into any agreement or contract involving the borrowing of funds or credit (including leasing arrangements), or the investment of LA monies; or the authorising of any direct debit to be charged against the LA's central bank accounts. (It should be noted that finance leasing contracts are treated as borrowing and therefore, require approval from the Secretary of State.)
- 7.20** Before entering into a contract or Agreement involving significant cost and/or an ongoing or longer term commitment to expenditure, the governing body shall seek advice from the Chief Legal Officer (Monitoring Officer) about the content and format of such contract or agreement, to ensure that the legal position of the LA as well as the school is adequately protected.
- 7.21** With regard to internal and external contracts for the provision of services, each Governing Body shall ensure that adequate and effective arrangements are operated to monitor performance by the contractor in relation to the contract specification and required service standards, and that there is a formal procedure to control and authorise contract variations.
- 7.22** The Governing Body shall ensure that the Local Authority Property Team is notified of all contracts for building works.
- 7.23** Where any contract provides for the prices under that contract to be varied to reflect movement in the general level of pay and/or prices (i.e. an "indexation clause"), the terms of that clause shall be agreed by the Governing Body before the draft contract is finalised for signature, having regard to general budget strategy and seeking advice from the Chief Finance Officer (Section 151 Officer) if required.

### **Payment of Accounts and Claims**

- 7.24** Goods and services shall be checked upon receipt to ensure they are in accordance with the order and this check shall be recorded on the order, delivery note and invoice preferably by someone other than the ordering officer (as agreed by the Head, having regard to guidance by the Chief Finance Officer (Section 151 Officer)).
- 7.25** Payment shall normally only be made on a proper VAT invoice (not a photocopy or statement), which has been checked, coded and certified for payment. Only individuals who are specifically authorised to perform this function shall certify invoices, and if possible who shall not have been either a signatory to the original order nor the checker of goods or services received.
- 7.26** As an additional control on higher value items, the Chief Finance Officer (Section 151 Officer) may specify a threshold value (including VAT) for individual invoices, and the Governing Body shall then arrange for any invoice that exceeds this value to be countersigned by another authorised signatory in addition to the normal certification signatory. The Governing Body may in any case operate an additional control of this type and with a threshold value lower than that specified by the Chief Finance Officer (Section 151 Officer).
- 7.27** The Governing Body is responsible for ensuring that the VAT element of each invoice submitted for payment is correctly identified and substantiated, and that invoices are submitted in time to qualify for any claimable discount within the normal payment arrangements operated by their payment services provider. Where this is not the case, the school-delegated budget will bear the cost of the

non-claimable VAT or the cost of any lost discount.

- 7.28** The Chief Finance Officer (Section 151 Officer) holds overall responsibility for ensuring satisfactory financial administration, including safe and efficient arrangements for all payments. They are entitled to require any information or explanations that they deem necessary to substantiate a transaction. However, upon receipt of a certified invoice, certificate or claim (or any electronic file of payment data) authorised for payment by the Head or their nominee(s) in accordance with procedures agreed by the Governing Body having regard to guidance from the Chief Finance Officer (Section 151 Officer), and in the absence of any manifest error, the Governors' payment services provider is entitled to assume that the payment shall be made. The onus is upon the Head to submit items promptly for payment and to operate adequate and effective controls upon the ordering, checking and certification process, having regard to advice from the Chief Finance Officer (Section 151 Officer).
- 7.29** Where an overpayment or duplicate payment arises and has been certified for payment by the Head or their nominee, the cost will (until recovery of the amount involved) be charged against the delegated budget of the school involved. The school-delegated budget may also be charged by the service provider with the administrative cost involved in recovering or attempting to recover such amounts.
- 7.30** Under the provisions of the Late Payment of Commercial Debts (Interest) Act 1998 the LA may be charged statutory interest on any amounts which are due to suppliers but which are not paid within 30 days of the "relevant day" for each debt. Any interest charge of this type that is incurred by the LA as a result of payment by the school or submission by the school for payment of the item by their payment services provider too late to enable payment to be made by the deadline, will be charged to the delegated budget of the school involved.
- 7.31** The Governing Body shall ensure that the contract or internal service agreement for payment services shall provide that if (having received the correct payment information or data) an error occurs in its processing and/or payment by the payment services provider, he will reimburse to the school any cost or claim against the school arising as a consequence of such error.

## 8.

### STRATEGIC AND FINANCIAL PLANNING

**It is essential to consider longer-term strategy as well as short term financial planning, and to ensure that those non-financial factors that have a major influence on expenditure and income are quantified and integrated within the overall planning process. A sound strategy, regularly reviewed, should ensure that longer-term effects are foreseen and managed effectively within available resources.**

- 8.1** Even the best planning and forecasting is subject to changes in circumstances that could not reasonably be foreseen. Contingency planning (and provision for future requirements where appropriate) is an important aspect of sound financial management.
- 8.2** Pupil numbers are a major determinant of a school's resources, and so the trend in pupil numbers for the school should be considered carefully when examining the future financial position and whether expenditure plans can be sustained.
- 8.3** In framing their budget for any year, schools should take into account existing and future commitments. New commitments may arise (for instance) from
- contracts starting partway through the year, with a further effect next year
  - building works (including effects on running costs)
  - new equipment and its utilisation
  - planned replacement of items (provision for renewal)
  - changes to staff and pay levels
  - effect of staff increments
  - repayment of previous budget deficit

As part of the budget preparation process each year each Governing Body should ensure that the commitments underlying the existing level of expenditure are also scrutinised and reviewed.

**9.**

**VALUE ADDED TAX AND OTHER TAXATION AND DEDUCTIONS**

**It is essential that each Governing Body and its employees correctly and consistently apply the law and regulations relating to Value Added Tax and other forms of Taxation; failure to administer the rules correctly could result in extra costs and financial penalties.**

- 9.1** Guidance on the procedures required for Value Added Tax is attached to these Regulations as Appendix A.
- 9.2** Guidance on procedures required for statutory and other deductions on payroll transactions (such as PAYE tax, National Insurance and pension contributions) is attached as Appendix B.
- 9.3** In accordance with the provisions of the Scheme, any financial cost arising from the act or omission of a Governing Body (constituting a failure to satisfactorily comply with taxation requirements) and falling initially upon the LA will be charged to the delegated budget of the school involved. This may include any administrative cost incurred in supplying information or otherwise responding to a tax enquiry arising from any failure by a school to respond to request by the HM Revenue and Customs or other government agency on such matters.



## 10.

### **VOLUNTARY AND PRIVATE FUNDS**

**It is important that school voluntary and private funds and Trust Funds are managed and administered in accordance with statutory requirements and at least to the same standards as those applicable to the Council generally, to demonstrate good stewardship and the proper and effective use of this type of resource.**

- 10.1** The Governing Body and/or school Head shall ensure that the Finance Team (as a representative of the Chief Finance Officer (Section 151 Officer)) is notified of the establishment of any trust or fund for which the Governing Body act as trustee or otherwise manage, and that as a minimum
- (a) a treasurer and an independent auditor are appointed
  - (b) secure and reliable accounting systems and procedures are operated, including signatory and reporting arrangements
  - (c) a separate bank account is operated in the name of the Trust Fund
  - (d) a formal investment policy statement is in place
  - (e) financial transactions are subject to a regular audit (including statutory annual audit where applicable), and the annual statement of accounts is formally audited and certified by the auditor
  - (f) the accounts for each year are submitted to the Trustees/Fund Managers each year, promptly after audit
  - (g) that any statutory requirements of the Charity Commission are met
- 10.2** Any proposal to establish a Trust involving the Council as Trustee shall first be submitted by the Governing Body to the Director of Children and Family Wellbeing and the Chief Legal Officer (Monitoring Officer) and would be subject to consideration and approval if appropriate by the Council.
- 10.3** Governing Bodies shall ensure that such funds under their control are satisfactorily administered and audited in accordance with the principles in paragraph 10.1 above. Where a Governing Body operates private bank accounts for school funds, local trusts, endowments, etc these must not be used for any payments or receipts chargeable to the delegated school budget.
- 10.4** The cost of administering and auditing a voluntary fund, trust fund or other school fund of this type shall normally be borne by the fund involved, and shall not be charged against the school's delegated budget.
- 10.5** With regard to trust funds which may be involved in the operating and/or provision of services or facilities which involve the Council or its employees, Chief Officers, Heads and Governing Bodies shall ensure that in advance of such arrangements the respective responsibilities of the Council and the Trust are clarified and formally agreed. Where the arrangements involve the Council in any contingent liability in respect of future payments or stewardship of assets a report must first be made to the Cabinet and then to the Council seeking approval for such arrangements. Therefore, if such circumstances arise, the Governing Body involved shall first seek advice from the Director of Children and Family Wellbeing before entering into any such arrangement with a trust fund.
- 10.6** Each Governing Body is required to provide audit certificates to the LA or its internal or external auditors upon request in respect of voluntary or private funds held by schools and of the accounts of any trading organisation controlled by the school. The form and content of the certificate required will be indicated at the time of any such request.

## APPENDIX A

### VALUE ADDED TAX - GUIDANCE ON PROCEDURES REQUIRED

To satisfy VAT requirements schools with chequebook status will be required to analyse each payment by VAT category as well as by financial code. Paid bills and vouchers will be held at each school, but are subject to scrutiny by the VAT inspectorate if required, and so each school must make adequate arrangements to ensure that such documentation can be provided to the LA Finance Team within three working days of request (even during school holidays). The local VAT inspector may visit individual schools.

Schools cannot register individually for VAT purposes (as they are legally part of the Council for this purpose), and will not be required to prepare separate VAT Returns.

Governing bodies must ensure that payments are made only on proper VAT invoices, and that VAT receipts are obtained for any cash disbursements. Similarly, that any income received by the school is properly receipted and/or billed. Failure to correctly account for VAT (categorisation of each item into VAT category, and identification of VAT element of payments/income) and to obtain necessary supporting vouchers and documentation could incur significant retrospective claims by HM Revenue and Customs, and this cost would fall upon the budget of the school involved. This may include any administrative cost incurred in supplying information or otherwise responding to a tax enquiry arising from any failure by a school to respond to a request by HM Revenue and Customs government agency about such matters.

Schools can still take advantage of VAT saving arrangements for purchases resourced from private school funds. For those types of item which qualify for this concession the bills follow the same local payment process but when the cheque is drawn upon the school fund for the VAT-exclusive amount it should be made payable to the title of the school bank account (or Cumberland Council if the Central Fund Bank Account is used), and then paid into the bank using the paying-in book and recorded in the school accounting record. The income should be clearly cross-referenced to the payment involved. The cheque paying the full amount to the creditor would be drawn on the school bank account in the same way as for other non-employee-related payments.

Specific queries on VAT liabilities may be directed initially to the VAT Officer, Financial Services using the following methods

Telephone (01228) 226567  
Email email tbc

# APPENDIX B

## Procedures For Payroll Statutory And Other Deductions

### 1. PAYROLL STATUTORY RETURNS

- 1.1 Schools who have chosen to operate their own bank account have the choice of where to buy their payroll services (or whether to process their own payroll). Schools that do not operate their own bank accounts must use payroll services supplied by one of the providers on the Council's framework contract for provision of payroll and HR administration.

HM Revenue & Customs requires all employers to register for PAYE Online. If using a payroll provider it is likely that they will choose to submit electronically on your behalf. In these circumstances, there will be no forms to certify. It is strongly recommended that Governors ensure that their payroll provider accepts total responsibility for the submission of all necessary returns by the due date.

- 1.2 Schools who do not operate their own bank account must obtain their payroll services from one of the providers on Cumberland Council's framework contract who will operate under the local authority tax reference number. This means that the provider acting for the Chief Finance Officer (Section 151 Officer) will be the Statutory Officer for the submission of returns (relating to the collection and payment of PAYE, National Insurance Contributions (NICs), Statutory Sick Pay (SSP), Statutory Maternity Pay (SMP), Statutory Adoption Pay (SAP), Statutory Paternity Pay – Adoption, Statutory Paternity Pay – Birth, Student Loans and WFTC) to the HM Revenue & Customs. Governing Bodies must ensure that the provider fulfils the above requirements.

- 1.3 Schools who operate their own bank account may opt to obtain their payroll services from the LA (where provision of a payroll service is offered), the provider of their choice or provide their own service and will operate under their own tax reference number. The school must ensure that the payroll service provider is responsible for the submission of statutory returns relating to the collection and payment of PAYE, National Insurance Contributions (NICs), Statutory Sick Pay (SSP), Statutory Maternity Pay (SMP), Statutory Adoption Pay (SAP), Statutory Paternity Pay – Adoption, Statutory Paternity Pay – Birth, Student Loans and WFTC.

With regard to the above, on behalf of the Governing Body, the Head of any school which deals with its own payroll work will be required to obtain a separate tax reference number from the tax office, and will be responsible for preparing and submitting tax returns correctly and by the due dates, together with any supporting information required.

### STANDARD FORMS (COMPLETION AND SUBMISSION)

- 1.4 Schools undertaking their own payroll work should register as an employer on the HM Revenue & Customs website at:

<https://www.gov.uk/register-employer>

#### (A) Where a school uses the Council's bank account and a provider on the Council's framework contract

- (i) The completion of statutory PAYE, NIC and SMP returns will be undertaken by the Provider (on behalf of the Chief Finance Officer (Section 151 Officer)) who will submit all necessary returns, and will pay over statutory and non-statutory deductions to the appropriate payees. Governing Bodies remain responsible for ensuring that the payroll provider completes all necessary returns.

**(B) Where a school uses their own bank account and uses an external payroll service provider**

- (i) The school must ensure that its payroll provider is responsible for ensuring that statutory deductions are paid over to HM Revenue & Customs and that all supporting information and returns are submitted, all by the due dates.
- (ii) The payroll provider must also maintain and provide details to allow reconciliation of monthly PAYE, NIC and SMP details to the School's annual tax return (and other returns, if necessary).
- (iii) Non statutory deductions taken from pay (e.g. attachments of earnings orders, union subscriptions, "give as you earn" contributions etc) shall be paid directly to the appropriate parties by the payroll provider or school as soon as practicable to avoid possible claims for interest from payees.

**(C) Where a school uses their own bank account and organises its own payroll.**

- (i) The Governors must ensure that a designated member of staff is responsible for ensuring that statutory deductions are paid over to HM Revenue & Customs and that all supporting information and returns are submitted, all by the due dates.
- (ii) The Governors must ensure that a designated member of staff is responsible for maintaining and providing sufficient detail to allow reconciliation of monthly PAYE, NIC and SMP deductions to the School's annual tax returns for audit purposes (HM Revenue and Customs, and Council Audit).
- (iii) Non statutory deductions taken from pay (e.g. attachments of earnings orders, union subscriptions, "give as you earn" contributions etc) shall be paid directly to the appropriate parties by the school as soon as practicable to avoid possible claims for interest from payees.

**DETAILS OF DEDUCTIONS**

**1.5** The Heads and Governing Bodies of all those schools that have their own tax reference number (ie. all school's operating their own bank account) are responsible for ensuring compliance with all requirements of the tax office, law and regulations relating to statutory deductions and for providing such information as may be required, direct to the HM Revenue & Customs. The following notes may provide an indication of such requirements, but such schools must themselves ensure that their arrangements and contracts for payroll services will secure a satisfactory payroll service, which complies with all statutory requirements, performed by a competent contractor.

**1.6** Since the HM Revenue & Customs now requires online submission of returns and information relating to payroll, it is strongly advised that all aspects of payroll are the responsibility of the payroll provider.

It is essential that a school receives adequate information from its payroll provider and as a minimum should demand a monthly report detailed by employee showing:

- Gross Pay detailed between basic pay, overtime, bonus and other pay allowances
- Total amount of PAYE tax collected
- Total amount of National Insurance collected
- Total amount of employer's NIC rebate
- Total amount of recoverable Statutory Sick Pay (SSP)
- Total amount of recoverable Statutory Maternity Pay (SMP)
- Total amount of recoverable Statutory Paternity Pay (SPP) – Birth.
- Total amount of recoverable Statutory Paternity Pay (SPP) – Adoption.
- Total amount of Statutory Adoption Pay (SAP)

- Total amount of Students Loan deductions.
- Total amount of Tax Credits.
- Total amount of any other deductions (attachment of earnings, GAYE (Give As You Earn), Union Dues, etc - detailed)

## STATUTORY RETURNS (END OF YEAR)

1.7 As an employer running payroll, you need to report to HM Revenue and Customs on the **previous tax year (which ends on 5 April)** and give your employees a **P60**. For further information access the **HM Revenue & Customs website**.

<https://www.gov.uk/payroll-annual-reporting/overview>

In addition you (or your payroll service provider) will need to

- Issue form **P60 End of Year Certificate** to each employee detailing Pay, Income Tax and NICs. The payroll provider must issue notice P60 to each employee still in employment at the tax year end, by 31st May following that tax year.
- issue to each employee (as necessary) form **P11D, Expenses and Benefits** detailing taxable expenses and benefits, by the statutory deadline. Details of all taxable benefits provided to each employee including mileage allowance profits, workings required to confirm cash equivalent **values** of each of other benefits provided, contributions made by employees towards each benefit, dates of receipt and cessation of benefits etc. must be submitted by the payroll provider to the HM Revenue & Customs. National Insurance treatment of common benefits and expenses is available on the HM Revenue & Customs website:

<https://www.gov.uk/employer-reporting-expenses-benefits>

- issue to each employee (if necessary) form **P9D, Expenses Payments and Income from which tax cannot be deducted**. This form is to be used where expenses or benefits have been provided but a P11D has not been completed because the employee earned less than £8,500.
- issue form **P45** to each employee who leaves, immediately following the final salary or wage payment.
- For each new employee who has not provided a form **P45** collect the required information using the HM Revenue & Customs New Starter Checklist.

## PENSIONS DEDUCTIONS AND RECORDS

2.1. Cumberland Council (as LA) is responsible for remitting pension contributions for all maintained schools to the Teachers' Pensions (TP).

Westmorland & Furness Council is the administering authority for Cumbria Local Government Pensions Scheme.

### (A) Where a school uses the Council's bank account and uses a provider on the Council's framework for payroll services

The Council's framework provider is responsible for the administration of pension deductions including provision of schedules to the Finance Team. Governing Bodies remain responsible for ensuring that the payroll provider completes all necessary deductions and provides the required information to the Finance Team.

**(B) Where a school uses their own bank account and an external payroll service provider or organises their own payroll**

The school must remit the payment due to TP either by cheque or directly to the Council's bank account so that the funds can be cleared by the Council's bankers on or before the date payment is due to TP. This will be the 7<sup>th</sup> of the following month to which the contributions relate or the previous working day to this should the 7<sup>th</sup> fall on a weekend or a bank holiday. Schools using an external payroll contractor should make arrangements to pay teachers' AVC contributions due directly to the providers of the AVC schemes, not via the Council.

The school must remit the total monthly payment due to the CLGPS and either by cheque or direct to the CLGPS bank account by the 3rd of the month following deduction from pay.

**2.2. Annual Statistical Return**

Each school using its own bank account and using an external provider must arrange to submit an annual statistical return of all employers, employees and additional contribution deductions, including adjustments relating to under and over payments (either directly or from their own payroll provider), to the Chief Finance Officer (Section 151 Officer) by end April (or date specified by Finance Team) following the payment year, to be collated into the Council's annual return to Teachers Pensions. Each school must reconcile its annual statement to its monthly statements and adjustments.

**2.3. Local Government Pension Scheme Members** For new employees eligible to participate in the Local Government Pension Scheme contributions are automatically deducted by the payroll provider, the appropriate forms included in "The Local Government Pension Scheme Starter Pack" must be submitted to the YPS Pensions Section with the Employer's Declaration section completed within one month of commencement of employment.

- (i) All schools must maintain records of employees participating in the Local Government Pension Scheme (LGPS), including name, N.I. number, date of birth, Contracted out earnings, basic pension contributions, split of added years, part time buy back, pre 1972 additional contributions and in-house Additional Voluntary Contributions(AVCs).
- (ii) Where LGPS employees leave or retire from employment, the school must forward the above details, together with a LGPS Final Notification of Leavers Details form and if an immediate pension is payable Parts 2 and 3 of the P45 leaver form, to the YPS Pensions Administration Unit immediately after cessation of employment.
- (iii) External payroll providers must maintain and supply to the YPS Pensions Administration Unit details of employment history of all school employees who are members of pension and A.V.C. schemes, including dates of employment at differing pay and contribution rates, working hours, periods of absence for strikes, maternity leave, leave of absence, etc. The payroll provider shall also produce reports to the appropriate pension scheme provider of employee and employer contributions collected and paid to the scheme provider, and employment history details for valuation purposes.

### **3. EMPLOYED - v - SELF EMPLOYED**

- 3.1.** Determination of the tax status of individuals paid for services such as window cleaning, laundry, catering, occasional lectures etc. other than through a payroll system, can be complex. Such payments should not be made directly from a school operated bank account, or via the Accounts Payable team without first determining the payee's tax status (Employed or Self Employed) and appropriate tax treatment with the school's payroll provider.

# APPENDIX C

## Becoming a Chequebook School

### 1. PROCEDURES FOR APPLYING FOR CHEQUEBOOK SCHOOL STATUS

1.1 To become a cheque book school the school must:

- Have a surplus balance
- Have full governors approval
- Have an accountancy system in place
- Be prepared to complete the monthly, quarterly and year-end returns accurately and to the deadlines
- Make the request in writing to Cumberland Council by 31<sup>st</sup> December

1.2. The letter of request must be received by the 31<sup>st</sup> December. It should be signed by the governors as full governor approval is required. The letter should be addressed to:

David Peacock  
Principle Finance Officer  
Finance Unit  
c/o Westmorland & Furness Council  
Parkhouse Building  
Kingmoor Park  
Carlisle  
CA6 4SJ

1.3 In early January after checks have been completed we will confirm whether or not your application has been accepted. Once approved:

- The school should open a bank account in a reputable high street bank with a BACS facility.
- The scheme of delegation should be updated to reflect the new financial arrangements including the requirement to two signatories on cheques and two authorisers for BACS payments. The bank account must NOT go overdrawn.
- It is the schools responsibility to inform Capita/ payroll provider of the change in status, they usually require 3 month notice.
- The school should complete the "Disable user from e5" form to remove them from the e5 system as this is no longer required once they have converted to a cheque book school.
- The school can choose which accounting system to use such as FMS, Sage or LA Spreadsheets. The LA can offer training and assist on the LA spreadsheets but we are unable to offer system training on the SAGE or FMS. The school should seek support from the system provider on the set up of the system.

1.4 The LA can assist you with the returns, advising on which reports to use and the layout, particularly in the early months of converting to cheque book status. Although we can offer assistance, it is the schools responsibility to send the returns in accurately and on time. If the school is struggling to reconcile their accounts they can buy the services of an external accountant to help them with this process. All returns should be approved by the Headteacher before submitting to the LA for review. The quarterly ISBQ return and year end ISBF return must be signed off by the chair of governors before submission.



## 2. BANK RECONCILIATION

- 2.0 The bank reconciliation must be completed on a monthly basis. It will show the income and expenditure for the month; this will then be reconciled to the bank balance taking into account the unreconciled items. (Not yet showing on the bank statement). Any difference will need to be found by the school/accountant.
- 2.1 The LA requires the bank account summary sheet to be completed by the school and the list of income and expenditure in the form of:
- FMS- the bank history report
  - LA Spreadsheet- the monthly spreadsheet tab showing the totals for income and expenditure
  - SAGE- the day books, receipts, payments and paid invoices.
  - List of unrepresented items
  - Copy of bank statement
- 2.2 This information must be submitted by the 20<sup>th</sup> of the following month via the school portal.

## 3. VAT SUBMITTAL

- 3.0 A quarterly VAT return is required and will be paid via the BACS system into the school bank account. The school should upload their VAT claim via the school portal, inputting the VAT input and outputs and tick a box to confirm they have submitted the true figures. The LA will do sample checks on the claims over the course of the year to ensure the submittal is correct. The submission dates as are follows:

### Reporting periods:

1<sup>st</sup> April 2019 to 30<sup>th</sup> June 2019  
1<sup>st</sup> July 2019 to 30<sup>th</sup> September 2019  
1<sup>st</sup> October 2019 to 31<sup>st</sup> December 2019  
1<sup>st</sup> January 2020 to 31<sup>st</sup> March 2020

### Submission dates:

20<sup>th</sup> July 2019  
20<sup>th</sup> Oct 2019  
20<sup>th</sup> Jan 2020  
Confirmed with the end timetable

## 4. ISBQ and ISBF (QUARTERLY FINANCIAL STATEMENT OF ACCOUNTS)

- 4.1 The ISBQ is required on a quarterly basis, the submission dates are as above. This return will show the income and expenditure for the quarter. The figures on the return should reconcile to the school accounts for that particular period. The LA requires the ISBQ return and the detail sheet to be completed with all income and expenditure up to the quarter end and the supporting documents. Supporting documents include:
- LA spreadsheet- the budget summary
  - FMS or SAGE- trial balance
  - Copy of bank statement
- 4.2. All the entries on the trial balances must reconcile to the figures on the ISBQ/detail. We will use the bank reconciliation up to the same period to reconcile the quarterly return.
- 4.3. The ISBF is the final year end financial statement of accounts which must be prepared on an accruals basis. In addition to the information required for the ISBQ return a breakdown of all creditors, debtors, income in advance and prepayments is required. Detailed instructions for completing the year end accounts and the deadlines to adhere to are produced on an annual basis.

## 5. FUNDING INSTALMENTS

- 5.1 Funding is allocated to the schools bank accounts on a monthly basis on or before the 28<sup>th</sup> of the month in time for the payment of salaries. At the beginning of the year a funding schedule will be available on the school portal which states the funding allocations for your school throughout the year. The funding is paid by BACS into the school bank account. In April the schools receive 2 payments and one each consecutive month thereafter. The July and Dec payments are paid earlier in the month to ensure sufficient funds are available for the early salaries.
- 5.2. Additional allocations such as SEN, PEX, Union duties, nursery funding adjustments is added onto the funding schedule in the month it is allocated and the monthly funding instalment increased by these amounts. Pupil Premium is paid to the school quarterly. Formula Capital (Non voluntary aided schools) is paid over to the schools via the monthly funding once it is drawn down.
- 5.3 The delegated surplus balance brought forward from the previous financial year together with any carry forward Primary PE & Sports Grant and Formula Capital allocations from previous financial years are paid over to new chequebook schools in May/June along with any opening creditors/debtor balances, if applicable.

## 6. MATERNITY/ADOPTION REIMBURSEMENTS

- 6.1 The LA reimburse cheque book schools for teaching staff on maternity or adoption leave. Schools are refunded for the total cost of the maternity/adoption leave including employers NI and Pension on-costs. Schools should complete a maternity/adoption re-imburement claim form available on request from the Schools Finance Team and attach the payroll report from their payroll system showing the calculation of NI and Pension contributions. The claim form requests the following information:

PAY	£-
NI	£-
PENSION	£-
<hr/>	
TOTAL	£-

- 6.2 The Pay includes the Occupational Pay and 8% of the SMP- (Statutory Maternity Pay). The Employers NI and Pension should be pro rata to the gross pay. If the employee commences maternity/adoption leave mid-month then NI and Pension should be proportionally calculated. The school will only be reimbursed with the NI and Pension relating to the maternity/adoption pay. A copy of the MATB1 or adoption certificate should accompany the first claim. One claim form should be completed for each teacher on maternity/adoption leave and submitted to the LA School Finance Team on a monthly basis for checking, validation and processing.
- 6.3 If a school buys into a payroll service, the provider may complete the maternity claim form on the school's behalf if the service is included in the contract. The school will remain responsible for ensuring that their payroll provider submits the claim forms by the due dates. The LA will process and reimburse claims on a quarterly basis as follows:

<u>Claims Received between:</u>	<u>Month Paid</u>
1 Dec to 28 Feb	March
1 Mar to 31 May	June
1 Jun to 31 Aug	September
1 Sep to 30 Nov	December

- 6.4 New requests for reimbursement for maternity/adoption pay received by the LA more than six months after the first date of maternity/adoption leave will not be processed.

# Control of Surplus Balances in Schools and Pupil Referral Units in Cumberland

# Control of Surplus Balances in Schools and Pupil Referral Units in Cumberland

## Introduction

This document is designed to explain:

1. The background behind the large surplus balance process
2. How the Local Authority calculates excess balances
3. How the Local Authority determines that balances are properly assigned
4. The process that will be followed for schools/PRUs ending the financial year with an excess surplus

## 1. Background

Schools/PRUs may carry forward year end balances into following financial years. In March 2010 the DfE published guidance for local authorities on managing surplus schools balances. This is not statutory guidance but is likely to reflect the direction of statutory powers in the future. The view of the DfE is 'it is part of sensible financial planning to hold a small surplus, but schools should be spending their money on the children in school now, and local authorities should take strong action where schools have excessive surplus except where they are very clearly and accurately justified'.

The DfE statutory guidance for local authorities on LA Schemes for Financing Schools (February 2014) enables Local Authorities to put in place a mechanism to clawback excessive surplus balances. The mechanism used by Cumberland Council is outlined in Section 4 of the Cumberland Scheme for Financing Schools and in this policy document.

From April 2013, Pupil Referral Units have delegated budgets and carry forward year end balances, and so will come under the scope of this policy.

## 2. How the Local Authority calculates excess balances

Surplus balances are deemed to be excessive where year end balances are greater than 5% of the preceding year's Budget Share for Secondary Schools or 8% for Primary, Special Schools and PRUs. The DfE however has stated that the 5% and 8% thresholds are not 'targets' but the maximum percentage which should reasonably be retained to deal with unforeseen circumstances. In practice, most primary schools should be able to manage with balances of around 4-5 % and secondary schools 2-3%.

To determine if a balance is above the maximum threshold the full calculation process is as follows:

- a) The Local Authority calculates the excess surplus for each school/PRU as at 31 March. The balance included in the calculation is the total delegated revenue

balance carried forward as at 31 March. Any Formula Capital balances and balances carried forward on ring-fenced grants (such as the Primary PE & Sports Grant allocations) are excluded from the calculation

- b) If the total of these balances is greater than 5% of the preceding year's budget share for Secondary Schools (8% for Primary/Special Schools/PRUs), or £15,000 (where that is greater than the percentage threshold figure), the Authority may deduct from the current year's budget share an amount equal to the excess. The preceding year's budget share comprises the total delegated budget allocations received. This includes all balances allocated against Funding Source 0. Formula Capital balances and ring-fenced grants (such as the Primary PE & Sports Grant allocations) are excluded from the calculation.

### 3. How the Local Authority determines that balances are properly assigned

The Authority will take into consideration any amounts for which the school/PRU has a prior year commitment to pay and where the Governing Body can demonstrate that amounts are properly assigned for specific purposes. These are:

- A specific scheme of repair or refurbishment which cannot be financed from one year's budget share, or where work is scheduled during the School/PRU's Easter or summer holidays. For schools where land and building assets are owned by the Local Authority, the Local Authority property team must be informed of any planned refurbishment scheme.
- A specific scheme of building work, furnishing or equipping which cannot be financed from one year's budget share, or where work is scheduled during the school/PRU's Easter or summer holidays. In this case the school/PRU must have exhausted all Capital funding before using revenue to fund these schemes. For schools where land and building assets are owned by the Local Authority, the Local Authority property team must be informed of any planned building work.
- Monies held on behalf of other schools or organisations that will be distributed or spent in the Summer Term.
- Funds set aside for no more than one year to manage change related to awkward class sizes, school reorganisation, falling pupil numbers or staff secondments. For example, a school/PRU may wish to retain 4 classes even though reception intake shows that only 3 classes are needed however, the following year the pupil number intake rises and 4 classes are required.
- Purpose of unspent donations. (These should exclude balances held in trust funds or other private or non-public accounts). These sources of income should only be reported in the school accounts as and when it is spent.
- Very exceptional circumstances which will be scrutinised. These could include VA schools seeking LCVAP from the Diocese saving their contribution towards a capital project.
- Unspent grants (for example, Pupil Premium, Year 7 Catch Up Grant)
- Evidenced known future expenditure on voluntary redundancies (where not eligible for funding through the Schools Forum voluntary redundancy policy), compulsory redundancies or ill-health retirements

- Expenditure required on interventions following a judgement of an Ofsted category of concern

Schools/PRUs must be able to evidence this planned expenditure by reference to their Asset Management Plan or School Improvement/Development Plan. They are also required to report to the Governing Body on how school/PRU balances are intended to be spent. Minutes of governing body meetings, quotes for work, orders and invoices for the specific purposes outlined above and Diocese agreement to capital projects for VA schools, are considered as suitable evidence for planned expenditure.

#### 4. Excess Surplus Process

##### Year-End Closedown

When the financial system has been fully closed, the Local Authority will have the final balances and will pre-populate Section A – School/PRU's Surplus Revenue Balances Form and send this information to all schools/PRUs. Where this demonstrates that the school/PRU has an excess surplus balance the School/PRU will need to complete Section B of this form. (See Appendix A for an example of this form.) This should be used to indicate, for any of the balance that is committed, specific purposes for carrying forward the money, how much will be spent and in what timescale.

##### Submitting the Governor Approved Spending Plan

Schools/PRUs should submit their Governor/Management Committee Approved Spending Plans and evidence relating to use of their excess surplus balance to the Local Authority by 31st May. These plans should fully incorporate planned spend of the year end carry forward balances. Schools/PRUs are also required to report to their Governing Body/Management Committee intentions to spend any revenue balance, the amounts involved and timescale of this expenditure. The Governing Body/Management Committee should minute any decisions taken as these may be required for supporting evidence.

##### Acceptable Evidence

This could include minutes of Governing Body/Management Committee meetings, invoices and quotes for work, School Improvement/Development Plans and Asset Management Plans.

##### Checking the Validity of Excessive Balances

The Local Authority will review the submitted 'School'/PRU's Surplus Revenue Balances Form' and consider it against the criteria for carrying balances forward. For example:

- **Building & Repairs Work-** is the Property Team aware of the work listed, is it scheduled on the School's Asset Management Plan and is the price quoted reasonable?
- **Equipment Purchases-** is this included within the School Improvement/Development Plan?

- **Awkward Class Size Issues-** does this agree with the Local Authority's information?

The Local Authority will also check that this expenditure has been reflected in the School's Governor/Management Committee Approved Spending Plan. Where the Local Authority is satisfied with plans and evidence they will confirm this to the school/PRU. Financial Returns will then be monitored throughout the year to verify that planned expenditure becomes realised.

#### Enacting the Claw-back of Balances

Where thorough investigation and consultation with the School/PRU fails to satisfy the Local Authority that expenditure meets the Authority's criteria or is unable to provide sufficient evidence when requested, the School/PRU will be notified of the amount of money to be clawed back. The maximum permissible amount of claw back is that in excess of the 5% or 8% threshold that the Authority deems is not properly assigned.

The final decision will be made by the Director of Children and Family Wellbeing with the full involvement of the Senior LA Officers, who will review any planned use of excess balances to ensure that it meets the needs of the pupils by the end of the summer term.

If the schools wish to appeal, this should be put in writing to Amanda Chew, Finance Manager – Schools and Learning, for consideration by the Director of Children and Family Wellbeing.

Funds held in relation to a school's exercise of powers under s.27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the Budget Share surplus by the school as permitted by the Authority.

The total of any amounts deducted from schools/PRUs' Budget Shares by the Authority under the claw back mechanism will be applied to the Individual Schools/PRUs Budget (ISB) of the Authority. The use of any monies recovered will be at the discretion of the Schools' Forum. Reports will be presented to the Schools' Forum informing them of the outcomes of the process.

#### Support for Schools with Surplus Revenue Balances

If the school/PRU has any queries regarding what is deemed an acceptable purpose of carrying forward a large surplus balance they can contact the Schools Finance team indicating how they wish to spend their balances.

**Appendix A  
School/PRU's Surplus Revenue Balances Form**

**DfE Number**

**School/PRU Name**

**School/PRU Cost Centre**

**£**

Revenue balance to be carried forward (B01, B02, B06) Delegated  
140,000 <sup>1</sup>

Budget Share 1,016,160

5% / 8% of Budget Share  
81,300 <sup>4</sup>

Is adjusted revenue balance <sup>(3)</sup> greater than 5% / 8% last year's  
Budget Share? <sup>(4)</sup>

**YES / NO\***

\*Delete as appropriate

If you've answered **YES** to the above question then the large surplus balances process has been triggered and **Section B**, overleaf, must be completed.

If you've answered **NO** to the above question then you need not continue beyond this point.

In either case this form must be given to the school/ PRU support officer dealing with your closedown or returned to the address at the bottom of this page.



**School/PRU's Surplus Revenue Balances Form**

**Justification of Large Surplus Balance**

Specific Purpose for Balance: **Awkward Class Size**

Amount of Balance related to this Purpose: **£ 15,900**

Timescale by which balance will be spent: **August 20XY**

Brief Description: **Cost of one member of staff who is scheduled to leave after the current summer term – following a reduction in pupil numbers**

Specific Purpose for Balance: **Planned Mini Bus Replacement**

Amount of Balance related to this Purpose: **£ 30,000**

Timescale by which balance will be spent: **August 20XY**

Brief Description: **The school is planning to replace its mini bus in 20XY/XZ. The school has already saved balances of £20,000 from 20XW/XX and 20XX/XY towards this.**

Specific Purpose for Balance:  
\_\_\_\_\_

Amount of Balance related to this Purpose: £ \_\_\_\_\_

Timescale by which balance will be spent: \_\_\_\_\_

Brief Description:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(Please continue on a separate sheet if necessary)

Headteacher/Designated Officer's Signature: \_\_\_\_\_

Chair of Governors/ Management Committee: \_\_\_\_\_

Date: \_\_\_\_\_

*Return to:  
Upload as instructed via School Portal*

# **CHALLENGE AND SUPPORT PROCESS FOR SCHOOLS AND PUPIL REFERRAL UNITS WITH A DEFICIT BUDGET**

## **CHALLENGE AND SUPPORT PROCESS FOR SCHOOLS/PRUs WITH A DEFICIT BUDGET**

### **Introduction**

The Cumberland Scheme for Financing Schools prohibits schools/PRUs from planning for a deficit when preparing their budget plans, however it recognises that from time to time there are circumstances in which, despite best efforts, a school/PRU ends the financial year in deficit. To support the Authority's monitoring role the Scheme requires:

- Schools/PRUs to return a governor/ Management Committee approved annual budget to the Local Authority (LA) by the 31st May each year.
- Schools/PRUs unable to set a balanced budget to notify the LA and apply for a licensed deficit arrangement.

The Local Authority has no power to write off the deficit balance of any school/PRU.

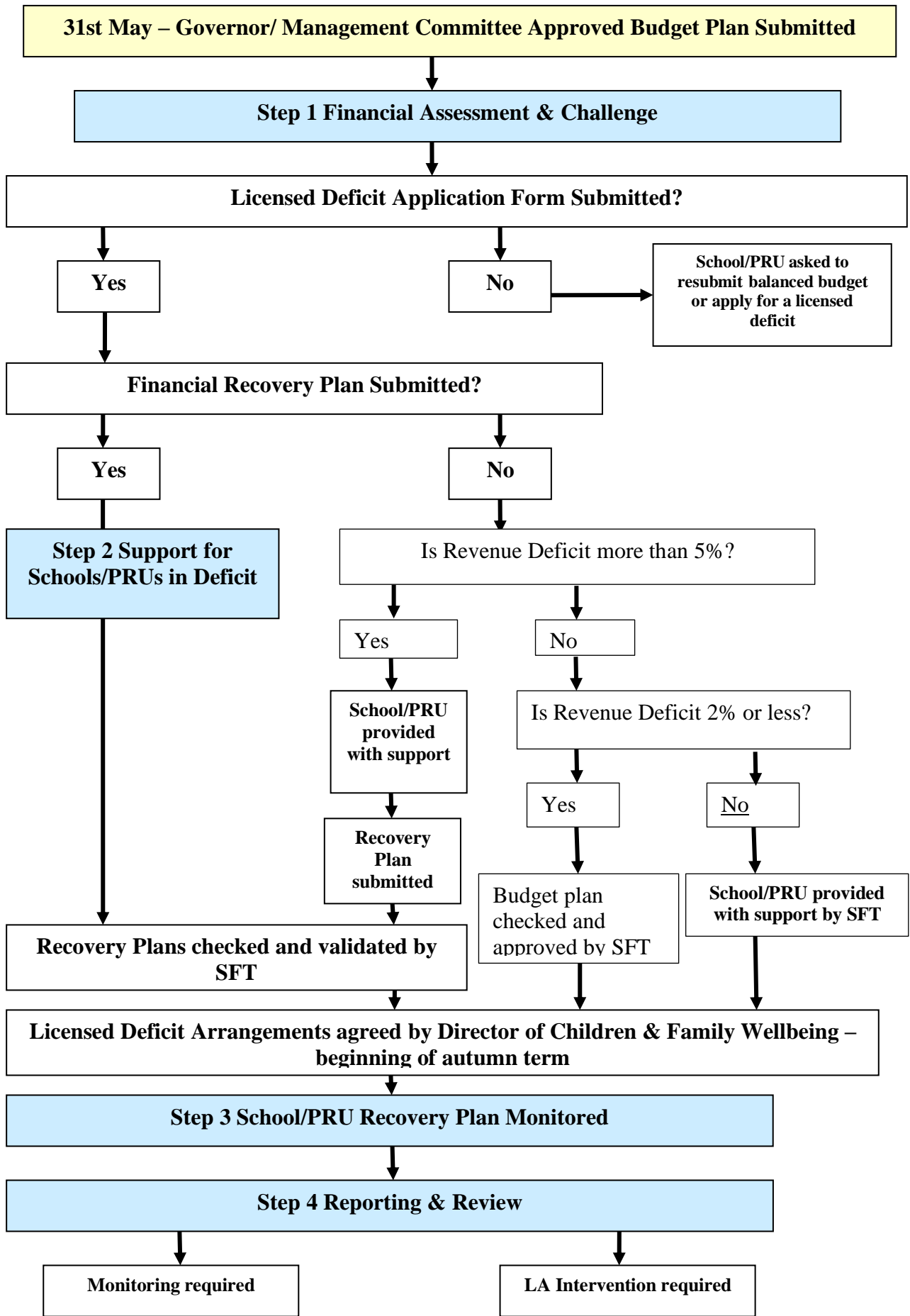
Schools/PRUs with a revenue deficit of more than 5% must, in addition to completing an application for a licensed deficit, submit a recovery plan to the LA Schools Finance Team. A licensed deficit plan in excess of either £5000 or 2% of the schools/PRUs annual budget (including expected additional income) must be approved by the Director of Children and Family Wellbeing. Licensed deficit plans below this level will be approved by the LA's Schools Finance Team. The LA is unlikely to approve a deficit in excess of 20% of the individual school/PRU's annual budget. However, in some exceptional cases, this may be possible.

The licensed deficit process is used by the Authority to provide schools/PRUs with an appropriate level of challenge and support to help them set a balanced budget or if this is not achievable to prepare a recovery plan that sets out the action the school/PRU will take to achieve a sustainable balanced financial position over an agreed period of time. The licensed deficit arrangement within the Cumberland Scheme for Financing Schools states:

- In cases where a school/PRU finishes the financial year in deficit the situation should be corrected by the end of the following financial year.
- In exceptional circumstances a deficit proposed by the governing body may be agreed by the Director of Children and Family Wellbeing to phase the restoration of a fully balanced budget normally over a two or three year period.
- In both cases the schools/PRUs must complete the Application for a Licensed Deficit (see Appendix 1) and, if a schools/PRUs revenue deficit at the end of 31<sup>st</sup> March of each year is more than 5%, submit a recovery plan to the LA Schools Finance Team.

## Deficit Schools/PRUs – Challenge and Support Process

The process for challenging and supporting schools/PRUs with deficit balances is defined in the diagram below:



## **Challenge and Support Process**

Each of the steps in the diagram is explained below.

### **➤ Step 1: Financial Assessment and Challenge**

If a school/PRU submits a 'Governor/ Management Committee Approved Budget Plan' that shows a deficit position, they have to submit an application for a licensed deficit and if the revenue deficit is more than 5% it must be accompanied by a recovery plan which indicates how they intend to bring the school's/PRU's financial position back into balance. This may be through a combination of income generation and/or a reduction in expenditure.

Schools/PRUs that submit a Governor/Management Committee Approved Budget Plan showing a deficit position without applying for a licensed deficit will be asked to re-submit a balanced budget or apply for a licensed deficit.

Schools/PRUs are required to apply for a licensed deficit on an annual basis, even where a recovery plan has been agreed previously.

### **Step 2: Support for Schools/PRUs in Deficit**

Where schools/PRUs are unable to complete a recovery plan, the Local Authority will determine the appropriate type of challenge or support required by the school/PRU to enable it to complete a plan based on -

- Significance of the deficit both in year and cumulative
- Length of time the school/PRU has been in deficit
- Level of financial competency based on audit checks
- Benchmarking data
- Contextual data

Financial advice, information and training will be available to support schools/PRUs in recovering from a deficit financial position by experienced LA Officers.

Following the submission of a 'Governor/Management Committee Approved Budget Plan' and recovery plan a number of validation checks will be completed by the Local Authority to ensure that the plans are reasonable. This will be done by: -

- Comparing the current year's income and expenditure budgets with previous years' trends to identify any significant differences.
- Checking that the correct balances have been brought forward into the current year and all funding delegated by the LA has been taken in to account.
- Actions included in the recovery plan are realistic and that by implementing them the required level of savings can be achieved.
- Any areas that are unclear or simply not achievable will be queried with the school/PRU and clarification sought.

Where the plans are deemed to be suitable, they will be passed to the Director of Children & Family Wellbeing for approval (where the deficit being recovered is in excess of either £5000 or 2% of the schools/PRUs annual budget). Otherwise, the plan is approved by the Schools Finance Team.

Written confirmation will be sent to the school/PRU by the beginning of the autumn term once the licensed deficit has been approved.

### **Step 3: School/PRU Recovery Plan Monitored**

The purpose of a recovery plan is to identify the actions that can be taken to bring a school/PRU's budget back to a balanced position within an agreed period of time. Schools/PRUs with a revenue deficit of more than 5% must produce a recovery plan that demonstrates they are able to achieve a balanced budget over the agreed licensed deficit period.

The plan can be a simple statement showing:

- What actions will be taken
- When the actions will happen
- How much will be saved by taking the action

An example of a simple recovery plan is shown on the next page.

The income and expenditure identified in the recovery plan should be built into the school/ PRU's three year budget plan

The school/PRU must have robust internal budget monitoring arrangements in place to ensure that performance against the school/PRU budget and recovery plan is sufficiently monitored and tracked on a monthly basis. The projected outturn position should be reported to the Governing Body/ Management Committee on a monthly basis.( NB – there does not necessarily need to be a meeting of the Governing Body/ Management Committee each month, but a monthly monitoring report should be communicated to them for their review).

## School/PRU Budget Deficit Recovery Plan

### Example School/PRU

Estimated savings to be achieved over two years £ 345,000

#### Year 1

Budget Deficit (£ 185,000)

#### Deficit Recovery Plan

- End 2 temporary teaching contracts at x date £ 20,000
  - Non replacement of teacher leaving on x date £ 11,000
  - Embargo on expenditure (computer Hardware) £ 10,000
  - Private Sector Sponsorship £ 60,000 £ 101,000
- (£ 84,000)

#### Year 2

Deficit Budget B/F (£ 84,000)

#### Planned Increases in Expenditure

- Sickness cover costs (£ 44,000)
  - Necessary expenditure on resources (£180,000)
  - Reduction in Yr 2 Budget (decreasing AWPU) (£ 37,000)
- (£345,000)

#### Deficit Recovery Plan

- Reduce teaching establishment (3 FTE) £ 80,000
  - Reduce 2 members of SMT with post Replacement £ 40,000
  - End temporary contracts 5.8 teachers from x date £140,000
  - Reduce expenditure on building improvements £ 40,000
  - Full Yr saving 2 temporary contracts from Yr1 £ 34,000
  - Reduce non teaching staff by 30 Hrs £ 15,000 £349,000
- £4,000

## **Step 4: Reporting and Review**

The Local Authority will consider the financial position of schools/PRUs with a licensed deficit agreement at September, December and March. Schools/PRUs with deficit budgets are required to return a forecast year end outturn position as at 30 September and as at 31 December to the Local Authority. These returns are required by the 20<sup>th</sup> day of the following month. These returns will be reviewed by the Local Authority to identify any significant variances from the agreed licensed deficit and where variances are identified, the school/PRU will be asked to provide an explanation and provide details of the management action they are taking to address them. A summary report will be provided to the Schools Forum each term. The Local Authority will report to elected members where it is felt that intervention is required.

### **Monitoring the School Recovery Plan**

As stated above, schools/PRUs with deficit budgets are required to return a forecast year end outturn position as at 30 September and as at 31 December to the Local Authority. These returns are required by the 20<sup>th</sup> day of the following month. The Local Authority will check these returns for accuracy and reasonableness and will compare them against previous financial forecasts and the school/PRU's recovery plan. Chequebook Schools/PRUs with a deficit budget are also required to monitor their cash flow position on a regular basis to ensure they do not overdraw their bank account.

Schools/PRUs will be contacted by telephone and in writing if there are any queries about the financial information or projected financial position. Where a school/PRU's financial position deteriorates they will be referred to the Principal Finance Officer - Schools and the Senior Manager Learning & Improvement for more intensive support. Schools/PRUs refusing to engage in the process or who are persistently in breach of the Scheme of Finance will be required to attend a financial review meeting with the LA to discuss their financial position.

### **Local Authority Intervention**

Local Authority intervention will apply where:

- The school/PRU is persistently in breach of the Scheme for Financing Schools
- The school/PRU will not set a balanced budget
- The school/PRU will not engage in the licensed deficit process
- The deficit is worsening and no action is being taken by the school/PRU
- There is evidence of financial mismanagement by the school/PRU

Intervention is proposed to escalate at three levels. It is envisaged that deficit schools/PRUs will engage with the LA well before the need for intervention as these arrangements are the last resort, for the protection of public monies and to protect the overall resource for all schools/PRUs in Cumberland. The levels of intervention are:

1. Financial Review Meeting



2. Notice of Concern
3. Suspension of delegated financial powers

### Level 1 - Financial Review Meeting

Schools/PRUs that do not return a balanced budget or apply for a licensed deficit will be required to attend a Financial Review Meeting with the LA. A similar requirement will apply to schools/PRUs with a worsening deficit and also for those schools/PRUs who persistently breach the Scheme for Financing Schools.

The review meeting will include Senior Officers from Children & Family Wellbeing, the Headteacher and Chair of Governors/ Management Committee or representative Governor/ Management Committee member

The meeting will:

- Review the financial position of the school/PRU
- Seek an explanation from the school/PRU about the action being taken to safeguard the school's/ PRU's financial position
- Assess what support and challenge the school/PRU may require
- Agree an action plan

### Level 2 - Notice of Concern

A school/PRU that continues to refuse to take the necessary action will be required to attend a Notice of Concern meeting with Senior LA Officers. They will be given a formal notice of the action the LA recommends they should take to bring the budget back in to balance. The school/PRU will be given a month to respond. See 2.15 within the Cumberland LA Scheme for Financing Schools.

### Level 3 - Suspension of Delegation

Where a school/PRU still refuses to take the action identified by the LA the ultimate sanction will be to suspend delegation following a meeting with the Director of Children & Family Wellbeing. Under suspension the authority would take control of the budget and take the necessary action before returning control to the Governing Body/ Management Committee. During the suspension, school/PRU staff would be responsible to the authority for the day-to-day financial administration in the school/PRU. See Annex F of the Cumberland LA Scheme for Financing Schools.

### **Applying for a Licensed Deficit Agreement**

A licensed deficit will only be approved in circumstances, where the school/PRU cannot balance its budget in year without a significant impact on the provision of education.

Applying for a licensed deficit gives schools/PRUs access to support from experienced officers in the Schools Finance team and the Children & Family Wellbeing Directorate. Experience shows that schools/PRUs who receive appropriate support recover their financial position quicker than other schools/PRUs.

It also enables them to:

- Identify and acknowledge the problem and take positive action
- Take strategic action to improve the long term financial situation of the school/PRU
- Balance their budget over an extended period of time – usually two years but in exceptional circumstances this may be extended up to five years.

To apply for a licensed deficit a school/PRU must complete a licensed deficit application form, a 3 year Governor/ Management Committee approved budget plan and provide a recovery plan detailing how they will balance their budget if their revenue deficit is more than 5%.

Completed application forms and recovery plans should be submitted by 31<sup>st</sup> May.

## **Application for Licensed Deficit**

**The governing body/ management committee (delete as appropriate) of  
..... School/PRU (delete as appropriate)  
wish to apply for a licensed deficit for financial year ..... We:**

(Please tick the appropriate box)

- Enclose a recovery plan that details what actions we will take to manage our deficit and balance within 3 years.
- Enclose a 3 year Governor/ Management Committee Approved Budget Plan
- Require help in completing a recovery plan

**We understand that we will:**

- Consult with Schools Finance prior to advertising any new posts.
- Not commit the school/PRU to any further expenditure other than that included in our recovery plan without Schools Finance approval.
- Implement the savings within the timescale agreed.
- Notify Schools Finance of any deviation from the recovery plan (once completed) for example long term sickness, disputes.
- Provide Year End outturn forecasts as at the end of September and December by the 20<sup>th</sup> of the subsequent month
- Provide any other information as and when required by the Local Authority
- Be liable for interest charges on the deficit
- Arrange for our Chair of Governors/ Management Committee to attend one of the Local Authority's Deficit Recovery training courses.

Value of Licensed Deficit Sought

£ \_\_\_\_\_

Head Teacher's Signature

\_\_\_\_\_

Please Print

\_\_\_\_\_

Chair of Governors/ Management Committee Signature

Please Print

\_\_\_\_\_

Date

\_\_\_\_\_

Date Approved by Governing Body/ Management Committee

**Please return this form by 31<sup>st</sup> May to:**  
**Schools Finance Team**  
Upload as instructed via School Portal

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## ANNEX K – SCHOOLS FINANCIAL VALUE STANDARD – CHECKLIST

The LA Scheme for Financing Schools requires that all schools with delegated budgets demonstrate compliance with the Schools Financial Value Standard (SFVS) and must complete the assessment form on an annual basis (Section 2.16 of the LA Scheme).

In order to assist governors and school staff that they are complying with the essential requirements of the LA Scheme for Financing Schools when completing the SFVS checklist the below guide indicates which sections of the Scheme apply for each SFVS requirement. This should be read in conjunction with the supporting guidance for completing the SFVS [here](#):

### Schools financial value standard - checklist

The checklist asks a number of questions of governing bodies in six areas of resource management to help provide assurance that resources are being managed effectively.

The completion of this assessment forms part of the schools financial value standard.

Guidance on completion of this document can be found [here](#). This guidance also includes examples of good practice and details further support available to assist governing bodies in addressing specific issues. Clicking on the individual questions below will also take you to the relevant section of the guidance.

#### A. Governance

1	In the view of the governing body and senior staff, does the governing body have adequate financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money?	<a href="#">Q1 guidance</a>
2	Does the governing body have a finance committee (or equivalent) with clear terms of reference and a knowledgeable and experienced chair?	<a href="#">Q2 guidance</a>
3	Does the governing body board receive clear and concise monitoring reports of the school's budget position at least six times a year?	<a href="#">Q3 guidance</a>
4	Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest?	<a href="#">Q4 guidance</a>
5	Does the school have access to an adequate level of financial expertise, including when specialist finance staff are absent, e.g. on sick leave?	<a href="#">Q5 guidance</a>

#### Link to LA Scheme for Financing Schools

	<a href="#">Annex H Financial Regulations for Schools, Section 5.2.1 Budgetary Processes</a>
	<a href="#">Annex H Financial Regulations for Schools, Section 2, Financial Monitoring Requirements</a>
	<a href="#">Section 2.9 Register of Business Interests</a>
	<a href="#">Annex H - Financial Regulations for Schools, Section 5.1.14</a> and <a href="#">Section 6.38</a>

#### B. School strategy

6	Does the school have a realistic, sustainable and flexible financial strategy in place for at least the next 3 years, based on realistic assumptions about future funding, pupil numbers and pressures?	<a href="#">Q6 guidance</a>
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	<a href="#">Annex H Financial Regulations for Schools, Section 5.2 Budgetary Processes</a> and <a href="#">Section 8 Strategic and Financial Planning</a>
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7	Is the financial strategy integrated with the school's strategy for raising standards and attainment, through integrated curriculum and financial planning?	<a href="#">Q7 guidance</a>	<a href="#">Section 2.4 School Resource Management</a>
8	Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?	<a href="#">Q8 guidance</a>	<a href="#">Section 2.1.4 Control of Assets</a> Annex H Financial Regulations for Schools, <a href="#">Section 5.4 Assets and Security</a> and <a href="#">Section 5.5 Insurances and Risk Management</a>

### C. Setting the annual budget

9	Does the school set a well-informed and balanced 3-year budget and has this been submitted to the local authority?	<a href="#">Q9 guidance</a>	<a href="#">Section 2.3 Submission of Budget Plans</a> <a href="#">Section 4 The Treatment of Surplus and Deficit Balances arising in relation to budget shares</a> <a href="#">Annex J Challenge and Support Process for Schools/PRUs with a Deficit Budget</a>
10	Does the budget setting process allow sufficient time for the governing body to scrutinise and challenge the information provided?	<a href="#">Q10 guidance</a>	Annex H Financial Regulations for Schools, <a href="#">Section 5.2 Budgetary Processes</a>
11	Is the school realistic in its pupil number projections and can it move quickly to recast the budget if the projections and the reality are materially different?	<a href="#">Q11 guidance</a>	Annex H Financial Regulations for Schools, <a href="#">Section 5.2 Budgetary Processes</a>
12	Is end year outturn in line with budget projections, or if not, is the governing body alerted to significant variations in a timely manner, and do they result from explicitly planned changes or from genuinely unforeseeable circumstances?	<a href="#">Q12 guidance</a>	Annex H - Financial Regulations for Schools, <a href="#">Section 2. Financial Monitoring Requirements</a>
13	Are balances at a reasonable level and does the school have a clear plan for using the money it plans to hold in balance at the end of each year?	<a href="#">Q13 guidance</a>	<a href="#">Annex I Control of Surplus Balances in Schools/PRUs in Cumberland</a>

### D. Staffing

14	Does the school review and challenge its staffing structure regularly to ensure it is the best structure to meet the needs of the school whilst maintaining financial integrity?	<a href="#">Q14 guidance</a>	Annex H Financial Regulations for Schools <a href="#">Section 5.2.7 Budgetary Processes</a> and <a href="#">Section 8 Strategic and Financial Planning</a>
15	Has the use of professional independent advice informed part of the pay decision process in relation to the head teacher and is it tightly correlated to strong educational outcomes and sound financial management?	<a href="#">Q15 guidance</a>	Annex H Financial Regulations for Schools <a href="#">Section 5.3 Employee and Personnel Aspects</a>
16	Does the school benchmark the size of its senior leadership team annually against that of similar schools?	<a href="#">Q16 guidance</a>	
17	Does the school benchmark the size of its senior leadership team annually against that of similar schools?	<a href="#">Q17 guidance</a>	<a href="#">Section 2.4 School Resource Management</a>

### E. Value for money

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18	Does the school benchmark its income and expenditure and investigate further where any category appears to be out of line?	<a href="#">Q18 guidance</a>	<a href="#">Section 2.4 School Resource Management</a>
19	Has the school leadership team considered the results of the self-assessment dashboard or other DfE benchmarking tools?	<a href="#">Q19 guidance</a>	<a href="#">Section 2.4 School Resource Management</a>
20	Does the school have procedures for purchasing goods and services that both meet legal requirements and secure value for money?	<a href="#">Q20 guidance</a>	<a href="#">Section 2.10 Purchasing, tendering and contracting requirements</a> Annex H Financial Regulations for Schools <a href="#">Section 7 Contracts, Agreements and Purchasing</a>
21	Is the governing body given the opportunity to challenge the school's plans for replacing contracts for goods and services that are due to expire shortly?	<a href="#">Q21 guidance</a>	<a href="#">Section 2.10 Purchasing, tendering and contracting requirements</a> Annex H Financial Regulations for Schools <a href="#">Section 7 Contracts, Agreements and Purchasing</a>
22	Does the School consider collaboration with others, e.g. on sharing staff or joint purchasing, where that would improve value for money?	<a href="#">Q22 guidance</a>	
23	Do you compare your non-staff expenditure against the DfE recommended national deals to ensure you are achieving best value?	<a href="#">Q23 guidance</a>	<a href="#">Section 2.4 School Resource Management</a>
24	Does the school maintain its premises and other assets to an adequate standard and make best use of capital monies for this purpose?	<a href="#">Q24 guidance</a>	<a href="#">Section 12 Responsibility for Repairs and Maintenance</a> and <a href="#">Annex A Responsibility for Repairs and Maintenance</a>

### F. Protecting public money

25	Is the governing body sure that there are no outstanding matters from audit reports, internal audit reports or from previous consideration of weaknesses by the governing body?	<a href="#">Q25 guidance</a>	<a href="#">Section 2.6. Audit General</a> and Annex H Financial Regulations for Schools <a href="#">Section 4 Audit Regime</a>
26	Are there adequate arrangements in place to manage related party transactions and has a complete list of related party transactions been appended to the checklist document (see template for recording related party transactions)?	<a href="#">Q26 guidance</a>	<a href="#">Section 2.9 Business Interests</a> and Annex H Financial Regulations for Schools <a href="#">Section 5.1.18 Hospitality &amp; Gifts</a> and <a href="#">Section 7.4 Contracts</a>
27	Are there adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers?	<a href="#">Q27 guidance</a>	<a href="#">Section 2.17 Fraud</a> and Annex H Financial Regulations for Schools <a href="#">Section 4 Audit Regime 4.20 to 4.23</a>
28	Are all staff aware of the school's whistleblowing arrangements and to whom they should report concerns?	<a href="#">Q28 guidance</a>	<a href="#">Section 11.8 Whistleblowing</a>
29	Does the school have an accounting system that is adequate and properly run and delivers accurate reports, including the annual Consistent Financial Reporting return?	<a href="#">Q29 guidance</a>	<a href="#">Section 2.1.2 Provision of Financial Information and Reports</a> , <a href="#">Section 2.2 Basis of Accounting</a> and Annex D Provision of Financial Information and Reports Annex H Financial Regulations for Schools <a href="#">Section 3 Financial Reporting</a> , <a href="#">Section 5.1 Accounting Systems</a> and <a href="#">Section 6.4 Relationship of Central/Local Systems</a>

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30	Does the school have adequate arrangements for audit of voluntary funds?	<a href="#">Q30 guidance</a>	<a href="#">Section 2.8 Audit of Voluntary and Private Funds</a> and Annex H Financial Regulations for Schools <a href="#">Section 10 Voluntary and Private Funds</a>
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