

**London Borough of Lewisham**

# **SCHOOLS FINANCE MANUAL**

2<sup>nd</sup> Edition

**Effective January 2012**

v1



## Table of Contents

Chapter	Title	Contents
	<u>Introduction</u>	<u>Purpose of manual</u> <u>Financial Management checklist</u>
1	<u>Roles and Responsibilities</u>	<u>The Governing Body</u> <u>Finance (or Resources) Committee</u> <u>The Headteacher</u> <u>Children and Young People Finance</u> <u>Key Contacts</u>
2	<u>Accounting</u>	<u>Financial Accounts</u> <u>External Funds</u> <u>Budget Updates</u> <u>Cash Advances</u> <u>Bank Reconciliations</u> <u>Monthly returns</u> <u>Voluntary Funds</u>
3	<u>Budgets</u>	<u>Funding</u> <u>Budget Planning</u> <u>Budget Monitoring</u>
4	<u>Governance and Financial Control</u>	<del><u>Schools Financial Value Standard</u></del> <u>Internal Audit</u> <u>External auditors</u> <u>Virements</u> <u>Authorised Signatory List</u> <u>Banking arrangements</u> <u>Petty Cash Controls</u> <u>Payroll</u> <u>Payment Cards</u> <u>Retention of Financial Documents</u> <u>Data Protection</u>
5	<u>Contracts and Purchasing</u>	<u>Contracts</u> <u>Purchasing</u> <u>Payments</u>
6	<u>Taxation</u>	<u>Tax and National Insurance</u> <u>Value Added Tax (VAT)</u>
7	<u>Capital and Loans</u>	<u>Capital expenditure</u> <u>Leases</u> <u>Loans</u>
8	<u>Insurance</u>	<u>Insurance &amp; Risk</u>
9	<u>Repairs and Maintenance</u>	<u>Responsibilities</u>

Deleted: FMSIS

---

## Introduction

### Purpose of manual

The purpose of this manual is to clearly define and document effective financial controls and processes for Lewisham Schools. It informs those involved in the financial aspects of running schools of what is expected of them, thus reducing the risk of procedures not being implemented properly and brings together a single reference source to aid the financial management of Lewisham schools.

The manual had been designed to be to be used electronically and will be published on the School's finance presence on [www.fronter.com/lewisham](http://www.fronter.com/lewisham) (SAO website) and has links to other sources of information provided by other relevant organisations rather than replicating them in this manual.

This manual has been compiled in conjunction with;

- The LA's financial standing orders (**Appendix A**)
- The Funding Framework Scheme of Delegation to Schools
- The DfE Financial Management Standards in Schools
- The Schools Standards and Framework Act 1998

It is intended that the manual should be a simple but detailed guide for all schools staff. Any queries on the contents, or ideas for improving the manual or accounting procedures should be sent to Children and Young People, Schools Finance Team, 3<sup>rd</sup> Floor, Laurence House, 1 Catford Road, Catford, SE6 4RU.

**Deleted: Future Developments¶**

It is proposed to provide updates to this manual on a basis as required. The LA is currently reviewing the following processes which will be reflected in future editions.¶

<#>Cash Advances¶

<#>Budget Updates¶

<#>Banking¶

<#>Petty Cash¶

<#>Purchasing and Procurement¶

<#>Accounting¶

<#>Value for Money¶

## Financial Management Checklist

Category	Comments and Links
GOVERNANCE: Statutory responsibility for the oversight of financial management in their school.	See <a href="#">Roles and Responsibilities</a>
FINANCIAL PLANNING: The School Development Plan (SDP) and Budget Plan are linked and monitored in tandem, meaning financial decisions address the educational priorities of the school.	See <a href="#">Budget Planning</a>
BUDGET MONITORING: Adequate budget monitoring to prevent overspending and the consequent use of resources to correct the situation and possible financial cost.	See <a href="#">Budget Monitoring</a>
CONTRACTS AND PURCHASING: Schools must achieve best value for money that they can to prevent impacting the resources provided through the delegated budget.	Contract limits: £3,000 - £10,000 by quotations £10,000 – £100,000 by tenders £100,000+ by tenders following the LA's authorisation to invite Also see <a href="#">Purchasing</a>
FINANCIAL CONTROLS: Control over financial transactions to prevent errors or fraud occurring.	See <a href="#">Financial Controls</a>
INCOME Controls are adequate in ensuring the security of income received and its safe transfer to the bank.	See <a href="#">Banking arrangements</a>
BANKING Regular administration or reconciliation of bank accounts to prevent this area being open to potential error or fraud.	See <a href="#">Bank Reconciliations</a>
PAYROLL Sufficient controls over payroll and personnel data to ensure compliance with data protection legislation, HM Revenue & Customs (HMRC) regulations and payments to contractors.	See <a href="#">Payroll</a> and <a href="#">Tax and National Insurance</a>
PETTY CASH Appropriate controls over petty cash, which is portable and desirable, should be in position to prevent abuse or loss of cash, which would have to be met through the delegated budget.	Petty cash limit: <b>£500</b> Individual transaction limit: <b>£50</b> See also <a href="#">Petty Cash Controls</a>
TAX Schools should comply with legislation relating to Value Added Tax (VAT). This will prevent the school being open to possible penalties and fines from (HMRC).	See <a href="#">Value Added Tax</a>

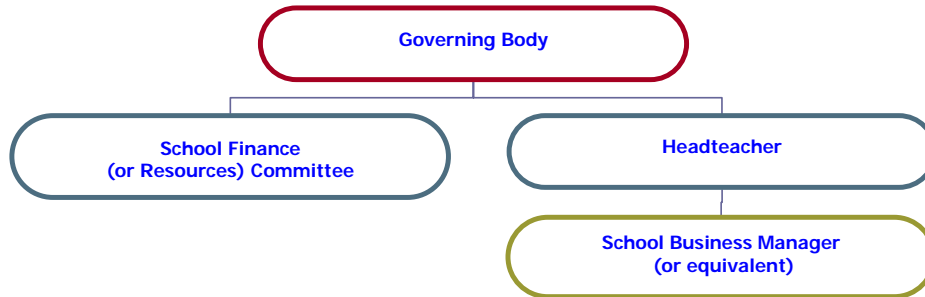
<p>VOLUNTARY FUNDS Separate accountability must be exercised over voluntary funds, which are generally contributed by parents and provide substantial additional sources of income to some schools.</p>	<p>See <a href="#">Voluntary Funds</a></p>
<p>ASSETS Security measures should be in place safeguard the school's assets, many of which are portable and desirable items of equipment.</p>	<p>See <a href="#">Assets</a></p>
<p>INSURANCE The school needs to review insurance arrangements to ensure that the cover they have secured is adequate for the risks they may be exposed to.</p>	<p>See <a href="#">Insurance</a></p>
<p>DATA SECURITY Access to data, both computerised and manual is to be restricted to prevent breaches of the Data Protection Act 1998.</p>	<p>See <a href="#">Data Protection</a></p>

## Chapter overview

Overall responsibility for financial management and controls in schools lies with The LA's Section 151 Officer, the Executive Director for Resources although the day to day management of the schools funds and assets is delegated to the Governing Body. Therefore, the Executive Director for Resources sets down the requirements on schools for the management and controls of the schools funds and assets in the Scheme for Financing Schools (made under section 48 of the School Standards and Framework Act 1998), and the Schools Financial Regulations and Standing Orders.

## Organisation

It is important that within the organisational structure of schools, key roles and responsibilities are clearly defined and a structure put in place.



## The Governing Body

The Governing Body is responsible for ensuring that the school meets all its statutory duties and the obligations placed upon it by the LA. They are responsible for the day to day operation of the school and the allocation of resources available to meet the schools needs and priorities reflecting the school's development plan.

The Governing Body must ensure:

- Good financial management in accordance with the LA's Scheme of Delegation and this finance manual to ensure value for money and to monitor and control expenditure.
- Strategic financial planning in line with the School Development Plan.
- Arrangements for internal controls, policies, procedures and managing risks.
- Clear delegation of roles and responsibilities for the Headteacher, Finance Committee and School Business Manager concerning financial management.
- Adequate financial records are kept up to date and provide all financial information and returns as requested by the LA and statutory bodies.

Further information can be found at the following link: [Governance and Accountability](#)

## **Governors' interests and expenses**

The Governing Body must also establish and keep up to date a register which lists any business interests of any members of the body, Headteacher or staff and any immediate family members.

The DfE considers that governors should not be out of pocket and should be able to claim allowances for legitimate expenses incurred in carrying out their duties. The allowances paid should relate to actual costs incurred, apart from mileage costs where any payment should not exceed authorised HM Revenue and Customs (HMRC) mileage allowances.

However, attendance allowance and payments for loss of earnings may not be paid. More information and forms for claiming governor's expenses can be found at the following link:

[Governors Expenses](#).

## **School Finance (or Resources) Committee**

A Finance (or Resources) Committee can be established as a sub-group of the Governing Body, however the governors must decide on the level of responsibility allocated to the committee.

A Finance (or Resources) Committee can be used:

- To make decisions on behalf of a governing body once key strategic decisions and goals have been set.
- To make recommendations to the governing body who would then make final decisions.
- To plan and monitor the schools budget in accordance with policies and goals set by the governing body.

## **The Headteacher**

The Headteacher has overall executive responsibility for the day to day management of the school which includes the schools financial activities as well as internal management.

The Headteacher must ensure:

- The Governing Body is regularly kept up to date with the financial management of the school.
- Value for money
- Compliance with financial regulations.
- Budgets are planned, monitored and controlled.
- Management of day-to-day financial administration such as payment of bills.
- The Governing Body is provided with sufficient financial advice to perform their role effectively.
- Financial systems, statements and returns are kept up to date and reported to the Governing Body.

The Headteacher may wish to delegate some of these responsibilities to another member of staff or the School Business Manager who would take responsibility for financial record keeping and production of reports and reconciliations.

Further information can be found at the following links:

[Role of the Headteacher](#) or [Role of the Schools Business Manager](#)

### **Children and Young People Finance**

The role of Children and Young People Finance (CYP Finance) is to carry out statutory accounting functions and to regulate, monitor and report the use of public funds.

This includes:

- The allocation of the funding to schools.
- Compiling and reporting the financial information provided by schools and presenting this to various committees and publishing it in the LA's annual Statement of Accounts.
- Advancing cash to schools' bank accounts.
- Providing training, advice and support to schools.

In addition to this various financial support services for schools can also be purchased under a Service Level Agreement (SLA).

These include:

- Telephone Advice
- Cash Accounts training and advice
- Financial induction for new employees
- Support for budget planning, monitoring and forecasting and producing returns.

More information on SLAs can be found in the SLA document distributed to Headteacher's annually.



## 1 Roles and Responsibilities

### Key Contacts

Role	Contact Name	Telephone	Email
Head of Resources (CYP)	Alan Docksey	020 8314 8490	Alan.Docksey@lewisham.gov.uk
PA to Head of Resources	<a href="#">Serkan Yavas</a>	020 8314 8847	Serkan.Yavas@lewisham.gov.uk
Group Finance Manager	Dave Richards	020 8314 9442	Dave.Richards@lewisham.gov.uk
Principal Accountant	Hayden Judd	020 8314 8350	Hayden.Judd@lewisham.gov.uk
Accountant	Denise Castle	020 8314 8341	Denise.Castle@lewisham.gov.uk
Accountant	Vacant	020 8314 7030	
Accountant (part time)	Nicholas Sawyerr	020 8314 7322	Nicholas.Sayerr@lewisham.gov.uk
Accountant (part time)	Victor Leser	020 8314 8349	Victor.Leser@lewisham.gov.uk
Assistant Accountant (part time)	Michael Ikudaisi	020 8314 6342	Michael.Ikudaisi@lewisham.gov.uk
<b>Other Key Contacts</b>			
Personnel Advisory Manager	Diane Parkhouse	020 8314 6291	Diane.Parkhouse@lewisham.gov.uk
Service Unit Manager, Estates Management	Victor Campbell Macdonald	020 8314 6302	Victor.CampbellMacdonald@lewisham.gov.uk
Executive Director for Resources	Janet Senior	0208 314 8013	Janet.Senior@lewisham.gov.uk
Interim Head of Audit & Risk	David Austin	020 8314 9114	<a href="mailto:David.Austin@lewisham.gov.uk">David.Austin@lewisham.gov.uk</a>
Internal Audit Contract Manager	Julie Hetherington	020 8314 3539	<a href="mailto:Julie.Hetherington@lewisham.gov.uk">Julie.Hetherington@lewisham.gov.uk</a>
Internal Audit Manager (RSM Tenon)	Debbie Chisman	07720 508145	debbie.chisman@rsmtenon.com

## Chapter Overview

As users of public funds, schools have a statutory obligation to keep a record of all financial transactions made against these funds and retain relevant backing documents to ensure an adequate audit trail.

Schools must ensure that:

- All expenditure and income made by the schools in a financial year is appropriate and is recorded on their local accounting systems.
- All financial transactions have gone through the schools accounts.
- All financial transactions are traceable from the original documentation to the accounting records and vice versa. For example it should be possible to trace a cheque to the expenditure in the accounts to the invoice and to the order.
- All backing documentation i.e. orders, invoices etc., are retained by the school and are readily accessible to the LA, Audit Commission, HMRC etc.
- Only authorised staff are permitted access to the accounting records and that these records are securely retained when not in use.

### Financial Accounts

The schools accounts should be reviewed on a regular basis by a person other than the person compiling the accounts.

- Analysing the budget monitoring. This should be carried out monthly by the Headteacher and at least termly by governors.
- Checking the bank reconciliations. This should be carried out monthly.
- Checking that the bank balance is reasonable on a monthly basis.
- Checking that the bank account does not go overdrawn.

### Central Expenditure

The school will also receive a monthly report from CYP Finance which details the central transactions including payroll and non-payroll central expenditure. This information must be entered onto the schools local accounting system so that the school's accounts reflect all transactions incurred by the school.

### Journals

Where possible schools will be informed of central transactions a month before they have been processed.

### Local Expenditure

Local expenditure is incurred by schools purchasing goods and services from the schools bank account. Local expenditure must be recorded on the schools local accounting system which should be reconciled to the bank account as detailed below.

### Local Income

Schools are able to raise income through various sources such as lettings or fees and charges. Schools may also receive External Funding from businesses, organisations or enterprises for non ISB purposes. All income excluding External Funds as detailed below should be recorded in the schools accounting system.

### External Funds

External Funds include funds raised by the PTA or contributions to the school fund. These should be separately accounted for and audited. (see [Governance and Financial Control](#))

### Budget Updates

Schools budgets are subject to change during the financial year due to influences such as changes in numbers of pupils with SEN, pupils permanently excluded, and additional allocations. Schools receive notification of budgets at the following times:

- March: Initial notification containing detailed spreadsheets showing how the budget has been calculated.
- September: A notification of the current budget including balances brought forward and any adjustments.
- January: As in September.

All schools must ensure the latest notification from the budget update corresponds to that shown on the schools local accounting package.

### Cash Advances

The LA advances sufficient cash into schools bank accounts based upon each school's ISB and Standards Fund budget.

The amount of cash advanced will vary depending on the amount of funding held centrally to cover payroll expenditure and any other central service level agreements.

The total amount to be advanced is calculated termly to reflect:

- Changes to funding.
- Prior year balances due to/from the school
- Advances and repayments of licensed deficits
- Participation in LA payroll and other SLAs.

The LA will advance cash in respect of non-central expenditure into each schools bank account in currently this is done in April (50%), September (30%) and January (20%). Those schools who do not have their payroll run by the LA will receive monthly cash advances based on their payroll costs.

- The aim of the cash advance is to put the available budget after salaries and other central costs so the school has enough money to pay for goods and locally paid services.
- The cash advance is an estimate based on budgets and expenditure recorded on the corporate accounting system.
- The cash in the school's bank account does not represent a school's budget as it does not include central expenditure.
- Adjustments will be made at the end of each financial year to ensure the cash in a schools bank account is equal to the schools budget balance. If a school has a negative budget balance the cash will be deducted from the schools budget for the following year.
- Schools can only spend the cash that is held either centrally or locally equating to their annual budget. Schools should not have a bank overdraft.
- Schools can amend the amount of cash advanced to them by filling in the "Amendment To Cash Advance" form located on the [SAO Website](#).

### Prior Year Adjustments

At the end of each financial year a reconciliation will be undertaken by CYP Finance to check whether the cash spent centrally is equal to the estimated amount held back from the cash

advance to cover school's central expenditure. Any underspend will be advanced the following year in the September advance, and any overspend will be offset against the advance.

**Bank Reconciliations**

Monthly bank reconciliation's are essential in maintaining the integrity of school accounts. They prove that the balances shown in the accounting records are correct and provide assurance that the underlying accounts are accurate. Failure to keep reconciliations up to date indicate potential error or fraud and a breakdown in the system of internal control.

All schools are required to produce a statement of their cash balance at the end of each month by completing a bank reconciliation form. Evidence of the completion of a bank reconciliation is required quarterly by the submission of the paperwork to CYP Finance. The form is located SAO Website.

Deleted: provide  
Deleted: and returning it  
Deleted: as part of the monthly reporting process

Bank reconciliations are a key element of financial control, since they can prove the accuracy of the accounts. A bank reconciliation involves comparing what is in the school's financial records with the bank statement relating to the same period and investigating any discrepancies.

All bank reconciliations should be signed by the person performing the reconciliation. They should also be reviewed and countersigned by the Headteacher.

**Documents to be returned to CYP Finance on a quarterly basis:**

- Bank reconciliation form completed and signed from 1 April to the quarterly dates.
- Copy of bank statement from 1 April to the quarterly dates.
- Report from accounting system of all ISB and Standards Fund cash advances received.
- Report from accounting system of the cash book balance brought forward at 1 April and at end of the month.
- Report from accounting system of a list of unrepresented cheques as at the quarterly dates.
- Report from accounting system of the outstanding VAT as at the end of the month. (This report is required monthly)
- Report from accounting system of income & expenditure analysis for ISB, Standards Fund and school meals.
- Report from accounting system of budget accounts.
- CFR "Ad hoc" report.

Deleted: monthly  
Deleted: current month end  
Deleted: current month end  
Deleted: the end of the  
Deleted: month  
Deleted: <#>Report from accounting system of external funds received and paid out.¶

**Year End Final Accounts**

The LA has a statutory obligation to produce its annual accounts at the end of each financial year. The relevant procedures are updated and published on the SAO Website each February.

The LA's accounts must include:

- Details of the total schools budget for the year.
- Details of the expenditure and income by CFR incurred by schools during the year.
- Details of schools budget balances and of the cash held in schools bank accounts.
- Final bank statements for all bank accounts as recently notified to finance.

Each year a detailed timetable is produced by CYP Finance along with Closing Guidance notes for Schools and Schools Closing Template.

**Voluntary Funds**

Voluntary funds often provide schools with an additional source of finance. These monies are often raised from parental contributions, fund raising activities or donations. Voluntary funds are

commonly referred to as 'School Funds', and do not form part of the Authority's official funds. . Although such funds are not public monies, parents and other benefactors are entitled to expect that the same standard of stewardship be applied to such funds as is applied to public monies managed by the school.

Schools should have safe and efficient systems for the custody and control of voluntary funds under the control of the Governing Body.

- The Headteacher should ensure that voluntary funds are accounted for separately from the school's delegated budget and are held in separate bank accounts.
- Voluntary fund accounts must be certified by an auditor who is completely independent of the school. Schools will also need to ensure that any voluntary funds with income or expenditure over £5,000 are registered with the [Charity Commission](#).
- The Governing Body should ensure that a treasurer has been appointed to oversee the funds.
- The Headteacher should ensure that the same standards of financial management which apply to income and expenditure for the school's delegated budget are applied to the voluntary funds.
- Any voluntary fund income should be paid into the relevant bank account at least weekly.
- The Headteacher should ensure that regular reconciliations between the accounting records and bank statements are undertaken and independently reviewed.
- The Governing Body must ensure that the school has appropriate insurance cover for voluntary school funds and other funds.
- Schools must provide audit certificates in respect of any voluntary funds they hold.

The following list of instructions will help you account for these funds effectively and efficiently.

- There should be a separate bank account set up for a School's Voluntary Funds. This should be totally separate from the school's main bank account. The account should be entitled 'School name - School Fund Account'. Therefore, all non-official money collected or received by Headteachers, school secretaries or members of the teaching staff must be paid into one common (school) fund and recorded, together with all disbursements into a cash book.
- Parental contributions for school journeys and school visits should be paid into the separate School Journey Bank Account. All other contributions should go into the School Fund Account.
- Trading activities, such as the school tuck shops, must be recorded in a trading account format in order to ensure that profit margins are determined and VAT correctly accounted for.
- Detailed statements of receipts and payments must be prepared in respect of each activity, supported where necessary by lists of amounts collected from individuals and/or staff. The degree of sophistication of this record will vary according to the use made of this account. It is recommended however that receipts and payments should be 'analysed' to show cash flow in the case of trading activities i.e. the tuck shop or book club.
- As with the School Bank Account, cheques drawn must contain two signatures from a maximum of three agreed by the governing body and under no circumstances should blank cheques be endorsed.
- Vouchers/receipts/tickets etc., must be obtained for all disbursements plus any cancelled and/or spoilt cheques must be retained for audit purposes. The vouchers should be serially numbered and prefixed 'SF' to avoid confusion with vouchers from official funds.

- Bank statements, cash books and related vouchers, including cash balances, should be available for inspection at any time by the Headteacher, governing body or members of the internal audit staff.
- It is recommended that once a year a statement of account showing the opening and closing balances and how the funds were spent during the previous financial year should be presented to the school governors.

For School Journey accounting procedures and the new VAT requirements (see [School Journeys](#)).

### **VAT on Voluntary Funds**

Expenditure through the voluntary fund is not subject to the same VAT exemptions as the Schools main account, [see VAT on Voluntary Funds](#).

## Chapter Overview

Budgeting is an important tool in ensuring high standards in managing public money. It helps plan, control and monitor a school's income and expenditure over the year and prevents overspending and allows resources to be used where they are needed most.

### Funding

Each year the Local Authority receives the Dedicated Schools Grant (DSG), a specific ring-fenced grant for schools expenditure. There are certain types of activity which are managed centrally by the Local Authority.

Once the central expenditure has been considered the remaining budget is used to calculate the amount delegated to each school.

The balance of the grant left after deducting centrally retained funds is termed the Individual Schools Budget (ISB). It is this ISB that is distributed amongst the schools. The share of the ISB that each school receives is determined using a complex formula which takes into account regulations made by the Secretary of State, and also relies heavily on pupil numbers. Once the ISB is determined the local spending of the budget is managed by the individual schools and responsibility is handed over to the Governing Bodies and the Headteacher of the schools concerned. Budget shares are made available to schools through the cash advance.

### Budget Planning

Each school is required to submit a budget plan by 31<sup>st</sup> May each year. A budget plan is required for each of the **three** years the school has received funding.

The Headteacher is responsible for the detailed preparation of the annual budget. In doing this they should consult with other members of staff to ascertain detailed requirements.

The Finance Committee will determine the overall sum within which the budget must be set, and the amount of any anticipated balance to be carried forward into the following financial year.

The Budget plan should be the financial expression of the policies and developments identified within the School Development Plan (SDP), in constructing the budget, the Headteacher must take account of priorities identified in the SDP and incorporate the costs of these in the budget. Priorities identified in the SDP must always be costed.

Other factors the Headteacher must take account of include:

- Asset management plan (AMP).
- Staff and pupil numbers.
- Pay rates and awards.
- Inflation.
- Profiling to mirror spending patterns where they do not occur evenly throughout the year.
- Planned one-off expenditure e.g. building and decoration.

The budget total must not exceed the amount of the LA allocation plus or minus any balance brought forward from the previous year. If it appears that this cannot be achieved, the Headteacher and Chair of Governors must inform CYP Finance immediately this becomes apparent.

The Finance Committee must meet in the Autumn term to consider a broad budget strategy, and again in the Spring term to consider and approve the detailed budget. The full Governing Body must subsequently approve the full budget, and minute this approval. The approved Governors Budget Plan must then be submitted to the CYP Finance team to confirm acceptance as part by the LA's planning and monitoring process.

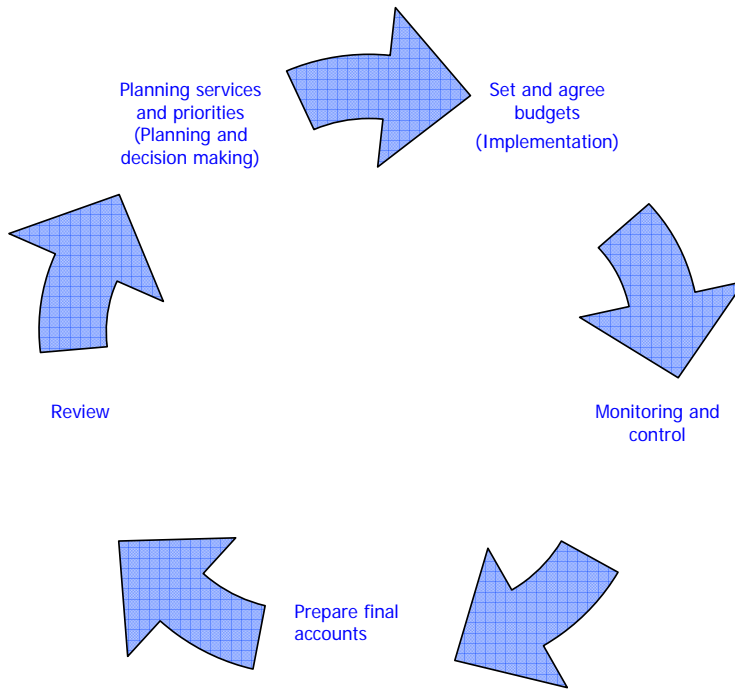
This acceptance is based upon the LA's view of its achievability in relationship to the resources available to the school.

Each year CYP Finance will publish a Budget Preparation guidance pack including a Template and Salaries Predictor. A timetable will also be issued indicating when the plan will need to be submitted by.

**Budget Cycle**

Schools should attempt to develop a cyclical approach to their budget planning and control. This budget cycle is a descriptive model that shows budgeting as a cyclical process and is based on the view that budgeting is a function of management. Under this approach the budgeting cycle is simply the management cycle expressed in financial terms. Thus, the budgeting cycle begins with the planning phase, progresses through the other stages in the management cycle and ends with the final stage, the review, which then feeds back into the planning stage of the next cycle.

Using this model, schools, formulating their new Budget plan, should take account of any recommendations made in the previous years budgetary review process.



**Budget Monitoring**

Regular monitoring of income and expenditure against the agreed budget plan is central to effective financial management. It allows the Governing Body, the Headteacher and staff to maintain financial control by reviewing the current position and taking any action needed.

Budget monitoring involves producing monthly budget monitoring reports for income and expenditure, including sums committed but not yet paid and outturn forecasts against the approved budget. Explanations should be given for any variances (i.e. underspends or



overspends). Action should then be taken to tackle these variances. Budget monitoring can also be a useful planning tool for future budgets.

These reports should be reconciled with the school's accounting records and signed by the Headteacher as evidence that the budget monitoring report has been reviewed.

The Scheme of Delegation states that all schools should provide the LA with forecast income and expenditure at times and in a form determined by the authority. Currently this will be September and December monitoring and at March closing.

Budget monitoring templates and narrative forms are available to schools and the following templates will be updated with the figures input to set the budget and you may choose to use these to produce your budget monitoring.

- Salaries Budget Monitoring – Estimates for each month will feed in via the budget setting template, this should be overtyped monthly with actual staff costs to enable the budget to be monitored.
- Revenue Budget Monitoring – In CFR format, will need to be updated monthly with Local and Central Spend and a Full Year Projection.

### **Budget Virements**

The Headteacher is empowered to take remedial action to address variances, by effecting virements between individual budget headings. A record shall be kept of each virement. Once approved virements must be promptly recorded in the school's accounting system to keep the approved budget up to date (see [Virements](#)).

### **Overspends**

If an overspend is projected it is important corrective action is taken to bring spend back into line or adjust the budget to reflect new spending needs. This can be done by using contingency funds. CYP Finance recommend setting a 1% contingency fund of the total budget when setting the budget plan. Or alternatively by a virement of monies from an area of a budget underspend to an area with an overspend.

### **Licensed deficit scheme for schools with delegated budgets**

A licensed deficit can also be granted where a school, has founds itself in a deficit position due to changes in circumstances e.g. significant fall in pupil numbers. The licensed deficit will be granted to reflect that cost reductions may not be possible immediately without detrimental impact on the curriculum.

The scheme means that governing bodies would be authorised by the LA to set a deficit budget. Governing bodies may not set a deficit budget unless they have the written permission of the LA.

Before a planned deficit is approved, the school will need to be able to demonstrate that they will be able to eliminate the deficit over the agreed timescale.

The licensed deficit scheme enables schools to apply to the LA for permission to end a financial year with a deficit, which will be eliminated in subsequent years. It is a way of carrying out works or making large purchases which some schools cannot fund out of their annual allocations and any budget surpluses they have set aside to date. The projects to be funded should make a demonstrable contribution to the achievement of the schools development plan.

### **Underspends**

If an underspend is projected it is possible a timing difference has occurred and the spend may occur at some later time, it may also be necessary to adjust the budget profiles. If it is unlikely the money will be spent it may be appropriate to vire the budget to an area with a predicted overspend.

**Balance control mechanism**

The LA believes that schools should have autonomy in the management of their affairs including the deployment of the formula share with regards to its use in the interest of their pupils. Whilst adhering to the underlying principle that funds are to be used for the pupils that are in the school at the time of allocation, it is recognised funds may need to be retained in the form of balances to achieve both short and long-term strategies. The level of balances carried forward from the previous financial year currently accepted to be reasonable for such strategies are 5% of the current year's budget share (excluding EMAG) for secondary schools, 8% for primary and special schools.

Whilst recognising the autonomy of schools in respect of financial management, the LA has a responsibility to ensure that any balances in excess of the accepted level are subject to a robust plan for the benefit of the pupils within the school. If the LA is not satisfied with the planned use of an excess balance held by a school, it will instigate the Balance Control Mechanism and propose to Schools Forum a clawback of any balances not supported by a suitable plan.

### Chapter Overview

By having a system of effective internal controls, schools can be confident that only properly authorised transactions occur, that transactions will be properly processed and errors can be detected quickly. This chapter sets out the internal controls that the LA believes will enable a school to function effectively. The governing body however must ensure that all of the financial procedures it follows are kept up to date and that all the appropriate staff are trained in their use.

- The Governing Body should ensure that written procedures of all its financial systems are kept up to date and appropriate training is given annually.
- The Headteacher should ensure that financial administration duties are distributed so that at least two people are involved. The work of one should act as a check on the work of the other and all checks should be fully documented.
- The Headteacher should ensure that expenditure from sources of earmarked funding is accounted for separately and that the funding is used for its intended purpose.
- Proper accounting records should be maintained and stored securely.
- All financial transactions must be traceable from original documentation to accounting records, and vice versa.
- Any alterations to original documents such as cheques, invoices and orders should be clearly made in ink or other permanent form, and initialled.
- All accounting records should be securely retained when not in use and only authorised staff should be permitted access.
- The Headteacher should ensure that all expenditure from sources from earmarked funding is accounted for separately and that the funding is used for its intended purpose.

#### Schools Financial Value Standard.

Governing bodies have formal responsibility for the financial management of their schools, and so the standard is primarily aimed at governors.

The governing body may delegate the consideration of the questions to a finance or other relevant committee, but a detailed report should be provided to the full governing body and the chair of governors must sign the completed form.

The school must send a copy of the signed standard to their local authority's finance department.

There is no prescription of the level of evidence that the governing body should require. The important thing is that governors are confident about their responses.

Maintained schools which had not attained FMSiS by the end of March 2010 must complete and submit the SFVS to their local authority by 31 March 2012; and conduct an annual review thereafter.

#### Internal Audit

The requirement for there to be an audit of schools is set out in the School Standards and Framework Act 1998 This states that the accounts of schools will be expected to be subject to regular internal audit and to be available for inspection as necessary by the LAs' auditors.

Schools are required to co-operate both with auditors employed by the local authority (internal audit) and auditors appointed by the Audit Commission to audit the local authority itself (external audit).

Deleted: Financial Management Standard in Schools (FMSiS)¶

Deleted: Timetable – key dates¶

Deleted: The Financial Management Standard in Schools (FMSiS) ceased on 15<sup>th</sup> November 2010.¶

## 4 Governance and Financial Control

---

The role of Internal Audit is to provide management, and the Executive Director for Resources in their capacity as the LA's Section 151 officer, with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements in place at the school, and the level of assurance that can be derived from the schools systems of internal control. Internal Audit is therefore a key part of LA's assurance cycle and if used properly can inform and update the organisation's risk profile. Internal Audit is just one of the sources of assurance available to the Council and Audit Committee.

The Internal Audit's main responsibilities are to review how the school manages its finances, information, assets and risks, and to ensure that the school has a robust system of internal controls. The Auditor has to ensure that the school is providing adequate stewardship of public funds. In order to meet these responsibilities, the Internal Auditor must review, appraise and report on the following:

- the efficiency, effectiveness and economy of financial and other management controls and systems;
- the extent of compliance with, relevance and financial effect of established policies, plans and procedures;
- the extent of compliance with regulations and legislation;
- the extent to which the organisation's assets and interests are safeguarded from losses of all kinds arising from :-
  - fraud and other offences;
  - waste, extravagance and inefficient administration, poor value for money or other causes;
  - ineffective management of risks;
- the suitability, security and reliability of financial and other management data within the organisation;
- safeguard the school's employees against the risk of false accusation of impropriety;

In order to fulfil the requirements of the legislation and the responsibilities of the Director of Resources, the Internal Auditor, shall have the right: -

- of entry, at all reasonable times, on all Authority's premises or land.
- of access to all records, data, documents and correspondence relating to all transactions of the Authority and unofficial funds.
- to require and receive such explanation, from any employee or agent of the Authority, as are necessary concerning any other examination.
- to require any employee or agent of the Authority to produce cash, stores, or any other Authority property under his/her control.
- to require follow up audit report recommendations with both schools and their Governing Bodies.
- The school must notify the LA when it has implemented recommendations in the Audit report.

The Executive Director of Children and Young People and the Anti-fraud & Corruption Manager shall be notified immediately in writing whenever any matter arises which involves, or is thought to involve, irregularities (or suspected irregularities) concerning cash, stores, or any other property of the LA (including unofficial funds).

The Executive Director of Children and Young People shall notify the Executive Director for Resources, in writing, so such steps as may be necessary can be taken by way of investigation and report, including referral to the police. In addition the police must be informed immediately where a break-in is suspected.

### Statutory external audits

The **Audit Commission** are the LA's external auditors their role is to ensure that financial safeguards are in place and that value for money is achieved.

### External auditors

In instances where a school wishes to seek an additional source of assurance at its own expense, a governing body is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any LA internal or external audit process. Where a school chooses to seek such an additional audit it does not remove the requirement that the school must also co-operate with the LA's internal and external auditors.

### Audit of voluntary and private funds

In addition to the normal internal and external audits, schools must provide audit certificates in respect of any voluntary and private funds they hold and of the accounts of any trading organisations controlled by the school.

### Review of the Accounts

The schools accounts should be reviewed on a regular basis by a person other than the person compiling the accounts.

### Virements

The Governors should set limits on the amount of expenditure which the Headteacher may vire from one budget head to another. Virements above this limit should be referred to the Governing Body.

A written record of the agreed virement limits must be kept e.g. minutes of the governing body meeting.

Individual virements may be authorised as follows:-

- up to £1,000 - Headteacher (and subsequently reported to full Governing Body)
- £1,000 - £4,999 - Chair of Governors ""
- £5,000 - £9,999 - Finance Committee ""
- £10,000 and over - Full Governing Body

The virements should be recorded on the local accounting system budgets; budget monitoring will be set against the amended budgets. (See **Budget Virements**)

### Authorised Signatory List

There must be at least 3 senior staff designated as authorised signatories. The Headteacher is to maintain a list of these staff together with their signatures, for those designated to sign orders, make payment of invoices, authorise actual expenditure on behalf of the school, make pay claims, make overtime claims, make travel and subsistence claims, make Standards Fund claims, etc. This record must be available for inspection as necessary.

In the event of changes to authorising staff, a written notification is issued to all relevant personnel.

The Headteacher should ensure that in delegating authorisation, the limitations that are placed in respect of values and items that may be authorised are commensurate with the level of authority of the postholder within the school.

The Headteacher must ensure that there are clear cut divisions of duties. **Under no circumstances**, should one officer be responsible for authorising the payment for goods and services that they had ordered.

## 4 Governance and Financial Control

A suggested list of " who signs what " and the possible limits for an average size school is set out as follows:

Suggested Authorised Signatory Check List.

Role	School Governors	Headteacher	Deputy Head	Budget Holders	School Business Manager
Cheque or Electronic Payment		✓	✓		✓
Certifying Invoices for Payment		✓	✓	✓	
Requesting Orders for £5,000 & above	✓	✓			
Requesting Orders up to £5,000	✓	✓	✓		
Orders Under £1,000		✓	✓	✓	
Officially Raise the Order		✓		✓	✓

N.B. No one person should sign all 3 stages from raising an order to authorising payment i.e. the Headteacher should not be permitted to raise a particular order, authorise the expenditure and the payment.

### Banking arrangements

- All arrangements for the opening and operating of bank accounts and banking of monies will be the responsibility of the governing body in accordance with the procedures approved by the Executive Director for Resources.
- The LA provides banking facilities to schools at competitive rates via a single banker. Schools have the freedom to either participate in this joint arrangement or to choose an alternative banker. Their choice of banker needs to be from an approved list, shown in the Scheme of Delegation.
- Cheques are to be signed by at least 2 of the 3 recommended senior staff. The authorising personnel should include the Headteacher, Deputy and the School Business Manager. The governing body must give their agreement to the three signatories. CYP Finance must receive written notification of the agreed signatories, together with their details and specimen signatures.
- Electronic payments (i.e. direct debits, BACS payments, standing orders, on-line payments) are to be approved by at least 2 of the 3 recommended senior staff as above.
- Blank cheques should not be endorsed/signed under any circumstances.
- Facsimile signatures are not used under any circumstances.
- Any cancelled and/or spoilt cheques must be retained for audit purposes.
- Cheques used must agree to bank statements and a monthly reconciliation between the bank statement and the cash book must be undertaken.
- The reconciliation must be certified by the Headteacher as being accurate.
- All financial stationery - cheque books, bank statements, order books, cheque stubs and returned cheques etc. are secured in a locked safe at the end of each working day.
- The school cannot negotiate any loan with the bank for the purpose of school activities without the approval of the Secretary of State.

- The cashing of private cheques, whether through the school's main bank account or from voluntary funds, is strictly forbidden. Money and/or cheques belonging to the Council must always be paid into an official bank account.
- There is no facility for schools to have an overdraft and schools should ensure that their accounts do not become overdrawn. If, however, a school's account should become overdrawn, charges incurred will be the school's responsibility.
- The schools should receive a bank statement at least every month detailing the schools transactions.
- Monies must not be transferred from the school's main bank account in to any other form of account.
- The governors must ensure that ISB monies and voluntary funds are accounted for separately.
- The banking of cash should be done on a regular basis, preferably daily but no less frequently than weekly. Care must always be given to ensure that the cash held on site does not exceed the total insurance cover for the school's safe.

### Petty Cash Controls

Petty cash is to be used for sundry items. However, cash is a vulnerable asset and it is therefore crucial that it is properly controlled. Payment should be limited to minor items for which there is proper authority and provision in the budget.

The Governing Body should ensure a Petty Cash Policy is agreed and all staff are aware of the details and regular checks are carried out including the following:

- The prior agreement of the CYP Finance team must be obtained for any petty cash holding which exceeds £500. It is essential the amount is covered in full on the school's insurance policy.
- Petty cash should be kept in a **locked** metal cabinet or safe.
- The level of petty cash held, should be no more than two weeks usage, to prevent holding more cash than necessary.
- The schools must ensure that the total value of all cash related to official monies shall not exceed the insured limit of the safe that they are kept in. The total cash limit, for insurance purposes, shall include amongst other things school dinner monies, petty cash in hand, unrepresented cheques, etc.
- As per financial regulations, the school must ensure that the maximum single payment limit of £50 is adhered to at all times. The disaggregation of larger transactions into components that are below £50 in value is not allowed.
- Petty Cash should not be reimbursed to staff for purchases made without appropriate documentation, i.e. receipt of payment, detailing from whom the purchase was made, VAT number, date and details of the resources purchased.
- Cash should only be paid to employees who have incurred expenditure on the school's behalf. All other payees must be paid by cheque i.e. window cleaners, etc. Prior approval should be obtained from the Headteacher or nominated deputy before expenditure is incurred.
- Receipts should always be obtained and retained for submission to the school's finance staff for reimbursement.
- Petty cash vouchers must be completed for each cash transaction. These vouchers should be numbered, account coded and filed in numerical order. The school's finance staff should always obtain the payee's (claimants) signature on the petty cash voucher as evidence of receipt of reimbursement.

- Payments should only be made where no other payment method e.g. cheque, giro, BACS, credit card etc is appropriate.
- The amount in the petty cash fund should be checked against the accounting records, reconciled and reviewed by an independent member of staff on a fortnightly basis.
- Produce on demand to the Headteacher, auditor or other authorised person, cash or vouchers to the total amount drawn.

Schools should note that following advice received from the HMRC the following types of expenditure cannot be reimbursed from petty cash.

- Car Mileage
- Subsistence
- Travel excluding reimbursements made for car parking, public transport, etc. provided only the actual cost is reimbursed and the receipt is accompanied by a note giving the reason for the school paying and confirming that it is a **business expense**.
- Training Expenses
- Home Telephones
- Mobile telephone top-ups for pay-as-you-go mobile phones that are not registered to the school without some control mechanism to prove that the money is to reimburse officers for business telephone calls they have made.
- Relocation Expenses
- Secondment Expenses
- VDU Tests and Spectacles
- Child Care
- Any other item which could be determined by the HRMC as a benefit to an individual.

Payments for the above types of expenditure should be made via the payroll

The imprest holder, i.e. the person controlling petty cash, must maintain a petty cash book. The minimum requirements for the details to be included in a petty cash book are :

- date
- petty cash voucher number
- name of payee
- description
- amount
- VAT
- expenditure code
- date & amount reimbursed from cash box

Record amounts net of VAT, VAT amount and gross amount including VAT if applicable.

The imprest holder must be the only person having access to petty cash, and must keep the cash and keys secure at all times. If the duties are handed over to someone else due to annual leave or change of duties then the imprest must be reconciled before being handed over to another person.

### Payroll

It is the responsibility of the Headteacher and Governing Body to ensure the payroll is properly administered. The governing body should ensure that written procedures are in place for the administration of the schools personnel system.



The Headteacher must authorise all appointments and increases in pay, the Governing Body must be advised accordingly. References, qualifications and police checks must be verified prior to the employment commencing.

Regular checks must be made to ensure that payroll transactions reflect the school records. The Headteacher must authorise the monthly and weekly payroll forms, in addition to payment for overtime and supply cover.

Wherever practicable, the Headteacher should ensure proper segregation of duties, so that different members of staff perform the responsibilities of changing individuals' terms of employment and processing the payroll.

All payroll transactions should only be processed through the payroll system.

### Payment Cards

Main objective of using the Electronic Payment Card (EPC) is to reduce the paperwork and administration time involved in the ordering and invoice process for low-value, high-volume goods and services, and reduce the levels of petty cash retained on the schools premises.

#### Scope

The cardholder may only use the card for business purposes and it must be used with approved suppliers, unless given specific permission by the Payment Card Administrator (PCA).

When an end user identifies a requirement, the cardholder/end user must check to see if the total value of the purchase is within their transactions limit and monthly credit limit and whether the purchase is within their approved category. If the item is outside the limit, then the normal purchasing procedures must be followed.

If the purchase meets the criteria above, then the purchase can be made.

Electronic Payment Cards must NOT be used for the following:

- cash withdrawals unless specifically authorised
- utility bills
- items in excess of your limit
- items outside your approved category
- personal purchases.

Any misuse of the Payment Card will be treated as gross misconduct.

### Purchasing goods via the Payment Card

Orders must be placed by the cardholder and can be made in any of four ways:

- via the web
- ordering the goods/service by telephone and quoting the card number; telephone orders must be delivered to a site address and not to the cardholder's private address
- ordering by mail where an application form can be completed with details for charge card payment
- personally visiting the supplier's premises and presenting the card and signing for the goods.
- purchases must not be made via fax (for card security purposes).

In all instances, the cardholder must inform the supplier of:

- the full card number and date of expiry
- the full name of the cardholder (as shown on the card)
- the school name

- the full delivery address
- a clear description of the goods required.

The goods and goods received note (GRN), where appropriate, should be marked prior to shipment 'Card Payment', and with the cardholder's name and location/department.

### **Card declined**

If a transaction is declined, the PCA must be informed immediately. This could be due to exceeding the monthly card limit, exceeding the individual transaction limit or using a supplier that is within a Merchant Category not allowed by the school.

### **Problems with supply of goods**

Inform the supplier of the rejected goods, as it is they who will arrange a credit to the school.

### **Incorrect amount billed**

In these circumstances contact the relevant supplier to seek explanation/adjustment. In the event that the discrepancy remains unresolved, you must contact your PCA for further instructions.

### **Billed but goods not received**

Contact the supplier to ensure that the goods have been despatched. According to VISA regulations, the transaction is not processed until the goods are despatched. The PCA must be notified if this regulation has been breached.

### **Missing transactions**

Any purchases made just prior to the month end date will show up the following month. If any transactions do not turn up as anticipated, contact your PCA before taking any action.

### **The transaction log**

Details of the transaction must be recorded on your daily log and updated when the goods/service are received.

### **Reconciliation to Bank Statement**

Cardholders must reconcile the individual items shown on the transaction log to transactions recorded on bank statement on a timely basis. To reconcile a transaction the cardholder marks bank statement transactions as 'Reviewed' and signs off their transaction log.

Once the transactions are reconciled the month's transaction log along with all supporting documents should be given to the Headteacher for checking. Supporting documents will be VAT invoices (where appropriate), delivery notes, visa receipts, etc.

Headteachers should examine supporting documentation and use bank statements to mark all transactions 'Reviewed' as approved.

Headteachers must check, prior to the month end, that their cardholders have reviewed all outstanding transactions.

It is the responsibility of the Headteacher to ensure that the transaction log and reconciliations are kept up to date. This is particularly important when the cardholder is leaving the school.

Headteachers must ensure that the cardholders maintain the following records and keep them up to date and available for inspection:

- the original log duly approved; retain a copy for outstanding issues and personal record purposes
- any photocopies of past log's showing clearance of disputed items
- VAT invoices (where appropriate), delivery notes, Visa receipts.

### **Safeguarding the use of the card**

The cardholder:

- The card provided to you is to be used by you only and should not be lent to anyone else. It is in the name of the school and it is your responsibility to ensure that it is retained in a secure location.

### **Credit limits**

A monthly credit limit should be set for each card. If this is insufficient for your needs, contact your PCA to discuss a revision.

### **Transaction limit**

The school has an agreed maximum transaction limit for each card. The card must not be used for purchases in excess of this limit. Attempts to do this will be met with a decline when authorisation is sought for the transaction. This limit is inclusive of any VAT, carriage charges, etc.

### **Budgetary control**

Cardholders must neither exceed the budgetary provision nor avoid any budgetary restraint measures that may be in force and should refer to the PCA for advice if in any doubt.

### **Non-receipt of cards**

Replacement cards should be received approximately 14 days before the renewal date.

### **Leavers**

Upon leaving the employment of the school, cards must be cut in half and returned to the PCA. All leavers must ensure that their transaction log and reconciliations are complete before leaving or pass details of all outstanding transactions to the PCA for completion.

### **Loss or theft of the card**

If a card is lost or stolen, advise the issuing Bank immediately (they will operate a 24-hour customer service).

### **Change of holder's name**

If the cardholder's name needs to be amended (e.g. because of marriage, etc.), contact the PCA. The obsolete card should be cut in half across the magnetic strip and returned to the PCA following receipt of the new one.

### **Job change/department change**

Upon notice of a job change and/or departmental change, advise the PCA as soon as possible.

### **Cardholder's liability/credit status**

Whilst the Payment Card is embossed with your name, the account and therefore the liability is in the name of the school. Consequently, there is no impact on your personal credit status.

### **Retention of Financial Documents**

It is important that schools retain certain records for legal and commercial reasons. Section 221 of Companies Act 1985 requires companies in the UK to maintain Accounting Records that give "a true and fair view of the state of the company's affairs and to explain the transactions." The retention of financial records ensures protection from legal action, disputes with suppliers, audit

## 4 Governance and Financial Control

and employees. There are certain statutory requirements which must be followed where a physical record must be retained for a certain period.

It is the responsibility of the Governing Body and the Headteacher to ensure that:

- A workable retention policy is implemented
- Designate a person to be responsible for records retention

The table below provides a recommended retention period guidance for schools' financial records.

Basic file description	Statutory Provisions	Retention Period
Annual Accounts	Financial Regulations	6 years
Bank Reconciliation Statements	Financial Regulations	6 years
Bank Statements	Financial Regulations	6 years
Loans and grants	Financial Regulations	Date of last payment on loan + 12 years
VAT Reports	VAT Act 1994	6 years
Contracts		
<ul style="list-style-type: none"> <li>• under seal</li> </ul>	Companies Act 1985 Section 221	Contract completion date + 12 years
<ul style="list-style-type: none"> <li>• under signature</li> </ul>	Companies Act 1985 Section 221	Contract completion date + 6 years
<ul style="list-style-type: none"> <li>• monitoring records</li> </ul>	Companies Act 1985 Section 221	2 years
Copy orders	Financial Regulations	2 years
Budget reports, budget monitoring etc	Financial Regulations	3 years
Invoice, receipts and other records covered by the Financial Regulations	Financial Regulations	6 years
Payroll Reports and Payslips	Income Tax (Employment Regulations 1993)	6 years
Annual Budget and background papers	Companies Act 1985 Section 221	6 years
Order books and requisitions	Companies Act 1985 Section 221	6 years
Delivery Documentation	Companies Act 1985 Section 221	6 years
Debtors' Records	Limitation Act 1980	6 years
School Fund – Cheque books	Financial Regulations	3 years
School Fund – Paying in books	Financial Regulations	6 years

Basic file description	Statutory Provisions	Retention Period
School Fund – Ledger	Financial Regulations	6 years
School Fund – Invoices	Financial Regulations	6 years
School Fund – Receipts	Financial Regulations	6 years
School Fund – Bank statements	Financial Regulations	6 years
School Fund – School Journey books	Financial Regulations	6 years
Applications for free school meals, travel, uniforms etc	Financial Regulations	Whilst child at school
Student grant applications	Financial Regulations	3 years
Free school meals registers	Financial Regulations	6 years
Petty cash books	Financial Regulations	6 years
Governing Body and Finance Committee minutes	Financial Regulations	6 years
Asset management records	Financial Regulations	6 years

### Methods of Disposal

At the end of the required retention period, financial records may be disposed of unless they support current audit or litigation. Records may be disposed of via recycling in accordance with the schools recycling policy. The exception to this is documents containing information, such as name or social security number, that could identify any individual member of the school. Documents containing this type of information must be disposed of via secure disposal methods.

### Confidentiality

In order to safeguard the privacy of individuals, documents that contain salary information must be treated in a highly confidential manner. Access to these documents should only be allowed on an authorised basis with the approval of the Headteacher. Once their retention period has expired (if applicable), the documents will be disposed of in a secure manner.

For more detailed information on the retention of financial documents please refer to the 'Record Archiving' Toolkit and Schedule documents on the SAO website.

### Data Protection

The Data Protection Act 1998 is designed to protect the rights of individuals in relation to the personal information that is held about them. It sets out requirements about the processing, storage and disclosure of that information and extends the coverage of the previous legislation from data handled electronically to certain manual record systems.

As schools process personal information (including pupils' electronic and paper records) they are required under the Data Protection Act 1998 to register a notification with the Information Commissioner. The act can be found at the following link [Data Protection Act 1998](#). Further guidance is available on [Teachernet](#).

The Freedom of Information Act (FOIA), which was passed by parliament on 30 November 2000 was fully implemented in January 2005. The Act gives right of access to information held by public

## 4 Governance and Financial Control

---

authorities including: Central Government, Local Authorities, NHS Service, Schools and Police. The act can be found at the following link: [Freedom](#).

The DfE have published guidance on how schools can comply with the FOIA [FOIA guidance](#).

## Chapter Overview

Schools are required to abide by the LA's financial regulations and standing orders in purchasing, tendering and contracting matters .

However, any section of the LA's financial regulations and standing orders shall not apply if it requires schools:

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

This should include a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the LA's policies and procedures (*para 2.16 Scheme of Delegation*)

## CONTRACTS

### Introduction

School Governing Bodies are expected to seek value for money when exercising their powers to spend delegated budgets on supplies, works and services. To achieve this objective they are required to obtain competitive quotations or tenders in accordance with the procedures set out below.

No exception from any of the provisions of the LA's Standing Orders shall be made unless by a decision of the Council.

Definitions of terms used in this section are set out below.

### Objective of these standing orders

The Orders set out the procedures that school governing bodies must follow when obtaining prices for the purchase of supplies, works and services within a range of estimated values as set out below.

For purchases estimated below £3,000 there are no provisions set within these Standing Orders. It is for the school's governing body to decide whether any rules should be adopted for use by school itself.

For purchases estimated above £3,000 the Orders set out the procedures by which prices should be sought for the following range of estimated values:

Estimated value of purchase

£3,000 - £10,000	by quotations	<u>Type A Contracts</u>
£10,000 – £100,000	by tenders	<u>Type B Contracts</u>
over £100,000	by tenders following the LA's authorisation to invite	<u>Type C Contracts</u>

Contract Standing Orders **do not apply to:**

- Contracts for the sale, purchase, letting or renting of land
- Contracts of employment.

### LA's In-house services

- For the purposes of these Standing Orders the LA's In-house services shall be regarded as a contractor
- The LA can be invited to offer a single price for supplies, works or services within the procedures for quotations and tendering set out in Section 5, 6 and 7 of these Orders and the price must be provided in competition with at least three other firms. Unless the work/service is to be invited through open tender

### Exceptions to the following quotation and tender procedures

The procedures set out in Contract Types A-C below do not apply in the following circumstances:

- For the manufacture and or supply and or installation of goods, or maintenance of or repair to machinery, or equipment available from only one supplier.
- Urgent works or supplies necessary to avoid serious financial loss, danger, injury or serious hardship to users of the school. An oral quotation as set out in procedures included below should be followed. If there is damage to the structure of the building or a fault in plant or services which are the responsibility of the LA, a School Governing Body is entitled to spend up to £500 without prior reference to Lewisham Children and Young People in order to prevent further damage or risk. The School Governing Body must report its action to the LA within 24 hours to enable the management of repairs to be taken over. Provided the School Governing Body has acted reasonably, it will be reimbursed for any costs incurred.
- Where the School Governing Body has determined that it would be more economical to extend the scope of an existing contract to include additional works connected with the original order, providing that this is consistent with the terms and conditions contained in the original order and that additions do not exceed 10% of the amount of the original order up to £3,000. Schools may only extend contracts where budgetary provisions exists.

### Type A Contracts

#### Procedures for obtaining quotations for supplies, works and services estimated to be between £3,000 and £10,000

##### Requirements for quotation

The School Governing Body shall arrange for quotations to be obtained before placing orders for supplies, works and or services (to include consultancy services) as set out below:

Estimated value of purchase	Minimum Number of Quotations
£0 – £2,999	None Required
£3,000 - £5,000	Three written
£5,001 – £10,000	Four written

For supplies, works and services estimated to cost in excess of £10,000 the tendering process/procedures referred to in Type B Contracts below must be followed.

The financial limits will be reviewed from time to time to take account of increases in price levels.

##### Recording quotations

Where quotations are initially obtained orally, the quotation must be recorded and then confirmed in writing by the supplier. A record/register must be kept and made available for audit purposes.

In the case of written quotations the School Governing Body shall arrange for quotations to be returned by a stated deadline. All written quotations received must be opened at the same time as soon as possible after the passing of the deadline by the Headteachers in the presence of a



member of the School Governing Body. All quotations should be date stamped to indicate the date and time of receipt, initialled by those receiving quotations and recorded in a tender register kept for quotations and tenders.

### **Acceptance of quotations/order of goods**

The Headteacher will have delegated authority from the School Governing Body to accept quotations up to the value set out above. The lowest quotation should normally be accepted. A higher quotation may only be accepted where the Governing Body is satisfied that it represents better value for money or where justified by special consideration in which case the Headteacher must report the matter to the next meeting of the School Governing Body and the full reasons given and the decision for accepting other than the lowest quotation be recorded in the minutes of the Governing Body's meeting.

### **Type B Contracts**

#### **Procedures for the tendering of supplies, works and services estimated above £10,000**

##### **Application of tender procedures**

Formal tenders shall be sought for all cases where the estimated value of supplies works or services exceeds £10,000.

##### **Estimate of Expense Involved**

No tender for work in excess of £10,000 shall be invited unless an estimate of the cost of the works has been approved for inclusion within the school's delegated budget by the School Governing Body.

Before inviting tenders, the Headteacher shall compile a written estimate of the cost of the works for which the tender is to be invited and enter details of the estimate in a register.

##### **Use of Council's Approved List of Contractors:**

- Tenders shall be invited from firms on the Council's approved list and wherever possible at least one in four of the firms so invited shall be based in the borough.
- A School Governing Body may request the Council to vet a new contractor of their choice and if approved may ask the Council's Contracts Compliance Unit to add that contractor to the approved list.
- Where the Headteacher considers that the method outlined above is not appropriate, tenders shall be invited by open tender (public advertising see section below).
- No firm shall be invited to tender unless the firm can satisfy the Council of their ability to comply with its Code of Practice for Contractors and Suppliers
- The Mayor and Cabinet shall establish procedures to regulate the preparation, management and review of the Approved list and Code of Practice for Contractors and in particular (but not by way of limitation) formulate criteria relating to the admission of firms to and removal of firms from the list.

##### **Open Tenders Advertisements**

Where open tenders are to be sought an invitation to tender must be advertised in at least one trade journal and/or local newspaper. A trade journal should be used as the first option. The procedure for advertising the invitation to tender will be as follows:

Give at least 10 days public notice in one trade journal and or local newspaper.

The advertisement shall:-

- express the nature and purpose of the works, goods and/or services required

- state where further detailed specifications can be obtained
- invite tenders from all interested parties
- state the last date and time when tenders will be received
- state that no tenders will be received unless it is enclosed in a sealed envelope bearing the word 'Tender' followed by the subject to which it relates, with no other name or mark to indicate the sender.
- comply with any EU tendering directives.
- Use a standard tender form and conditions of tender as a basis for the tender.

### **Receipt and opening of tenders**

The School Governing Body shall make arrangements for the receipt and safe custody of all tenders received. Tenders held before date to be opened shall be kept in a special tender box which is secure and lockable. Keys to the tender box should be held by the Headteacher. All tenders to be opened together as soon as practicable after the closing date has passed. Tenders shall be opened by the Headteacher in the presence of a member of the School Governing Body.

### **Receipt of tender processes:**

The School Governing Body shall:

- arrange for the safe custody of the tenders until the date and time specified for their opening.
- tenders shall be dated as they are received and time of receipt endorsed on the envelope.
- tenders shall be opened at the prescribed time in the presence of the Headteacher and at least one member of the School Governing Body.
- each tender opened shall be signed and dated and details recorded in a register of tenders.
- the record shall include the names of the tendering firms, the tender amounts and signed at the conclusion of the opening process by the Headteacher and governor present.
- the record together with the tender envelopes must be retained at the school for audit purposes.

### **Late tenders**

Shall be normally returned unopened to the tenderer and not considered further.

### **Tender Evaluation**

No alteration shall be made to any tender after the time fixed for submission of that tender.-

Where examination of the tender reveals errors or discrepancies which would affect the tender figure in an otherwise successful tender, the tenderer is to be given details of such errors and discrepancies and afforded an opportunity of confirming or withdrawing the offer. If the tenderer withdraws the next 2 tenders in competitive order are to be examined and dealt with in the same way. Any exceptions to this procedure may be authorised only by the Executive Director for Resources.

### **Over Expenditure on Contracts**

- Pre-Contract – No tender which is received and which is in excess of the Governing Body budget provision shall be accepted without the prior written approval of the Council.
- In/Post Contract – No expenditure actual or potential shall be incurred above the contract price without the prior written approval of the Council.

### **Acceptance of tenders**

The School Governing Body may at their reasonable discretion accept a tender on a basis other than price, in which case the Headteacher must report the matter to the next meeting of the Governing Body and the full reasons given and the decision minuted for accepting other than the lowest tender.

### **Form of Contract**

The School Governing Body shall ensure that the acceptance of a tender shall be evidenced by a written contract, legally binding all parties to the requirements of the contract.

### **Variations**

The School Governing Body shall determine arrangements for dealing with variations to contracts which shall be approved by the Executive Director for Children and Young People.

### **Insurance**

All contractors and where appropriate, suppliers employed by the School Governing Body must maintain sufficient third party and employer's liability insurance cover with an insurance company approved by the Council. For contractors wishing to tender for work, the cover must be for occurrences involving both property and persons with cover of £2,000,000 for any one incident.

### **Type C Contracts**

#### **Tendering procedures for supplies works and services over £100,000.**

Schools must have authority from the Mayor and Cabinet before inviting tenders for supplies, works or services estimated above £100,000 in value.

Schools must be aware of any relevant European Union rules in relation to the tendering process.

Before inviting tenders a School's Governing Body should confirm with appropriate officers of the Council that the proposed form of tendering and acceptance is in accordance with current Council practice.

The School Governing Body shall take sufficient security for the due performances of every contract with an estimated value of over £100,000 where payment is made prior to the supply of goods, works or services or where such supply is to be over an extended period of time except where the LA's In-house services are the contractors.

### **Disposal of surplus articles**

#### **Delegated budget**

The School Governing Body may at their discretion dispose of any surplus article purchased from a delegated budget. However, School Governing Bodies should seek to obtain best value at all times. In addition disposal of some items, e.g. software, should only be done with the consent of the software company. Failure to obtain such permission could make School Governing Bodies liable to prosecution.

#### **Other funding from the Authority**

For articles purchased from Council funds other than the delegated budget:

- Where the estimated value of the surplus articles is less than £10,000 the School Governing Body may determine that it be sold by public auction or by inviting competitive quotation. In the case of quotations the same principles and procedures set out above shall be followed save that the highest quotation is normally to be accepted. All quotations together with details of articles sold are to be recorded for audit purposes.
- Where the estimated value exceeds £10,000 the School Governing Body shall arrange for the open tenders to be sought by advertisement in one or more local or national newspapers and one or more professional journals. The same principles and procedures as set out above shall be followed save that the highest tender is normally accepted and records are kept for audit purposes.

### Statutory provisions

These Contract Standing Orders shall take effect subject to all relevant statutory provisions and regulations and amendments including in particular the Schools Standards and Framework Act 1998 and Regulations made under this Act and the School Governing Body shall have due regard thereto. Nothing contained in the Contract Standing Orders shall override such provisions.

### Definitions scope and interpretation

- **Tender:** means an offer made in writing by one party to another to execute, at an inclusive price or uniform rate, an order for the supply or purchase of goods or for the execution of work, the details of which have been submitted by the other party, which offer shall be submitted under closed cover and opened simultaneously with other offers relating to the same matter.
- **Open Tender:** shall mean a tender received as a result of advertisements inviting contractors to take tender for any goods, works or services.
- **Quotation:** means the amount stated whether orally or in writing as the price of supplies, works or services to be supplied. Such statements if made in writing shall be made under closed cover, and opened simultaneously with other offers relating to the same matter.
- **Contract:** means an agreement made between the Council and one or more persons which is intended to be enforceable at law, and is constituted by the acceptance by one party of an offer made to them by the other party to do or obtain from doing some act, whether such offer and acceptance is made in writing or orally.
- **Written Contract:** means a simple contract whose express terms are evidence in writing, whether confirmed in one or more documents.

### Pecuniary interest

No member of the School Governing Body or staff shall in anyway be involved in the selection of a tenderer or Contractor if they have a direct or indirect pecuniary interest or any other personal interest in any competing tenderer, or contractor.

### Disputes

Save at a meeting of the Council any dispute or difference as to the interpretation or application of these Contract Standing Orders shall be resolved by the Head of law.

### Purchasing

Before buying you need to ensure that:

- The goods or services are needed
- The expenditure is legal and you have the authority to spend,
- You have obtained any necessary approvals to spend that may be in force from time to time,
- You have enough money in your budget to pay for it

### Placing an Order

An official order must be raised and issued in respect of all work, goods or services required except for: -

- Public utility consumption accounts;
- Periodical payments such as rent/rebate;
- Petty cash purchases;

- Refunds, compensation and grant payments
- Specific areas of expenditure for which the Executive Director for Children and Young People has agreed an exemption with the Executive Director for Resources.

In addition, there will be occasions where contract documentation takes the place of an official order e.g. building contracts

The official order must include the following:

- It must be in the name of the School.
- It must show the name of the person placing the order and a contact name and phone number.
- It must show the address to which the bill should be sent and the delivery address if different.
- It must include an order number (see below).
- It must include details of what is being ordered the conditions of supply and terms of trade. Where a price has been quoted this should also be included. The Council cannot accept payments terms of less than 14 days
- It must show the agreed price (or an estimated price excluding VAT)
- It must show the name and address of the supplier and the supplier's reference where appropriate.
- It must include the budget code to which the expenditure is to be charged. This doesn't have to appear on the copy of the order sent to the supplier, but is essential that the budget code is determined and recorded in advance.
- It must be signed by an officer authorised to sign orders.

Orders shall only be signed by persons designated and authorised to do so by the governing body. An up to date record of those designated and authorised, showing a specimen of their signature, shall be kept at the school. Each order placed should be adequately documented using a requisition form or an official order. Official orders should be signed by the budget holder or the School Business Manager. Once an order has been sent to the supply the schools has committed itself to pay for the goods and services that it will receive.

Prior to placing the orders, checks should be made with the SAO to ensure the adequacy of budgeted funds for that intended order. Before any order is raised, there must be sufficient budget provision within the relevant account code, prior to expenditure being committed. If there are insufficient funds then a budget transfer from within the school's budget or from other resources such as donations from the PTA etc., will have to be made. In addition, invoices due to be paid must be checked to ensure that there is budget provision available, taking into account any commitment made. This is to double check that any element of expenditure has not been overlooked.

All official order pads must be numbered sequentially and are available from your Directorate. This is very important because the order forms are valuable documents, which need to be carefully controlled. It also enables you to match the order against the invoice when it is received to ensure that you have been sent what you asked for and that you are not paying for the same goods twice.

If orders are generated by a computer system, the order number will be allocated automatically. You will need to make sure that there is very strict control over who has access to your system. The full details of all orders raised must be held on your system.

If you are ordering manually, you must use the order form approved by your directorate. All order forms must be pre-numbered and should be kept securely under lock and key in such a way that they can be fully accounted for at any time.

Whatever system you use, you must keep at least one copy of the order form. You may need more copies depending on the arrangements within your School. All orders whether they are manual or computer generated must be kept for 6 years

If you make a mistake on an order form or spoil one in any way you must endorse it as 'cancelled' and keep it for future reference.

The Governing Body are responsible for all orders issued by their School but other officers may be authorised to sign on their behalf as outlined in the Schools Scheme Of Delegation. The Governing Body must maintain a record of authorised officers and their specimen signatures, amendments must be forwarded to the LEA.

All orders must be signed personally. Rubber stamp or facsimiles of signatures must not be used.

It is not Council policy to pay for goods and services in advance if alternative arrangements can be made. Minor items may be purchased by this method via petty up to a value of £50. Where the Chair of Governors agree payment in advance for other than petty cash items, a record of such payments must be kept.

It is good practice for schools to monitor, each month, the level of commitment that is outstanding to ensure that invoices have not been mislaid, and to indicate cancellations of commitments where expenditure is no longer likely to be incurred. Schools should endeavour to use commitment accounting as an aid to effective budget monitoring. This practice will ensure that budget positions at any given time are accurately reflected and thereby any potential overspend is minimised. Failure to raise commitments may lead to management decisions being made on incorrect financial information.

### Verbal/Phone Orders

Verbal orders, placed with a supplier, should be kept to a minimum, but in cases of emergency when speed is essential, the following procedure should be observed: -

- Quote the next available official order reference number to the Supplier. Emphasise that this reference number must be quoted on all correspondence/invoices.
- The order should be marked - telephone order.

### Receiving the Goods

When you receive goods, you must check them to the copy order and the supplier's delivery note to ensure that the goods: -

- Delivered agreed to the goods ordered;
- Are of the expected quality
- Are not damaged
- Delivery of the goods should not be accepted unless this is the case.

You should mark the copy order as appropriate against each item. It is important that you do this, so that you have a permanent record of what you have actually received.

Any goods you return as unsatisfactory should be recorded clearly on the delivery note and copy order. You should keep the delivery note with the copy order. Where possible the person receiving the goods should not be the person authorising payment to provide protection against fraud.

If the goods are to be of use for over one year such as furniture, plant and equipment, and they are over £1000 in value, they must be added to the inventory. Electrical equipment, including IT equipment should be included in the inventory regardless of its cost.

### Processing the Invoice

An invoice should support all payments for goods and services. When you receive an invoice, it should be checked for accuracy against the copy order and delivery note. You need to make sure that:

- The invoice is made out to the School.
- The invoice is an original and not a copy, photocopy, fax or a statement of account.
- Invoices received electronically **must** be printed.
- The invoice has not previously been paid.
- The goods have been received and/ or the service has been satisfactorily carried out.
- The prices are correct.
- The invoice is arithmetically correct.
- That in the case of a VAT invoice, a VAT registration number is quoted. The VAT amount is properly chargeable and arithmetically correct (see [Section on VAT](#)).
- Check whether there is a discount for prompt payment. If so, then the invoice should be paid in time to qualify for the discount. The VAT will then be calculated on the discounted amount although there may be exceptional circumstances where this is not the case.
- Late payment of an invoice may lead to surcharges being incurred.
- The invoice must be date stamped, on receipt, so it is possible to know when the invoice arrived for Best Value Indicator 8.
- Invoices should normally be paid within 30 days of receipt, unless there is a dispute about the goods or services provided.

N.B THE PLACEMENT OF AN ORDER AND THE CERTIFICATION OF THE INVOICE FOR THAT ORDER SHOULD NOT BE DONE BY THE SAME PERSON. SCHOOLS SHOULD TRY TO ENSURE THAT PERSONS AUTHORISED TO CERTIFY INVOICES SHOULD NOT ALSO BE THOSE AUTHORISED TO SIGN ORDERS.

### Invoices

You should make a note of the invoice number and amount on the copy order and clearly mark the order "passed for payment" and the date it was passed. It is sensible to keep all paid orders in a separate file. You will then know exactly what is outstanding at any time and it will reduce the risk of paying the same invoice twice.

Once you have completed all these tasks the invoice should be certified correct. The person certifying the invoice must not be the same person who has authorised the order in the first place.

You will need to make sure that the invoice is charged to the correct budget code and that the VAT element is treated correctly. (See [VAT guidance](#)).

### Incorrect Invoices

If an invoice is received which is incorrect you must not pay it and you should request a new invoice from the supplier. This is essential if the VAT calculation is incorrect. Technically the supplier should also send a credit invoice to cancel the incorrect invoice but this is not always the case.

Invoices waiting for a credit note will be classed as disputed. When the credit note has been received, it should be submitted with the original invoice to the central payments team.

### Completing the Authorisation

The person completing the authorisation that each separate invoice is authorised. The person authorising is acknowledging that the following checks have been completed in full and indicating that:

- The goods or services ordered have been received.
- Copy order has been checked.
- Calculations and prices have been checked.
- VAT has been treated correctly (See [VAT Guidance](#)).
- The correct budget code to which the expenditure is to be charged (ensuring it falls under the certifying officer's responsibility).
- The name, signature and telephone extension of the officer completing the authorisation.

### The role of the Authorised Signatory

The officer authorising the invoice must be on the School Authorised Signatory List and must be a different person to the person undertaking the above checks, ordering the goods and completing the stamp. The Authorising Officer must ensure that:

- The invoice is an original and made out to the School.
- They are authorised to certify the invoice.
- The slip has been completed correctly.

No Officer shall authorise an invoice or claim form for the reimbursement of expenditure to themselves.

### Lost Invoices/ Photocopies/Faxes/Alterations

If an original invoice is lost, the supplier must be asked to issue a replacement invoice. The replacement should be endorsed 'This is a true copy and has not previously been paid' as such by the certifying officer. Payment must not be made on photocopies/faxed invoices. Certification slips must not be altered in any way.

Only the new invoice, after carrying out the checks detailed above (see [link](#)), should be processed for payment and it should be endorsed. A note should be made on the incorrect invoice of the new invoice number and why the original is incorrect. This should then be filed (with the credit invoice if one has been received) for future reference.

### Part Payments

If one order is made but the goods are not all received or invoiced at once, it is vital to note this on the order and make a note of the part payment. Part payments should always include the applicable VAT element.

### Payment to External Suppliers

Once an authorised signatory has signed the invoice, it should be passed for payment. Staff will only pay an invoice if it has been signed by an officer included on the list of authorised signatories and their limitations are not exceeded.

Invoices should normally be paid within 30 days of receipt, unless there is a dispute about Goods and Services invoiced and received. It is therefore essential that invoices are correctly completed and authorised in a timely manner. Where no other mutually agreed terms are available then the Late Payment of Commercial Debts (Interest) Act 1998 should be complied with.

Cheques will not be made available for collection unless exceptional circumstances can be demonstrated. If it is essential that cheques are returned, written explanations will be required



stating the reasons for the requirement and the proposed method for ensuring that the cheque is kept secure. In any event alternative arrangements must be considered and cheques will not be returned to the officer who authorised the payment.

Payments to employees, which may be subject to income tax, must not be processed through the creditors system. These should be processed through the payroll system.

### **Purchasing and Value for Money**

Schools will want to achieve best value for money from all their purchases. Value for money in this context means getting what is needed in the correct quality, quantity and time at the best price possible. A measure of price competitiveness can be obtained by consulting the LA's Customer Services Unit, checking trade journals and catalogues and seeking quotations or formal tenders. The governing body should ensure that the school obtains best value for money for any purchases by testing the market before the school is committed to any expenditure.

### **The Purchasing and Payments Procedures for School Premises Officers - Quotations & Tenders**

All expenditure by the Premises Officer is subject to the same controls as for all other areas of expenditure

- All orders placed by the Premises Officer must be authorised by the Headteacher or SAO.
- A record / register must be kept of all quotations received. This must include a written record of all verbal quotations. With any purchase between £3,000 and £4,999 the school should obtain three written quotations unless it is impracticable to do so. With any purchase between £5,000 and £9,999 the school should obtain four written quotations unless it is impracticable to do so.
- All quotations must be time and date stamped on receipt.
- All quotations must be opened as soon after the specified closing date by the Headteacher and a member of the governors.
- The governors can only accept quotations up to the value outlined in standing orders and financial regulations.

In order to comply with financial regulations, the Premises Officer should maintain a register of:

- the work order
- estimated cost
- contractor
- work completed
- invoice received and passed for payment
- actual cost of work
- budget remaining

For works in excess of £10,000 the following controls would be expected:

- a written estimate of the cost of the works
- use of the Council's approved list or open tender advertisements
- all tenders opened at one time and in the presence of a governor
- the results recorded in the tender register
- a formal contract to be entered into.
- the school should seek a minimum of three tenders

### Payments

#### Payment Procedures

The procedures that need to be followed when a school pays for goods and services are set out below.

#### Receipt of Invoice

Invoices shall only be certified for payment by persons designated and authorised to do so by the governing body. An up to date record of those designated and authorised, showing a specimen of their signature, shall be kept at the school.

**N.B THE PLACEMENT OF AN ORDER AND THE CERTIFICATION OF THE INVOICE FOR THAT ORDER SHOULD NOT BE DONE BY THE SAME PERSON. SCHOOLS SHOULD TRY TO ENSURE THAT PERSONS AUTHORISED TO CERTIFY INVOICES SHOULD NOT ALSO BE THOSE AUTHORISED TO SIGN ORDERS.**

The school must ensure that invoices are only certified for payment after they have satisfactory receipt of the goods/services ordered. The school should endeavour to obtain written confirmation of receipt of goods in order to prevent receiving unauthorised goods or making overpayments.

The invoice should be checked against the copy order and delivery note so that the prices, quantity, goods and services agree. This procedure also enables the school to check that the invoice is outstanding and has not already been paid. The SAO should mark the copy order forms with the invoice payment made i.e. invoice number, invoice date, cheque number and date. Failure to match invoices to orders could result in a payment error. Check that the invoice is arithmetically correct. If there are any discrepancies arithmetically or otherwise, contact the supplier and agree to the revised sum.

Check that the budget holder has signed the invoice in order to authorise the paying of the invoice.

To recap - the certification of an invoice for payment is deemed to confirm that:

- the payment is a real liability and the goods/work have/has been properly ordered.
- the goods have been received, examined and are approved as to the quality and quantity.
- the work done/ services rendered are satisfactory.
- the prices are in accordance with quotations/estimates.
- the invoice is arithmetically correct.
- all discounts (where appropriate) have been effected.
- inventories, stores and other records have been updated where applicable.
- copy orders have been marked off appropriately.
- expenditure coding is correct.
- the expenditure is within the school budget.
- appropriate VAT regulations have been applied.

Always check to see if a discount is available for prompt payment and prioritise that payment to take advantage of it.

#### Recording Purchased Items on an Inventory

If a given (non-consumable) item costs £100 or more it is recommended that it is placed on the school inventory. (If items costing less than £100 are purchased and are deemed as valuable, or difficult to replace, then it is recommended that these are placed on the inventory as well).

## Chapter Overview

Local Authorities including schools whilst funded from public funds are subject to the same UK tax regime as private companies and individuals. It is important that HMRC's rules are adhered to at all times as severe penalties and back-taxes could be imposed by them if they were to decide to conduct a compliance audit (which they could do at any time) and find errors in the way the LA has accounted for its tax and NI.

## Tax and National Insurance

### Engagement of consultants and advisers other than temporary agency staff

Schools must not pay employees outside their payroll system (see [Petty Cash Controls](#)).

Schools must consider carefully the tax status of consultants and advisers employed and, where necessary, should seek further advice from Payroll.

All consultants are required to complete a form for HMRC purposes, available from Payroll.

All consultants will be paid through the payroll on PAYE unless notified by the HMRC.

It is essential that advice be sought from Payroll on all occasions. Failure to follow correct procedures may result in the employing school paying appropriate fines to HMRC.

### Construction Industry Scheme

Under rules issued by HMRC on 6<sup>th</sup> April 2007 schools are exempt from the Construction Industry Scheme.

### Value Added Tax (VAT)

VAT is a tax that is levied on both goods and services.

Organisations with a large enough taxable turnover have to register for VAT. Once registered they must charge VAT on all the VATable goods and services they supply and pay some over to HM Revenue and Customs (HMRC).

The good news for VAT registered organisations is that they can recover from HMRC most of the VAT they incur on their purchase.

Local Authorities are granted special status under VAT legislation and are able to recover all VAT incurred in the course of carrying out their statutory duties. In certain areas local authorities will also charge VAT on goods and services that they themselves supply. The LA has a single VAT registration which covers all of its activities (including schools). VAT needs to be accounted for separately. As a registered local authority Lewisham has to account to HMRC on a monthly basis for the difference between tax charged on income (output tax) and that paid on supplies/services to it (input tax).

HMRC see your school as one section of a larger VAT registered organisation, the input tax and output tax that you generate has to be incorporated into the LA's monthly VAT return, which is why it is necessary for you to submit your VAT returns to CYP Finance within 16 calendar days of the month end.

Your school is part of the LA's VAT registration. You are responsible for correctly managing VAT at your school, which means that you have to know:

- when to declare VAT on your income and
- how to recover VAT on your purchases.

HMRC are able to retrospectively recover incorrectly accounted for VAT going back three financial years plus current and they can also demand interest. This can have a serious impact on your school's budget.

Once you understand the basic principles of how VAT works, the rules are not too difficult to follow. But if you are ever in any doubt, or think you may have made a mistake, contact CYP Finance for advice. It is always better for us to disclose our mistakes than for HMRC to find them.

### Rates

Not all goods and services carry the same VAT charge. The following rates of VAT are levied at present: -

- Standard rate - A VAT registered organisation is required to apply VAT at the standard rate to all its goods and services unless they clearly fall within one of the other categories listed below. The standard rate of VAT from 1st [January 2011](#) is [20%](#).
- Lower rate of VAT- VAT is charged at 5% on small (domestic) quantities of fuel. VA, VC and Foundation schools can get VAT relief on larger quantities of fuel – [link to Climate Change Levy](#) . Children's car seats and Ladies sanitary products also attract VAT at the lower rate.
- Zero rate – 0%. Books, provisions, children's clothing and some publications fall into this category.
- Exempt rate - These items incur no liability. Examples include rents and lettings, insurance and postage stamps.
- Outside the scope, or Non Business - The transaction is outside the scope of VAT. Charges between Lewisham departments and Lewisham LA schools are outside the scope of VAT as are supplies and services from businesses that are not registered for VAT.

### VAT reports

VAT appears on your VAT report in the tax period that you enter an invoice into your financial management system. You may find that you receive reimbursement for VAT before you have actually paid the supplier. This is fine providing you hold a proper (past dated) tax invoice from your supplier. ([link to proper tax invoices](#))

### HMRC Penalties

From 1 April 2009 HMRC were given new powers to impose penalties where, in HMRC's view, errors have occurred due to carelessness (or failure to take reasonable care).

HMRC have not published a definition of "reasonable care" but situations that HMRC may deem deserving of a penalty could include:

- Where it is discovered that VAT has been reclaimed inappropriately.
- Where it is discovered that VAT has not been declared when it was appropriate to do so.
- Where VAT is not accounted for in the correct period. (After set off of input and output tax schools are normally in a repayment situation. However, there is still a requirement to pay over any output tax due on time). Penalties arising from claims made in the wrong period can be avoided by schools, by ensuring that all VAT claims are submitted on time each month. All schools should ensure that any income received is banked as soon as possible after receipt.

Please note there is no central budget to meet the costs of penalties therefore any penalties incurred will be charged to the responsible school.

Penalty amounts are structured as follows:

Due to:

- Careless action – 30% of potential lost revenue.
- Deliberate but not concealed-70% of potential lost revenue.
- Deliberate and concealed-100% of potential lost revenue.

These penalties can be substantially reduced if we make an unprompted disclosure so please do inform CYP Finance as soon as possible if you think you have made a mistake.

### Recovering VAT on invoices

To recover VAT, check to ensure that invoices are correct for VAT purposes before you enter them into your accounting systems.

You can only recover the VAT you have been charged by your suppliers if your school: -


1. Makes the order.
2. Receives the supply.
3. Receives a PROPER TAX INVOICE addressed to the school or to the LA. (link to [proper tax invoice](#))
4. Pays for the goods DIRECTLY out of the ISB and not from private funds or from the PTA.
5. RETAINS OWNERSHIP of the goods.

**What is a proper tax invoice?**

A tax invoice should include all the following details....

- 1) An identifying number.
- 2) A TAX POINT DATE or INVOICE DATE (this must not be a future date...link to future tax points).
- 3) Name, address and VAT registration number of the supplier.
- 4) Your school's name, or "London Borough of Lewisham".
- 5) Description, unit price quantity of goods or services.
- 6) Amount of VAT.
- 7) Rate or rates of VAT.
- 8) Total amount due.

The sample invoice below contains all the information necessary for VAT recovery from HMRC.

		<b>Certified Institute of Schools Accountants</b> <sup>(3)</sup>			
Registered Offices: 3 <sup>rd</sup> Floor, Finance House, 1 Accounting Drive, Cashtown, County Money, GBP1 10U United Kingdom <sup>(3)</sup> Tel 0208 314 8348		VAT Number 205 596 069 <sup>(3)</sup>			
Invoice Number: ED454875 <sup>(1)</sup>		Invoice date: 1 <sup>st</sup> September 2009 <sup>(2)</sup>			
Invoiced to: Lewisham School <sup>(4)</sup> Lewisham Road Lewisham London SE13 6XX		Delivery to: H Teacher Same address			
Code	Description <sup>(5)</sup>	Qty <sup>(5)</sup>	Rate <sup>(5)</sup>	Cost <sup>(5)</sup>	VAT Rate <sup>(7)</sup>
5421	Financial Planning consultancy 01/09/09 – 05/09/09	5	£200.00	£1,000.00	15.0%
5309	Travel expenses	5	£10.00	£50.00	0.0%
5415	Postage and carriage	1	£15.00	£50.00	15.0%
	Net amount			£1,100.00	
	VAT <sup>(6)</sup>			£157.50	
	<b>Total due <sup>(8)</sup></b>			<b>£1,257.50</b>	
Please make payment payable to CISA Limited within 30 days of the invoice date					

**Tax invoices under £250.00 (including VAT)**

A modified tax invoice can be accepted if the value of the supply is less than £250.00 and contains the following information: -

- Name, address and VAT registration number of the supplier.
- Date of supply (tax point date).

- Description of the goods or services.
- Rate of VAT
- Total amount payable INCLUDING VAT.

To calculate the 15% VAT element of a VAT inclusive invoice by multiplying by three and dividing by twenty-three.

e.g.  $£100.00 \times 3 \div 23 = £13.04 \text{ VAT}$

To calculate the 17.5% VAT element of a VAT inclusive invoice by multiplying by seven and dividing by forty-seven.

e.g.  $£100.00 \times 7 \div 47 = £14.89 \text{ VAT}$

### **On-line purchases**

Suppliers of on-line purchased goods normally provide a tax invoice in one of two ways:

- There may be a point during the on-line purchase at which you can request a tax invoice or print one off having completed the transaction.
- The tax invoice may be provided at the point of delivery of the goods. It is therefore important that the recipient of the goods ensures that the invoice is passed on to the School Business Manager.

### **Entering tax invoices**

When you are happy that you hold a proper tax invoice you can enter it into your Financial System. The system will automatically calculate VAT at the appropriate rate. Check the calculated VAT against the VAT shown on the invoice. If there is a small discrepancy (due to roundings) you can overwrite the calculated VAT with the amount that appears on the invoice. Significant discrepancies should be referred back to the supplier.

### **VAT codes**

When you receive invoices from suppliers, the rate of VAT charged should be included on the invoice. When you input invoices, enter the appropriate VAT indicator against each expenditure item.

- "0" For ZERO RATED items
- "1" For STANDARD RATED items at 17.5%
- "2" For LOWER RATED items at 8%
- "3" For EXEMPT items
- "4" For STANDARD RATED items at 15%
- "5" For items that are NON BUSINESS, or outside the scope of VAT

If you operate another financial system you can input your own VAT indicators, but the six different rates of VAT listed above must be separately identifiable.

You may find it difficult to distinguish between items that are Zero Rated, Exempt or Non Business. If there is no reference at all to VAT on the invoice (e.g. no VAT registration number) you should use the "3" VAT marker. In most other cases if VAT has not been charged the supply will be zero rated, so use the "0" VAT marker unless the invoice specifically refers to the supply as exempt.

Supplies between official Lewisham accounts, e.g. supplies between Lewisham schools, or from Lewisham departments to your school, are always outside the scope of VAT.

### Problem tax invoices

Not all the invoices you receive will be straightforward tax invoices. The following deal with some of the problems you are likely to come across.

### Errors on tax invoices

If the invoice contains an error, or does not include all the information necessary to enable you to recover VAT, simply return it to the supplier, point out the mistake and ask for a corrected invoice. You have a right to demand a proper tax invoice from your supplier if you are being charged VAT. The only exception to this rule concerns invoices from some Tour Operators. ([link to School Journeys](#))

Never amend tax invoices yourself. HMRC could check the firm's copy of the invoice as well as yours.

### Tax point dates or invoice dates

You cannot recover VAT charged to you before the tax point date or invoice date. Broadly speaking the tax point date is the date that the firm has to account to HMRC for the VAT it has collected from you. You cannot claim reimbursement from HMRC before this date. On most invoices the tax point date or invoice date will be shown as the date that the invoice was issued. However, some companies (for cash flow purposes) send invoices out with a future tax point date. The example below shows a leasing invoice that arrived at the school in October, but had a tax point date of 1st February. If the School had input the invoice onto their financial system before the 1st February it would have recovered VAT in an earlier tax period than it should have done.

		<h2>Print Lease Company</h2>			
Registered Offices: 4th Floor, Finance House, 1 Accounting Drive, Cashtown, County Money, GBP1 10U United Kingdom Tel: 0208 314 8348 Fax: 0208 314 3478		VAT Number 205 596 069			
Invoice Number: LM454875		Invoice date: 1 <sup>st</sup> October 2009 Tax point date: 1 <sup>st</sup> February 2010			
Invoiced to: Lewisham School <sup>(4)</sup> Lewisham Road Lewisham London SE13 6XX		Delivery to: H Teacher Same address			
Code	Description	Qty	Rate	Cost	VAT Rate
5426	Lease Rental for the period 01.12.08 to 28.02.09.	3	£1,000.00	£3,000.00	15.0%
	Net amount			£3,000.00	
	VAT			£391.31	
	<b>Total due</b>			<b>£3,391.31</b>	



This payment is due for settlement on 10.12.08  
Please make payment payable to PLC Limited

There are two ways of dealing with these invoices. Either:-

- Leave the invoice to one side and do not input it onto your financial system until the tax point date, or
- If the payment has to be made before the tax point date in order to avoid late payment charges or to meet a contractual agreement, code the whole amount including the VAT element to the appropriate departmental code and place a VAT marker "5" (non business) in the VAT box. Then send a photocopy of the invoice to the CYP Finance and ask for the VAT to be refunded to you after the tax point date. You will receive reimbursement that can be coded back to the department code that temporarily bore the cost of the VAT.

### **Cheques with orders**

There will be occasions when a firm will charge you VAT but will not send you a tax invoice until after you have paid them.

In these circumstances you will have to code the whole charge, including any VAT, to a departmental budget. The department will have to bear the cost of the VAT until the firm sends you a retrospective tax invoice. It is a good idea to send the firm a letter with the cheque requesting that the tax invoice be sent by return.

When you receive the tax invoice send a copy of it to CYP Finance who will arrange reimbursement that can be coded back to the department's budget.

### **Pro-forma invoices**

You may receive invoices that include the words "this is not a tax invoice" or "pro-forma invoice".

Firms often do this to invalidate the documentation for tax purposes, usually because the firm is making you an offer of a service, e.g. a subscription renewal or an invitation to attend a course or seminar, rather than charging you for a supply you have already received. The pro-forma will often include a note to say that a proper tax invoice will be sent to you when the firm receives a cheque.

Treat such invoices in the same way as "cheque with orders" (above)

### **School Journey documentation**

[\(link to general VAT rules on School Journeys.\)](#)

School Journey documentation often includes one or all of the problems mentioned so far.

- Ask the company if it will be able to provide you with a proper tax invoice before you do your costings. Some holiday companies operate under the Tour Operators Margin Scheme. These companies cannot provide you with a proper tax invoice at any stage. You cannot therefore recover any VAT you have been charged. If you deal with such companies, run the whole trip through your private funds.
- You should always run overseas trips through your private funds. EC countries will charge you VAT at that country's VAT rate, but you cannot recover this from HMRC.
- Firms often ask for deposits at the booking stage and will only send you a proper tax invoice as the final bill. Deposits must be paid through the official funds in order for you to be able to eventually recover VAT. The final invoice should include the total VAT including the VAT on the paid deposits. Enter the tax invoice into FMS and overwrite the calculated VAT with the VAT shown on the invoice.

Example:

Geography field trip costing £800 plus VAT of £120.

1. Firm asks for a deposit of £100. This includes an element of VAT but the firm does not send you a proper tax invoice at this stage.
2. Pay the bill through the ISB and code the whole £100 to the Geography department budget.
3. Final bill = £800 plus VAT of £120, less the deposit of £100, total due £820.
4. Code another £700 to the Geography department; the department has now paid £800. Overwrite the VAT calculated by FMS with the total VAT recoverable i.e. £120.
5. Tax point dates. Always check the tax point date on the invoice. Some holiday firms say that the tax point date is the day of the holiday – link to “tax point dates”

### **Timescales for reclaiming VAT**

Whilst it is important not to reclaim VAT before the tax point date, it is equally as important to reclaim VAT within prescribed timescales. You should normally claim input tax on the VAT return for the period during which the supplier's tax point occurred.

If you are unable to claim input tax in the proper period because you have not yet received the necessary evidence, you can claim it on a return for a later period provided you make that return within 3 years of the date that the return for the proper period was due to be made

### **Accounting for VAT on income**

As part of a VAT registered organisation you have a duty to pay VAT to HMRC on any VATable income you receive.

#### **Standard rated income**

You should place a '4' 15% or '1' 17.5% VAT marker in the VAT box on your paying in slip against standard-rated income.

The following items are all VATable:

- Private photocopying income.
- Private telephone calls.
- Short-term sports lettings ([link to lettings.](#))
- Sale of old equipment.
- Royalties income from vending machine companies. ([link to vending machines](#))
- Income from the sale of Staff/Visitor meals.
- Charges for staff secondment to outside organisations.
- Some charges to pre school or extended school clubs ([link to extended schools](#))

To calculate see above ([link to VAT fractions](#))

The LA has to account for VAT on income as soon as it is received, so try to input VATable income into the system as soon as possible. The VAT should appear as output tax on your VAT return.

#### **Zero rated income**

The following items are zero-rated. You should place a '0' VAT marker in the VAT box on your paying in slip against zero-rated income.

- Book sales.
- Sale of publications.
- Mini Bus hire - 12 seats or more plus driver.

- Produce, edible fruit and veg.

### **Non business or outside the scope income**

The following items are outside the scope of VAT. You should place a '5' VAT marker in the VAT box on your paying in slip against 'outside the scope' income.

- External gifts/contributions (no strings attached) including PTA donations.
- Pupil meals.
- Any charges to other Lewisham schools/establishments.
- Swimming income.
- School Journeys – donations for pupils.
- Breakfast club/after school club income from schools own pupils.

### **Lower rate VAT**

When you sell metered fuel on to outside organisations that occupy part of your site, you should charge VAT at the standard rate. Small quantities of fuel can be charged at the lower VAT rate - 8%. Contact CYP Finance for further advice.

Income from fuel supplied to another party as an incidental to the exempt hire of facilities can be treated as exempt from VAT.

### **Exempt income**

- Exam fees
- Musical instrument hire
- Musical instrument lessons
- Assisted musical instrument purchase

## **Lettings**

### **Room hire**

If you hire out rooms (including rooms with kitchen facilities) the supply is usually exempt from VAT. However if you hire out specialised rooms such as computer suites, where the purpose of the hire is to use the facilities rather than the room, you should charge VAT at the standard rate.

### **Hire of hall**

School hall lets are usually exempt from VAT. However Customs and Excise have recently tightened up on rules relating to sports facilities. If you let out your hall for sporting activities and supply your customer with sports equipment such as nets, goalposts etc you should treat your hire as a 'sports let' and comply with the guidance below.

### **Sports facility lettings**

Sports lettings are normally standard rated, so a one off let of your sports hall, pool, gym or field should include a charge for VAT. If you are letting out a sports facility for purposes other than participation in sport or physical recreation the supply is exempt from VAT. For example if you let your sports field out for a car boot sale, or your hall for a WI meeting, the supply is exempt.

Under the following strict criteria a series of sports lets can be regarded as exempt from VAT. All the following conditions must be met for the exemption to apply: -

**The let must be for a continuous period of over 24 hours to the same club and the club must have exclusive control of the facility.**

OR

**The series must consist of ten or more sessions and the interval between sessions must be at least one day and not more than fourteen days.**

- Letting for every other Sunday afternoon fulfils the condition providing the interval does not exceed 14 days, but there is no exception for longer intervals arising through closure for school holidays and similar circumstances.
- Each session must be for the same sport or activity.
- Each session must be in the same place. The "same place" may be a sports ground or sports centre where a different pitch, court or land is used to meet the requirement.
- The user must pay for all of the sessions, though not necessarily in one go, and there must be written evidence to that effect.
- Payment in advance is not necessary for VAT exemption to apply but all bookings must be paid for.
- The facility must be let out to a school, club, association or an organisation representing affiliated clubs or constituent association. The exemption does not apply to informal groups of persons or to commercial organisations.
- The person to whom the facility is let must have exclusive use of it during the session.
- The school must hold sufficient documentation committing the organisation to the series of lets before the first session takes place. The agreement should state the dates and times of the lets to be included in the series. An invoice issued in advance could be seen as a formal agreement providing all other criteria have been met. The documentation must clearly state that the supply is for the whole facility as opposed to the use of the facility.
- Cancellation options allowing refund or credit to the lessee will invalidate the whole exemption even if no cancellations are made. **The mere existence of the right to cancel invalidates the exemption.**
- Cancellation by the school due to bad weather, double bookings etc are 'unforeseen' and will not invalidate VAT exemption.
- If the lessee books an additional session, or increases the length of a session after the initial agreement, whether it is within the period of the series of lets or not, the extra session/time will be liable to VAT at the standard rate.
- Additional charges for optional extras such as supplies of staff are treated as VATable, as are separate charges for metered fuel. But supplies that are an integral part of the let such as changing room facilities, unmetered supplies of fuel, caretakers time, floodlighting etc should be treated as part of the overall supply and will follow the same VAT liability as the main supply.

VAT must be charged to the lessee unless all of the above points are satisfied.

The conditions you have to meet if you want to avoid charging your customer VAT are now very strict.

## Petty Cash

### Recovering VAT

Normal VAT rules apply to petty cash transactions, i.e. you can only recover VAT on petty cash items if you have obtained a proper tax invoice for the goods. (link to tax invoices)

Most till receipts do not contain sufficient information for VAT recovery, but some firms have adapted their rolls to serve as a proper tax invoice.

You could not recover VAT on the strength of example receipt A, even if you knew that you had paid VAT to the firm, but example B would be perfectly acceptable for VAT recovery.

Example A		Example B	
WEST TOOLS	Suppliers name	HOME BASE LTD	
40 Westgate st.	← and address →	10 Beckenham Hill Rd	
Lewisham		Catford	
		London SE6 3NU	
VAT: 358 222 28	← VAT no →	VAT 344 - 4585-39	
21.12.08	← Tax point date →	date 21.12.08	
		till no 1252	
1 * 0.60			
1 * 3.25		Sale vat	
1 * 2.99		Item	
1 * 2.99			
	Description of goods →	Fridge Fixings 2.65 b	
9.83	← Amount payable	Drill Bits 1.85 b	
* 10.00		Drill Bits 2.29 b	
C 0.17		Frame Fixings 2.15 b	
	Gross		
0020.02021 121 B	Amount payable →	Total 8.94	
		Change 0.00	
	VAT rate →	VAT 'b' inc 15%	

You should ask for proper tax invoices whenever possible and certainly when purchasing more expensive items.

If the firm you purchase your petty cash items from is registered for VAT it is worth trying to get them to supply you with proper VAT receipts for standard rated supplies so that you can save the VAT element of the cost. However if you can't get a VAT receipt do not try to recover VAT.

The following examples are standard rated, so try to obtain VAT receipts for such purchases:-

**Standard rated supplies –VAT at 15% or 17.5%**

- Most stationery items and office equipment, e.g. pens, rubbers, print cartridges, staples, labels, memo pads, photographs, record books, key cuttings, plugs, light bulbs, tags, calculators etc.
- Pet food and cage lining material
- Alcohol and most soft drinks.
- Eating out (in cafes, hotels, etc)
- Confectionery, i.e. sweets, ice cream, crisps, salted nuts, etc.
- Most entrance fees

**Lower rated supplies – VAT AT 8%**

- Children's Car Seats
- Ladies sanitary products

Firms will not charge you VAT on the items listed below. As there is no VAT to recover, a normal receipt for the goods is all you will need.

**Zero rated supplies**

- Cold takeaway foods
- Most other food and drink
- Books (including atlases, dictionaries, hymn books, etc.)
- Brochures
- Catalogues
- Young children's clothes
- Loose leaf books
- Magazines and newspapers
- Music - music scores
- Maps
- Protective helmets

**Exempt supplies**

- Postage stamps
- Room Hire

**Specific activities****Purchases made for re-sale**

You cannot purchase goods from the ISB on behalf of a third party in order to help them avoid VAT. This would be strictly illegal. If you purchase items for a third party (PTA's, private nurseries etc) through your official funds, make sure you charge VAT at the appropriate rate on the onward sale.

Schools throughout the country have been penalised by HMRC for recovering VAT on purchases and not accounting for VAT on subsequent sales. The one exception to the above rule concerns sales to pupils.

**Sales incidental to the provision of education**

Schools are able to purchase goods such as calculators, pens, art materials etc through the LA, recover VAT on the purchase and then sell the goods on to pupils VAT free providing the following conditions are satisfied:

- the specific goods and services purchased are for the direct use of the pupil in lessons during LA supervised tuition
- in the delivery of education that is part of the school curriculum, and
- are necessary for delivering that education to him or her.

For avoidance of doubt, it is not enough that a similar item is used in the LA tuition, whilst the purchased item is used elsewhere, e.g. at home, or for homework or musical practice.

In addition to the principal conditions above, the following general conditions must also be satisfied to demonstrate a supply by the LA to its pupil:

The goods and services required must be purchased from the LA. This means that the LA must hold title to the goods, and transfer ownership to the parent, guardian or pupil purchasing them. However, within that, the delivery address and point of distribution of those goods and services is a matter for individual LAs to determine.

Payment for the goods must be made either to the LA or to the school. If paid to the school it must be paid into the school's official funds.

Some evidence, e.g. an order form, must be kept to show that the recipient of the goods and services has been receiving education from the LA, and that what has been supplied was essential to that education.

The price of the goods and services supplied must be at or below cost, there being no intention to make a profit. Cost means the fully overhead-inclusive price of supplying the goods and services to the pupil.

In certain cases goods may be leased under the same rules (subject to the other LA leasing regulations).

**Laptops**

If schools wish to purchase laptops, recover VAT on the purchase and then sell them VAT free to their pupils, they need to comply with the 'sales to pupils rules' rules.

In addition, HMRC have made it clear that laptops can only be sold to pupils VAT-free if the machine is going to be used by the pupil in lessons as a necessary part of receiving tuition from a teacher. The practical upshot of this is that pupils will have to bring the laptop to school (which could have security implications for both the school and the pupil.) It is not enough for the pupil to use the laptop at home for homework and bring a memory stick into school.

**Musical instruments.**

As well as the general 'sales to pupils rules' above, HMRC have made it clear that schools can only purchase musical instruments for resale to pupils VAT-free if the instrument will be used under the direct supervision of an LA teacher, either in class or as part of the school orchestra. This means that the pupil will have to either transport the instrument into class, or the LA teacher will have to deliver the tuition from another location. Pupils cannot purchase instruments that will be kept at home and then receive tuition on a similar instrument in class. This is obviously going to rule out pupils being able to purchasing large bulky instrument such as pianos and big drum kits that will be kept at home unless the LA teacher actually teaches the pupil in their own home.

### **Sales to pupils that are not closely linked to education**

HMRC do not consider the sale of school uniforms or the sale of sports clothing to be closely linked to education. However, HMRC does accept that protective equipment with a specific safety aspect, which may include some sports clothing, could be necessary for the education and therefore satisfies the qualifying conditions. In particular they mention aprons, overalls, protective headgear, gum/teeth protectors and shin pads. Note, however, that HMRC specifically excludes footwear in this category. There are also 'grey areas' like the sale of 'drink bottles' where the link to education is a bit tenuous. If you are not sure whether your sales fit the criteria for VAT avoidance, contact CYP Finance for advice. Goods that are not closely linked to education should be bought and sold through the school's private funds. You will be unable to recover any VAT you are charged on the purchase of the goods, but you do not have to declare VAT on the subsequent sale.

### **Gifts to Pupils**

You can recover VAT on small value items purchased to be given away to children as gifts.

### **The PTA and other private funds**

It is important that you do not mix up income from LA funds with income for private funds. Income from LA activities such as lettings, private photocopying etc. must be paid into the ISB and VAT should be declared at the appropriate rate.

You cannot recover VAT on purchases made DIRECT from private funds.

### **How to avoid VAT on contributions from the PTA**

- PTAs typically raise money for equipment such as computers, camcorders, play equipment etc. They often additionally raise money for end of year 'educational' treats for the children such as School Journeys to a pantomime. It is quite in order for the PTA to donate the net cost of the supply to the school and for the school to purchase the service through its official funds and recover VAT providing the following points are observed
- Donate the net cost of the goods from your private funds to your official funds.
- Make the purchase through the ISB.
- Receive the supply.
- Receive a tax invoice made out to the school or to the LA.
- School or LA retain ownership of the purchase and only use it for school purposes.
- Keep records that will enable you to easily identify the purchase and purpose for which it is made.

### **Activities that should be run through private funds**

It actually makes sense for schools to run all their profit making ventures through their private funds because although VAT cannot be recovered on purchases it does not have to be declared on the higher value subsequent sales. Large PTA /private funds may have to be VAT registered ([link to VAT registration of private funds.](#)) HMRC consider that the following "business activities" should be run through private funds rather than through the ISB:

- Goods purchased for resale, e.g. badges, uniforms, tea towels, ties, mugs etc.
- Sale of sports clothing
- Income from privately-run tuck shops, drink sales etc.
- Entrance to plays, discos, fireworks etc
- School Journeys, if you purchase through a tour operator (especially overseas trips)
- Social Events



- School Photographs – see below

### **School photographs**

We advise that you run photograph a/cs through your private funds in order to avoid VAT, i.e. pay income from parents into private funds, write out cheques to photographers direct from private funds, and bank commission income into private funds.

### **VAT registration of private funds**

If your school's private funds have a large BUSINESS TURNOVER (e.g. if you run a large tuck or uniform shop, generate income from school plays etc.) you may have to register the fund for VAT. The VAT registration threshold is now £67,000.

You can be fined for late VAT registration so do consult your private fund auditors for advice if you are concerned.

Note: If you have several separate private funds, you must add them together when calculating business turnover, e.g.

Private tuck shop	£15,000
Uniform sales	£ 4,000
School fund account	£ 3,450

Total business turnover of private funds	<hr/> <u>£22,450</u>
---	----------------------

### **School Journeys**

HMRC no longer require that the school subsidises a trip in order to recover VAT, nor is it necessary to provide the trip to pupils at or below cost. The only real stipulation that is now made is that the Headteacher considers that the trip is " educationally beneficial to the pupils".

How to recover VAT on School Journeys ([School Journey documentation](#)).

#### **Proper tax invoices.**

Before you book the trip ask the holiday company if it will be able to provide you with a proper tax invoice at some stage. Some firms work under the tour operator's margin scheme and can't give you a proper tax invoice. You should work out your costs gross of any irrecoverable VAT. VAT incurred on overseas trips is irrecoverable. Run all your foreign trips through your private funds.

Pay all bills through the ISB.

- You must pay all bills INCLUDING DEPOSITS direct from the ISB in order to recover VAT.

#### **Contributions from parents.**

- Contributions from parents towards the cost of the trip can be paid into private funds and then into the ISB, or directly into the ISB. (Use the VAT indicator 'n', non-business.)

#### **Sales to parents, staff, siblings etc**

Some schools sell spaces on popular trips, e.g. to see shows, football matches etc to parents and teachers. If you sell spaces on trips to anyone other than your own pupils you should charge the customer VAT. Make sure that you bank VATable income with a VAT marker '2' in FMS. There are no VAT implications for staff and parents who get free spaces in return for supervision.

**Retaining documentation**

Records must be retained for 6 financial years plus current year for VAT purposes.

**Discounts for prompt payment**

When a firm offers you a discount for prompt payment, the VAT element should be calculated on the discounted amount, even if you do not take up the offer to pay the firm within the time limit.

**Capital works and refurbishments – income-generating facilities**

Could you please contact CYP Finance as early as possible if you are thinking of building/refurbishing any facilities that could be used to generate income, e.g. Sports halls, theatre/arts suites, early years/pre school buildings - anything that could attract income from rents, hire, lettings, fees or joint use agreements.

It is vital that these schemes are properly managed for VAT purposes. If they are not, the potential VAT loss for the school and for the LA can be huge.

If you are employing external consultants don't assume that they are VAT experts. Most do not understand the complex rules that govern Local Authority VAT.

**Climate change levy**

Foundation, VA and VC schools can avoid paying Climate Change Levy on gas and electricity. These schools should send VAT exemption certificates to their suppliers so that VAT is charged at 8% and CCL is not charged at all. Don't forget that a new certificate has to be completed whenever you change your energy supplier. Blank certificates can be obtained on request from the LA.

**Foreign payments**

Schools wishing to make purchases from other EC Countries need to ensure that the LA's VAT Registration number (GB 205 596 069) is quoted when the goods/services are ordered. This will enable your European supplier to zero rate the goods. If you do not quote your VAT registration number when placing your order, your supplier will charge you VAT at that country's VAT rate and you will be unable to recover same through your VAT return.

When you make a purchase from another EC country please also ensure that you let CYP Finance have the details of your purchase. Please provide your school code, general ledger code, and a copy of the invoice to CYP Finance immediately upon its receipt. This is because details have to be included on the LA's VAT return in the appropriate month.

**Catering****In - house catering**

Since June 2000 HMRC have regarded all sales of food and drink at or below cost by an LA School to its pupils as non-business, i.e. you do not have to account for VAT on sales. 'Cost' means the fully overhead-inclusive cost of bringing the food and drinks to the pupils, i.e. includes labour costs etc. 'Food and Drink' can include items such as crisps, chocolate and fizzy drinks. When determining whether your school meets the "at or below cost" criterion, all sales of food and drink to pupils can be considered, from all outlets in the school (including vending machines if they are offered as part of the schools official catering facilities), over a period of time such as a year.

If you are not sure you are delivering food and drink at or below cost, contact CYP Finance for advice.

### **Tuck shops etc run through your private funds**

If you run a tuck shop, vending machine etc through your private funds you need not account for VAT on sales, but you cannot recover VAT on your purchases. Be careful that your private funds do not exceed the limit for VAT registration (currently £67, 000 per annum.) If they do you will have to treat all private fund catering sales, both to staff and pupils, as standard rated for VAT purposes.

### **Food sold to pupils to be consumed off the premises**

HMRC have asked us to remind schools that whilst food sold to pupils to be consumed on site can be treated as non-business, it becomes a business supply if pupils take it away from the premises. The VAT liability will depend on the nature of the food supplied. For example, confectionery and crisps would be standard-rated but cold sandwiches would be zero-rated. If you are aware that this happens at your school you should attempt to make some sort of reasonable estimation of the value of the food taken away by pupils and account for the appropriate output tax to HMRC on same. If you need any further advice, please contact CYP Finance for help.

### **Meals to Staff and Visitors.**

All supplies to staff and visitors are standard rated for VAT purposes, other than cold takeaway food that is consumed away from the cafeteria area. Where food provided to staff cannot be separately identified from supplies to pupils, a reasonable apportionment must be made. This applies to purchases that staff make from vending machines etc as well as supplies made in the main canteen.

Free meals to staff e.g. to those on duty, are outside the scope of VAT.

### **Catering supplied by outside catering firms**

There are some quite complicated VAT issues surrounding the supplies made to schools by outside catering companies and the relationship between the school and the company will vary from contract to contract.

There are a number of points to bear in mind.

- The supply of catering is normally standard-rated for VAT purposes.
- However, when a school provides meals to its own pupils, the supply is 'incidental to the provision of education' and is therefore outside the scope of VAT.
- If a catering contractor were to supply catering direct to pupils, the company would have to charge VAT because it would not, of course, be making the supply as an incidental to the provision of education. Most contracts seek to find a way round this problem.

The following paragraphs deal with the most common contractual arrangements between catering companies and schools. This is how an ideal arrangement should work for VAT purposes, but it's by no means the only way contracts can be drawn up.

If you do not have the type of arrangement set out below and you are concerned about the way your contract is operating, contact CYP Finance for advice.

### **Agent/principal arrangements**

#### **Catering company acting as principal**

The best way round the VAT problems is for the catering company to prepare and supply its meals to the school, and not the pupils. The catering company will charge you VAT on its supplies, which you can recover in the normal way through your VAT returns. You can then make an onward supply of meals to your pupils and, because this supply is incidental to the provision of education,

it is outside the scope of VAT. For the purpose of this supply the catering company is acting as principal.

### **Catering company acting as agent**

In most arrangements the catering company will also serve the meals to the pupils and collect income from them on your behalf. For the purpose of this supply the catering company is acting as an agent of the school.

In practice the catering company will normally offset the income it collects from pupils and staff on behalf of the school against its charges to the school and will therefore only send an invoice to the school for the VAT element of the supply.

### **Free meals**

Under the above agent/principal arrangements the catering company will usually send a periodic invoice to the school for the supply of free meals plus VAT. Provided you hold a proper tax invoice from the catering company, you will be able to recover all the VAT charged.

### **Staff meals**

When the catering company collects income for meals from staff and visitors they should also collect VAT that is due to HMRC. If the catering company is acting as an agent of the school, it is your responsibility to declare this output tax on your VAT returns. Make sure that you understand what your responsibilities are when you enter into these types of contracts with catering companies.

### **Vending machines**

HMRC have announced a policy change regarding charges made to operators of vending machines. Previously, if a vending machine company paid you for sitting their machines on your premises, the income you received from the company could be treated as exempt from VAT. (Vending machine companies often describe your income as commission or royalty payments.) Under the new rules you have to declare VAT on such income.

Obviously if the vending machine company is sending you the same amount of money but you now have to account for VAT on that sum, you will be worse off. Schools should therefore discuss this change with their vending machine company and try to negotiate additional sums to cover the VAT that the school will have to declare to HMRC. Vending machine companies may ask you to send them a proper tax invoice so that they can recover the additional VAT payments they make to you. Some companies operate a 'self-billing system'. They will ask you to provide them with your VAT registration number and get you to sign a form agreeing to a self-billing arrangement. They should then send you regular self-billing invoices that in effect replace the debtor invoices that you would otherwise have to send to them. You should keep the self-billing invoices as prime documents and make sure that you treat the accompanying income as standard rated.

### **Renting vending machines.**

Some companies just rent the vending machine to the school and charge you for the loan of the machine. They will charge you VAT, which you can recover subject to the normal 'VAT on Expenditure' rules. The income you collect from the machine is subject to the normal 'vat on catering' rules.

### **Extended schools/pre school provision/out of hour learning etc.**

New powers under Section 27/28 of the Education Act 2002 allow the Governing Body of schools to provide community facilities such as childcare. 'Every Child matters' policies also gives schools powers to provide community type facilities.

The rules governing such initiatives are complex and a number of issues, including VAT, have to be considered at an early stage. Governors wishing to set up new facilities should firstly contact the CYP Finance for advice. Schools who have existing pre school and out of hours facilities run by independent management committees should continue to charge VAT at the appropriate rate on any supplies made to the independent group other than overhead recharges, namely fuel, providing the group have a "non-business lease" with the school for the premises used.

### **VAT on capital works at voluntary aided schools**

Unlike most schools, VA schools are not able to recover VAT through the local authority on capital works. This is because the statutory responsibility for the provision of the works lies with the Governors and not the local authority.

#### **What are Capital works?**

Capital works include work on the school's buildings, playgrounds, the purchase of new furniture, fittings or ICT equipment etc, where the value of the work is more than £2,000.

Funding for this sort of work is normally provided by a 90% direct grant from the Department for Children, Schools and Families (DfE). The school governors usually donate the remaining 10%. You should ensure that you cost works and apply for grants gross of irrecoverable VAT.

Most VA schools now have a separate bank account to manage capital funds. Income from the DfE, Governors, fundraising etc is paid straight into this account, and expenditure incurred on capital purchases is paid for directly from this account rather than through the school's delegated revenue account.

The concession that permitted schools to recover VAT on capital works to the extent that they were funded using delegated revenue accounts was withdrawn on 1st September 2009. From this date, if you pay any capital bills using your delegated revenue funds you must code the gross cost, including the VAT element to the relevant expenditure code.

For more information about capital expenditure and VAT (see [Appendix C](#))

#### **Zero rating building works**

When a VA school is constructing a completely new stand-alone building, and that building will be used for non - business purposes, (e.g. a new classroom block) it is sometimes possible for the school to issue the building contractor with a VAT certificate confirming that the building will be used for 'relevant charitable purposes'. The contractor will then be able to treat his invoices as zero rated for VAT purposes. Schools embarking on such projects should contact the Diocese for further advice.

## Chapter Overview

To qualify as a capital expenditure, an expenditure must:

Meet the capital criteria as defined in the Consistent Financial Reporting guidance issued by the DCFS in the 'School Finance Pack'.

Comply with the following definition, drawn from the Chartered Institute of Public Finance and Accountancy (CIPFA), who define capital expenditure as:

- the acquisition, construction, preparation, enhancement or laying out of land
- the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures
- the acquisition, installation or replacement of moveable or immovable plant, machinery, apparatus, vehicles and vessels

Be above a predetermined minimum value (known as the de minimus level) - currently £1,000 for non VA/VC schools and £2,000 for VA and VC schools.

In addition to all the above criteria, the expenditure must also result in one of the following:

- the substantial lengthening of the useful life of a building/asset
- a substantial increase in the open market value of a building/asset
- a substantial increase in the extent to which a building/asset can be used.

Where the above criteria are not met, the costs should be recorded as revenue.

### Capital Funding Restrictions

Capital funding clauses can restrict the type of costs that can be charged against capital funding streams. Schools should satisfy themselves that they have appropriate capital funding (with contributions from their revenue funds if necessary) to meet capital costs, before entering into commitments.

### Leases

Schools should obtain the LA's consent before entering into any lease. The Authority has a contract with external companies which enable the Council to obtain preferential borrowing rates to fund leasing agreements. This is why it is important for all lease agreements to be considered in total. This is beneficial to schools because they have access to professional financial advice from the Council's treasury managers and obtain favourable rentals.

Finance Leases - Schools may not enter into finance leases. Finance leases count as borrowing and schools are not allowed to enter into external loans.

Operating Leases - These agreements allow the authority to secure the use of, but never the ownership, of the asset. The equipment purchased can never be transferred to the Lessee.

There are a number of conditions which must be met for an agreement to qualify as an operating lease. These are;

- Ownership of the asset must not pass to the School or LA either during or at the end of the lease or on disposal.
- Any renewal or continuation of the agreement from the end of the leasing period must be at open market rentals, agreed with the lessor prior to the end of the leasing period.
- The lease rentals (excluding the interest portion of the payment) should not exceed 90% of the initial purchase price of the goods.

The amount estimated by the authority as the asset value at the end of the agreement must equal or exceed 10% of the value of the asset at the commencement of the lease. If further periods are

required under an operating lease the 10% residual value still applies for the further period but is based on the estimated value of the asset at the end of the primary period.

### Loans

A school may only borrow from the Local Authority. This is because any borrowing by a school counts as borrowing by the Local Authority, which is regulated by government. For further information on this please refer to the Scheme of Delegation.

If a school can afford to, it should always buy the equipment outright as this will always be the cheapest.

If a school cannot afford to buy the equipment outright they should consider the LA Innovation Fund loan scheme.

### Lewisham Innovation Fund

Created on 1<sup>st</sup> April 2009 the Lewisham Innovation Fund scheme enables schools to access funding for capital projects and equipment and offers the same advantages of the lease in terms of spreading the payments over a number of years without the need to enter into an external contractual agreement. It will also work out to be the cheaper option in the majority of cases.

Further information is available on the SAO website.

### Asset Management

#### Asset register

The school must maintain an Asset Register of items held by the school that the Governing Body deems to be valuable and/or subject to an insurance claim. Moveable assets valued at £1,000 or more must be recorded.

The asset register should include the following information:

- date of acquisition of asset
- description of asset, including colour, a unique identification mark such as a serial number and security marking, where appropriate
- for ICT/electrical equipment, a record of the model or other unique reference/security number
- cost of the asset purchased
- source of funding
- location of the asset
- details of the disposal of any assets, whether scrapped, sold or donated
- details of the revaluation of an asset
- items used by the school but owned by others (e.g. leased items) supported by a note of ownership.

Where possible, the Asset Register should be held within the school's financial system, rather than as a hardcopy document.

A copy of the Asset Register must be kept in a safe, fireproof place, and be available for inspection.

Acquisitions and disposals should be recorded on the register at the time of acquisition or disposal and reported to the Governing Body.

The Governing Body must ensure that the asset register is kept up-to-date and is reviewed at least once a year. The review must include the physical check of the assets and must be

performed by someone other than the person maintaining the register. The asset register should be certified and dated on completion of the review.

The upkeep of the asset register can be particularly important for insurance reasons, as policies will often limit the insurance of equipment etc. to those items present on the schools asset register. Please refer to the insurance section of this manual for further guidance.

Registers should be reconciled annually with the School's Insurance records.

### Loaning Assets

An asset can be loaned to staff of the school, but schools must keep a log of such loans. Where loan of an asset could be deemed a benefit in kind and therefore have tax implications for the individual, the relevant paperwork must be completed. For further advice, please contact either your payroll provider or HMRC.

### Disposing of Assets

The Governing Body may dispose of assets through sale, donation or scrapping.

Assets that have been disposed of must be removed from the Asset Register, and the insurer (if applicable) notified.

For every disposal, the Governing Body or Headteacher (if the authority has been delegated) must:

- record the reasons for the disposal
- be able to demonstrate that the assets are either obsolete or surplus to requirements.

Headteachers must appoint a single person to be responsible for disposing of assets, and inform them in writing that they are ultimately accountable for doing so. The responsible person's name must be clearly identified in the school's disposal file.

Any disposal of a capital asset must be made in accordance with the school's policy on purchasing and disposal and, where the disposal involves land and/or buildings funded by the LEA, the school must obtain formal advice and approval from The Learning Trust.

Schools must ensure that they adhere to the latest WEEE (Waste Electrical and Electronic Equipment) legislation, which sets out the requirements for disposing of electrical/electronic equipment. The legislation states that such assets cannot just be thrown away, but must be disposed of properly, either by:

- donation to a charity (for refurbishment and re-use) – e.g. Tools for Schools
- disposal by a specialist organisation, who will take such items away and recycle them. (Specialist organisations normally charge for this service.)

For further guidance, visit the following websites:

- [WEEE](#) for further information on WEEE legislation
- [TFS](#) for information about the Tools for Schools charity.

Before disposing of computer equipment schools must ensure compliance with the Data Protection Act 1984 by erasing all personal data from the hard disk. Note that merely deleting files may not physically remove the data, which could be restored using specialised products. You must also ensure that any software products for which licences are maintained in-house are removed from the equipment prior to disposal.

Any member of staff who determines that an asset is surplus to requirement, or who is involved in the disposal, should never attempt to purchase it or take it for personal gain. There should be a clear separation of duties and the Headteacher must approve all disposals.

Official receipts must be issued for income received for disposed assets. Monies must be received and properly accounted for by someone who has not been involved in the disposal.



The income received from the sale of any asset must be treated as income in the school's budget, unless it relates to the sale of certain assets (such as land and buildings owned by the LEA) or to income from a Public/Private Partnership (PPP) or Private Finance Initiative (PFI), which are subject to a specific agreement.

### Obsolete Assets

Assets are deemed obsolete if they have no resale value.

Schools may donate surplus, obsolete assets to the voluntary sector, or scrap them.

### Surplus Assets

Where the possible sale value for an item or group of items exceeds a predetermined threshold value, the school should seek to dispose of them by quotation, competitive tender or public auction, unless approved by the Governing Body to do otherwise.

The threshold value should be set by the Governing Body.

### Retention of Disposal Documentation

In accordance with the LA's financial regulations all documentation relating to the disposal of the asset must be retained for a period of six years after the disposal.

The following types of document should be retained:

- the Governing Body or Headteacher's written record declaring the asset surplus, and instructions to the person appointed as responsible for the disposal.
- the advertisement
- the offers made
- the receipt.

### Security - General

The Governing Body is responsible for the security of the school's assets.

It is the responsibility of all Budget Holders to ensure that a yearly stock check is carried out during the summer term. Any missing items must be reported to the Governing Body.

Appropriate arrangements must be in place for the security of all assets. Security measures could include the following:

- Secure equipment and other assets by means of physical and other security devices (e.g. locked In cupboards).
- Authority to access these secured assets should be clearly documented.
- All items in the asset register should be permanently and visibly marked as the school's property.
- Maintain a record of any model or other unique reference/security number in the asset register.
- Clearly mark any portable equipment that is vulnerable to theft with the name of the school.

Easily portable and saleable items (videos, televisions, computers, cameras, etc.) must be security marked and kept securely locked away when not in use, particularly overnight. Keep a separate record (in the Asset Register) of any model or other number unique to your machines.

Items of school property should not be removed from the school premises without the appropriate delegated authority.

Should property be removed from the school premises, the school should:

- establish the position related to insurance before the assets are taken off site

- be aware that assets on loan for extended periods or to a single member of staff on a regular basis may be deemed a benefit-in-kind, which may be subject to taxation
- keep a record of all assets removed from the school premises
- update the record when the assets are returned.

### Computer Security and Protection

School computer systems hold sensitive financial and personal data. Schools must, therefore, take appropriate action to ensure that equipment and data is kept secure.

All schools should have a written ICT Security Policy, which should encompass the guidelines for protecting hardware and software, set out below.

### Protecting Hardware

The main dangers to hardware are:

- loss through theft
- damage (accidental or otherwise).

To minimise the danger of loss or damage, the machines should be:

- Labelled with a unique asset number
- Entered onto the school's asset register with their serial numbers
- Correctly positioned (i.e. towers not laid on their sides).

If possible, the machines should also be:

- Not visible from outside the building or to the public generally
- Kept in a locked room when not in use, particularly overnight
- Where possible, secured to furniture
- Labelled, marked with indelible pen or have the name of the school soldered onto the case.

To minimise damage and the chances of the machines being damaged all users should:

- Refrain from eating or drinking whilst working on the machines
- Never move or attempt to clean a machine without first obtaining the IT co-ordinator's advice
- Ensure any loose cabling into the machine is not in danger of being stood on or tripped over by staff
- Know who to contact in the event of a breakdown of the machine.

Laptops and other easily portable equipment are particularly vulnerable to theft and damage. They should be kept in a locked cupboard when not in use and carefully protected when taken outside the office.

File servers must be kept in secure rooms, with access limited only to authorised individuals.

### Protecting Software

The main dangers to software are:

- Unauthorised access to data
- Accidental loss of data by the user or because of machine failure
- Corruption of data by computer viruses.

To minimise the danger of unauthorised access, users should ensure that:

- The system is returned to the password screen when leaving the office
- The machine is switched off when not in use.

Only authorised staff should have access to computer hardware and software for school management.

Passwords should be used to stop unauthorised access to information.

Procedures should also exist for a new password to be issued to new staff , and withdrawn when staff leave.

Passwords should be:

- at least six characters long and preferably contain a number
- changed regularly (every 90 days) and as soon as a user leaves
- not shared between users
- not written down
- not obvious (such as the user's telephone number).

Schools should have a recovery plan in the event of loss of accounting or financial data. The plan should outline the need for and frequency of electronic back-up, secure storage of back-ups (if possible, off-site), and manual procedures to provide support for key processes where normal system usage is not possible.

Guidance on disaster recovery planning can be obtained from LA's Health and Safety Officer.

The following precautions should be taken to minimise any loss of data caused by machine failure or user error. (When PCs are networked and data is stored to a server, these functions should be carried out by the System Administrator.)

- Give all users proper written instructions on how to use the system.
- Back up all data regularly (i.e. files created by the user such as word processor documents or spreadsheet files). It is recommended that data be backed up after 8 hours' work on the machine.
- If possible, keep at least three generations of back-up (i.e. the previous three back-ups). Back-up cycles should be taken daily, weekly and monthly.
- Maintain a back-up of all operating software (such as Windows NT).
- Store the system disks/CDs for the applications (such as Microsoft Office) securely.
- Store all back-ups away from the vicinity of the machines in a fireproof, locked cabinet or safe - preferably off-site.
- Ensure that there is adequate hardware maintenance cover for critical equipment.

To minimise the danger of data corruption by viruses an anti-virus solution must be implemented for all networked PCs and servers. There is a continuing threat from previously undetected viruses, so staff should take the following precautions.

- Never load software without the your school IT co-ordinator's approval, including software from the Internet.
- Never load any disks/CDs sent unexpectedly through the post (for example, demonstration or customer research software).
- Strictly control the transfer of software and data from one machine to another.
- Never make unauthorised copies of any software.
- Ensure virus-checking software is installed on all computers, and regularly updated.

### **Unauthorised Use of Software and Data Protection**

The 7th Data Protection Principle of the 1998 Act requires personal data to be surrounded by proper security. Take care at all times to ensure that staff do not render themselves liable to prosecution under the Data Protection Act.

Take particular care to protect data accessed or processed by 3rd parties. Any contract held with organisations or contractors authorised to process Council data should specify the security standards required. Advice on how to comply with the Act is available from The Learning Trust's IT Team under service level agreement arrangements.

Unauthorised copying of software is illegal under copyright.

### **Internet Usage**

Web filtering should be installed to automatically block any inappropriate websites from being accessed.

### **Computer Printouts**

Employees must not release information or computer data, particularly that of a personal or sensitive nature, to unauthorised persons.

Take care to prevent inadvertent disclosure of information, e.g. by ensuring that paper is suitably filed and disposed of securely.

Confidential waste must be shredded.

## Chapter Overview

This chapter is a summary of the insurance arrangements which the LA considers essential for the safety and protection of assets, staff, children, parents, governors and other third parties. Lewisham's Insurance Section produce an Education Insurance Handbook every 3 years which is sent to schools. The current insurance handbook is dated 2006/07 which is available on the SAO website and which will be updated shortly.

## Insurance & Risk Section

Lewisham's Insurance & Risk Section manages all insurance cover required by the LA in respect of buildings, contents, motor vehicles, property, all liabilities and short term cover. The section provides expert advice on insurance related matters and will act as liaison for schools between the Council's insurers and brokers.

The primary role of the section is to ensure that schools have adequate insurance provision for the protection of assets and people.

## Insurance Contacts

All members of the Insurance & Risk Section are able to answer any insurance related queries that you may have.

- Group Manager, Insurance & Risk - Telephone 0208-314-6849
- Insurance & Risk Section Manager - Telephone 0208-314 6130

## Insurance Responsibilities

The core elements of risk in schools for which insurance cover should be in place are outlined below. Items identified as "delegated" are not paid for by centrally held funding but can be purchased from the Insurance & Risk Section or through external insurers or brokers, who will invoice the schools directly. The Council's Insurance & Risk Section will be happy to discuss any cover arrangements with you or advise on products you are considering purchasing externally.

It is the school's responsibility to inform the Insurance & Risk Section of any acquisition or disposals of property or equipment to ensure that they are covered. The school must also inform the Insurance & Risk Section of any changes in circumstances or facts that would be relevant to the insurance cover.

Category	Funding Responsibility
Property Damage (Building and Contents – major risks)	LA
Business Interruption / Consequential loss	LA
Money / Fidelity Guarantee	LA
Employers / Public Liability	LA
Libel and Slander	LA
Personal Accident	LA
Officials' Indemnity	LA
Motor Vehicles	Governing Body
All risks ( to insure contents against theft, water damage etc. or any risk not	Governing Body

mentioned in paragraph below)	
School Outings	Governing Body
Loss of Income from Lettings	Governing Body
Supply Insurance (Teachers)	Governing Body
Voluntary Transport (where parents or governors use own vehicles to transport children)	Governing Body
Hire of School Premises	Governing Body
Hire of contractors	Governing Body

**Summary of Insurance Cover Centrally Provided**

Funding held centrally purchases insurance cover under the following headings -

Property Damage – Building and Contents Insurance – (Major risks)

The school building and contents are covered against the following risks – Fire, lightening, aircraft impact, explosion, impact by third party vehicles, and riot and civil commotion.

The following risks apply to the building only and do not cover contents – malicious damage, storm and flood, burst pipes, accidental damage and business interruption.

This cover provides for the cost of reinstating the building and contents following damage by an insured peril and for the increased cost of working for up to 36 months. Works in progress are also covered and can include new buildings in the course of construction and alteration to existing buildings for which the school/Council is responsible but the works must be notified to the Insurance & Risk before the commence.

Temporary buildings, plant and equipment belonging to the contractor are not covered. All contracts exceeding £1M must be declared to insurers prior to works starting and may be subject to minimum standards of risk control.

For Voluntary Aided Schools, the Council historically arranged insurance on behalf of governing bodies to fund their 10% insuring liability. the DfE have responsibility for insuring the remaining 90% via unused amounts in the VA Targeted Capital Fund (TCF). However, during 2009, the DfE advised that it considered the existence of this unused VA TCF funding inefficient and re-organised the funding. THE VA TCF has been reduced and the unused amounts allocated to authorities in their Locally Controlled Voluntary Aided Programme (LCVAP). As the funding has been spread around all authorities, the funding is small. This means that in the event of a catastrophic loss there may be insufficient funds held by individual authorities to fund their loss but the DfE will say that they have met their insuring liabilities through the LCVAP funding. Were a school to need rebuilding, the LCVAP would have to be fully committed for approximately 10 years. During this time, there would be no funding for any other capital works to VA premises. Lewisham does not think this is a tenable situation and is therefore following the DfE favoured option of requiring that VA schools be insured for 100% of their rebuild value. This can be arranged via the Council's Insurance & Risk Section, the Diocese or independently.

If you buy into the Council's policy, the property insurance is arranged under a single policy and the LA provides you with a full claims handling service in the event of a claim arising

If you have not, then you should carefully check the arrangements you have in place to ensure that the Governing Body's insuring liability is protected adequately.

**Public Liability Insurance**

The Public Liability Policy (sometimes referred to as Third Party Insurance) is designed to cover the school and LA for claims made against it by third parties.

The school is covered against accidental bodily injury or illness (fatal or otherwise) to any person (other than an employee if such an illness arises out of the course of employment) and accidental loss of or accidental damage caused to third party property as a result of negligence or breach of statutory duty. There is no automatic right to compensation under this policy. Compensation will only be paid where the loss or injury arises out of negligence or breach of statutory duty.

The cost of defending any action brought against the School, LA, Governor or Governing Body is also covered under the Policy so, if a third party makes a claim which is unfounded or where there had not been any negligence or breach of statutory regulations, it will be defended on your behalf and any costs incurred will be met under the Policy.

The following are extensions to the Policy to include others who may be involved in the operation of the school – Governors' liability, Volunteers' liability, Work Experience, Health and Safety at Work Act Prosecution Defence Costs.

### **Employers' Liability Insurance**

The Employers' Liability Policy covers the LA and Schools in respect of claims made by employees (whilst serving under a contract of employment or service or apprenticeship) who are alleging that they have suffered injury, illness or disease (including death resulting from such injury, illness or disease) arising out of and in the course of their employment for which the LA or the School have a legal liability.

As with the Public Liability Policy, there is no automatic right to compensation under this Policy and employees will only be compensated when there is a legal liability to do so.

The cost of defending any action brought against the School, LA, Governor or Governing Body is also covered under the Policy so, if an employee makes a claim which is unfounded or where there had not been any negligence or breach of statutory regulations, it will be defended on your behalf and any costs incurred will be met under the Policy.

The Policy will also cover the cost of defending any proceedings resulting from alleged breaches of the Health & Safety at Work Act but not any criminal fines imposed.

This also covers Trainees / Volunteers and others participating under the direction and control of the school in work experience schemes.

### **Officials Indemnity**

Officials Indemnity provides protection for the school against any claims (including legal costs and expenses) made against it alleging a negligent act, error or omission or nuisance created or allowed to occur has resulted in financial loss to a third party.

### **Libel and Slander**

This covers the school against its legal liability to pay compensation (including legal costs and expenses) in respect of libels appearing in a publication and slanders in oral utterances by an employee. All of the Council's liability policies are extended to cover Governing Bodies and the definition of "employees" is extended to include Governors.

### **Money / Fidelity Guarantee**

This provides for direct pecuniary loss sustained as a result of any act of fraud or dishonesty committed by any employee of the Council or any voluntary workers whilst carrying out official duties.

This section of the policy also covers money in the following situations –

- Money in transit in the custody of employees

- Money in the school premises only when in the custody and control or under the actual supervision of employees or in locked safes and strong rooms to the safe holding limit
- Pre authenticated Giro cheques sent by post
- The cost of repairing / replacing safes damaged during a theft or attempted theft.

### **Personal Accident- Employees**

Personal accident insurance is arranged for all Council employees to provide compensation in respect of death or disablement resulting from accidental injuries arising out of or in the course of their duties or in other specified circumstances.

### **Claim Procedure**

#### **General Responsibilities**

Responsibility for making claims rests with Headteachers or a designated officer of the school. In relation to claims the Insurance & Risk Section must be notified as soon as possible and they will acknowledge all claims quoting a claims reference number and a contact. All further communications and correspondence regarding the claims must include the claims reference number.

Verbal enquiries from third party claimants to the School should be referred to the Insurance & Risk Section quoting a claim reference number if available. Liability must not be admitted or discussed. Doing this will invalidate the insurances. If in doubt please refer the claimant or their representative to the Insurance & Risk Section.

**Buildings Insurance Claim** - If the damage is extensive (i.e. likely to cost over £5,000 to repair) then please ring the Insurance & Risk Section on 020 8314 6563 immediately to discuss and they will advise how to proceed and appoint loss adjusters if necessary. Emergency or make safe works such as securing the property, boarding up etc can be carried out immediately without authorisation by insurers. If you are in doubt as to what would constitute emergency/make safe works then please feel free to phone the Insurance & Risk Section to discuss.

#### **Employees' Liability & Public Liability (Third Party) Claims**

If an employee or a third party wishes to make a claim against the Council for incidents where they consider the Council or school to have been negligent, in breach of Statutory Duty, or responsible for injury or damage to property the following must be adhered to at all times:

The employee/third party should be asked to make a formal claim in writing.

At no time should liability be discussed or admitted, if questioned on this point please point out that you cannot discuss this matter as it subject to an insurance claim and refer the claimant to the Insurance & Risk Section. When the claim is received it should not be acknowledged. It must be sent to the Insurance & Risk Section immediately who will acknowledge in accordance with legal protocols.

Copies of all correspondence must be passed to the Insurance & Risk Section with a fully comprehensive report that identifies the circumstances, the incident, the damage or injury and any building or equipment defect, and details of previous inspection systems which should have revealed the defect giving the last date of inspection.

- Any incidents or claims involving fatality or very serious injury or loss should be notified immediately by telephone to the Insurance & Risk Section on 020-8314-6130. You will then be given specific instructions on how to proceed and what assistance will be provided to deal with the immediate enquiries etc.



**Cash Claims**

Should any Council monies or monies for which the Council is responsible be stolen or lost then a claim form must be completed and sent to the Insurance & Risk Section.

**Hire of School Premises**

Any hirer of school premises for a non-school event should have adequate Public Liability Cover themselves up to a minimum level of £2 million. Cover should include liability for any damage to the school and its contents.

Cover is not always accessible to third parties in their personal capacity and can be purchased via the Council's Insurance Section. This cover is not available for commercial organisations, church groups, or other 'organisations' who must maintain their own cover.

The hirers of the schools should be encouraged to obtain their own insurance cover for the period of letting and only where they are unable to obtain such cover should they be offered the extension. The sole purpose of this extension is to allow the use of Council establishments, such as Schools to hire out the premises for use by the public who do not normally require or have public liability insurance for 'fund raising events', jumble sales and private functions such as a weddings.

The cover is only operative if comprehensive details of the 'hire' are produced and forwarded to the Insurance Section on a quarterly basis to allow for the annual declaration of the policy to be completed correctly. Those wishing to use the policy should charge within their hire fee a sum of £5.00 per event.

**Employment of Contractors**

Any contractor employed by the Council or school must provide evidence of adequate public and employers liability insurance, which must cover against, damage to buildings, contents and site materials. Always check that the policies are valid, that the policies cover the company concerned and that there are no special restrictions or exclusions which may invalidate the insurance for the work being undertaken by them. The Public Liability cover must be for a minimum level of £5m.

If you are in any doubt about the contractors policy documents and details please seek advice from the Insurance & Risk Section.

**Supply Reimbursement & Insurance****Summary Of Supply Procedure**

Circumstances under which school may make a claim under the scheme managed by CYP Personnel:

- General Supply Budget managed by CYP Personnel.
- Maternity, Paternity and Public Service leave- from 1st day of absence.

The current 2009/10 CYP scheme is available on the SAO website.

**Supply Teacher Sickness Absence Insurance – managed by Council Insurance & Risk Section**

The Scheme covers any sickness absence from the eleventh working day onwards of any period of continuous sickness absence.

Teaching staff are covered by the scheme at the rate of £140 per day

Nursery Nurses in nursery classes are covered at the rate of £45 per day

Learning Support Assistants providing support to children with statements are covered at the rate of £6.42 per hour in Primary Schools, and £6.78 per hour in Secondary and Special Schools.

Senior School Administrative Officers (only one per school) are covered at the rate of £80 per day  
School Premises Officer (only one per school) is covered at the rate of £55 per day

Claims will only respond to working days and exclude all school holidays, bank holidays, Training days and weekends. Where the absent employee is in receipt of other than full pay, a relative adjustment will be made to the compensation paid, for example for part-time employees or where the sick pay entitlement is less than full pay. Phased returns to work will be paid but limited to a maximum of 60 days.

Schools are not required to produce documentary evidence that they have covered the absence of staff for who they are making claims and are able to decide independently how they cope with the absence. Compensation will be paid at the rates shown above, irrespective of the cover arrangements.

Schools that join the scheme from 1st April 2009 are able to claim as soon as the eleventh day rule has been met.

**The Council scheme does not cover paternity leave, maternity leave or jury service. All claims for these categories are to be sent to CYP personnel.**

**Claims for suspension should also be sent to CYP personnel.**

### **Supply Insurance Sickness Absence Scheme Claims Procedure**

Claim forms to be sent to Group Manager, Insurance & Risk, 3rd Floor, Town Hall, Catford SE6 4RU. All claims will be acknowledged within 10 days of receipt, confirming date of receipt and when the claim will be processed. The claims will be paid termly, in arrears, following the employees' return to work. In some cases advances will be made, normally where there is long-term illness. Terms are April to July, September to December and January to March.

For a claim to be considered you will need to ensure that the following information is provided to the Insurance Section

- A copy of the Schools Managing Absence Procedure is required for Scheme records
- A completed claim form must be submitted within 15 days of eleventh day of absence, even where the employee is still absent. Notification should be sent separately when the employee returns
- A copy of the monthly absence return
- Copies of all Self-Certificates and Doctors Certificates relating to the employee being claimed for (Original Certificates must continue to go to Staffing/Payroll)
- Copies of any referrals to the Council's Medical Adviser

Failure to comply with the above may cause delay in processing claims or exclusion of a claim and ultimately, exclusion from the scheme

### **Making a claim**

Claims for Teachers, Nursery Nurses in nursery classes and employees providing classroom support to children with statements of special needs can be made from the eleventh working day onwards, in any period of continuous absence. Where the absent employee is in receipt of other than full pay, an appropriate adjustment will be made to cover costs. If cover is not recruited schools will be unable to claim.

Costs of cover for other groups of employees will be met from the school budget.

- Journals are done centrally to credit your staff codes with amounts due you for Maternity, Paternity and Civic Service absence. This journal credit reduces the expenditure against your centrally held employee budget. The cash advance is a mechanism of releasing these

funds to you so that you can spend the money from your bank account (e.g. on Supply Staff).

### Management of the Fund

The LA's Group Manager Insurance & Risk will manage the Scheme.

At the end of a financial year, any surplus will be utilised to discount the scheme for the following year. Where schools choose not to renew their membership of the Scheme an end of year adjustment may be made accordingly. Any deficit will be carried forward to the following year.

The premiums charged will be inclusive of a charge to cover the Insurance & Risk Group's costs of administering the scheme.

- Schools which join the scheme, will have a journal debit against their supply code at the start of the financial year for the 'insurance premium'. When a claim is made by the school and approved, then a journal credit will be made reducing the expenditure against your employees centrally held budget.

Costs of cover for other groups of employees will be met from the school budget.

### CYP Absence Scheme (Maternity, Paternity & Public Absence)

Claims should be made termly, up to and including a fixed date

- Autumn term period ending – 31st December
- Spring term period ending – 31st March
- Summer term period ending – 31st August

Additional claims for the month of March must reach CYP Personnel by the first week of April.

The termly claims will be actioned during the holiday period following, and journalled to schools.

- Autumn claim -January
- Spring claim - April/May
- Summer claim -September

**Within any financial year, claims received after the above dates will be processed as soon as possible but reimbursement may not be in the following term. Where claims are received after closing of the accounts for the relevant financial year, reimbursement cannot be guaranteed**

### Reimbursement Scheme

Amounts as at August 2009

All teachers (including EMAG teachers)

- For Maternity Leave schools will be reimbursed the rate of the absent teacher's salary (daily rate = 1/365 of annual salary) plus on costs and will cover the paid period of the Maternity Leave.
- For Paternity Leave cover costs will be met up to a maximum of £164 per day.
- For Jury Service cover costs will be met up to a maximum of £164 per day less an adjustment for Juror's loss of earning, which is paid by the courts.

Nursery Nurses in nursery classes

- For Maternity Leave schools will be reimbursed the rate of the absent teacher's salary (daily rate = 1/365 of annual salary) plus on costs and will cover the paid period of the Maternity Leave.
- For Paternity Leave cover costs will be met up to a maximum of £50 per day.
- For Jury Service cover costs will be met up to a maximum of £50 per day less an adjustment for Juror's loss of earning, which is paid by the courts.

### Learning Support Assistants

- For Maternity Leave schools will be reimbursed at the average rate of scale 4 for any absent Classroom Assistant plus on costs and will cover period of maternity pay.
- For Paternity Leave cover costs will be met up to a maximum of £63.14 per day in all schools.
- For Jury Service cover costs will be met up to a maximum of £63.14 per day in all schools less an adjustment for Juror's loss of earning, which is paid by the courts.

### Service Leave

CYP Personnel currently have responsibility for administering the Schools Supply budget for Maternity, Paternity and Civic Service Leave. This budget is potentially delegable to schools and is held and administered centrally. Claims will be met from the budget for Teachers, Nursery Nurses in nursery classes and employees providing classroom support to children with statements of special needs, where cover is provided. Schools are able to claim only where cover has been recruited. In the event that claims upon this budget exceed resources available, there may be circumstances when claims are refused due to the non-availability of funds.

### Contingency

A contingency budget will be held centrally to provide for exceptional unforeseen circumstances, including cover for teachers on suspension pending capability or disciplinary hearings/appeals provided appropriate action is taken within agreed timescales.

Personnel are responsible for calculating the amount due to you. The system for reimbursement for maternity/Paternity and Civic Services leave is as follows:

### RESPONSIBILITY FOR REPAIRS AND MAINTENANCE

The LA has delegated all funding for repairs and maintenance to schools. Only capital expenditure is to be retained by the LA.

The table below sets out the categories of work which governing bodies must finance from their budget shares.

Voluntary Aided governor responsibilities are included in the Annex. VA governors will continue to be eligible for grant from the DfE in respect of their statutory responsibilities and in addition they will have responsibility for other repair and maintenance items on the same basis as Community and Foundation schools.

The LA has a de minimis level of £20,000 for works of a capital nature. Expenditure on works costing under £20,000 will be treated as revenue, or the de minimis level may be waived if works are unquestionably capital, but only with the agreement of the Head of Resources for Children and Young People.

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

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

**NB ACTUAL INTERPRETATION OF CIPFA CODE OF PRACTICE FOR THESE PURPOSES WILL BE FOR EACH LA**

<b>ELEMENT</b>	<b>CAPITAL: AS CIPFA CODE OF PRACTICE</b>	<b>REVENUE: REPAIRS &amp; MAINTENANCE</b>
<b>Roofs</b>		
<u>Flat</u>	Structure. New (not replacement) structure	Repair/replacement of small parts of an existing structure
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	Replace small areas of rotten or defective timber, make good minor areas of spalling concrete where reinforcing bars exposed
	Screed / insulation in a new building/extension	Repair/replacement of screed/ insulation where defective.
	Screed / insulation. Replacement/repair of substantially all. Improve effectiveness of insulation	Work to improve insulation standards, during work to repair/ replace small areas of roof.
	Finish on new build. Replacement of all/substantially all on existing roof	Replacement of roof finish on existing building. Re-coating chippings to improve life expectancy
	Edge Trim/ Fascia on new build	Repairs/ replacement. (uPVC) Repainting.
	Edge Trim/ Fascia, Replacement of all/substantially all on existing roof	Repairs/ replacement. (uPVC) Repainting.

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

Other e.g. Flashings, Roof windows in a new building/extension, replacement of all/substantially all on existing roof	Repair/ Replacement /cleaning
--	----------------------------------

<u>Other</u>	Provide new covered link etc. between existing buildings	Minor repairs, maintenance to existing covered link
	Rebuild or substantially repair structure of existing covered link Add porch etc. to existing building	Minor repairs, maintenance to existing structure
	Rebuild or substantially repair structure of existing porch	

### Floors

<u>Ground Floor</u>	Structure and dpc in new building	Repair/replacement of small parts of an existing structure
	Structure and dpc - Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure	
	Screed and finish in new build, replacement of all/substantially all on existing floor - e.g. replacement of most carpets/ tiles in a room	Replacement and repair of screed and finishes/ Replacement of mats/ matwells. Maintenance e.g. revarnishing wooden floors.

<u>Upper Floor</u>	Structure - as ground floor	As ground floor
	Screed and Finish - as ground floor	Repairs of finishes/ Replacement - as ground floor

### Ceilings



<u>Top/ only storey</u>	Suspension	Repair/ replacement incl. From water damage, & necessary decoration
	Membrane	
	Fixed	Repair/ replacement inc. from water damage
	Access panels	Repair/ replacement
<u>Lower storeys</u>	Suspension	Repair/ replacement
	Membrane	
	Fixed	Repair/ replacement
<u>All</u>	Specialist removal/ replacement of damaged/ disturbed Asbestos based materials, planned or emergency	Inspection/ air testing Applying sealant coats to asbestos surfaces for protection
<b>External walls</b>		
<u>Masonry/ cladding</u>	Structure Underpinning/ propping for new build	Repairs Preventive measures e.g. tree removal
	External Finish on new build	Repair/replacement of small parts of an existing structure. e.g. repointing/ recladding a proportion of a wall where failure has occurred.
	External Finish on existing build where needed to prevent imminent or correct actual major failure of the structure. e.g. repointing/recladding work affecting most of a building /replacement build	
<u>Windows and Doors</u>	Framing - new build	Repair/ replacement of individual frames. Repainting frames

	Framing - structural replacement programme	Repair/ replacement of individual windows. Repainting frames
	Glazing - new build	Replacing broken glass
	Glazing Upgrading existing glazing	
	Ironmongery Improved security	Repair/ replacement, upgrading locks etc.
	Jointing including mastic joints	
	Internal and external decorations to new build	Internal and external decoration to include cleaning down and preparation.
<u>Masonry chimneys</u>	Structure	
	Jointing including expansion and mortar joints/ pointing/ DPC	Repair/ re-pointing
<b>Internal walls</b>		
<u>Solid</u>	Complete including various internal finishes, linings and decorations	Repairs and redecoration to internal plaster/ linings tiles, pin boards etc.
	Refurbishment and alterations	Minor alterations
<u>Partitions</u>	Complete structure including linings, framing, glazing, decoration etc.	Repairs and redecoration.
	Refurbishment and alterations	Minor alterations
<u>Doors &amp; Screens</u>	Framing/ Screens/ Doors to new buildings including glazing, ironmongery, jointing and internal decorations	Internal maintenance and redecoration. Repair/ replacement of defective doors and screens

<u>All</u>	Glazing to meet statutory Health & Safety requirements	Replacement of broken glass
<b>Sanitary Services</b>		
<u>Lavatories</u>	In new buildings provision of all toilet fittings, waste plumbing and internal drainage.	Repair/ replacement of damaged sanitary ware, fittings, waste plumbing etc.
	Large scale toilet refurbishment	Small areas of refurbishment
	Provision of disabled facilities, and specialist facilities related to pupils with statements	Repair/ replacement of damaged fittings, waste plumbing etc.
<u>Kitchens</u>		
	Kitchens in new buildings, complete with fittings, equipment, waste plumbing and internal drainage. Internal finishes and decorations.	Maintain kitchen to requirements of LA  Cleaning out drainage systems
	General refurbishment	Redecoration Repairs
	Large and costly items of equipment	Repairs/ replacement parts
<b>Mechanical services</b>		
<u>Heating/ hot water</u>	Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues etc.	General maintenance of all boiler house plant including replacement of defective parts. Regular cleaning. Energy saving projects
	Safe removal of old/ damaged asbestos boiler and pipework insulation, where risk to Health & Safety.	Monitoring systems  Health & safety issues

	Planned replacement of old boiler/ controls systems past the end of their useful life	Replacement of defective parts
	Emergency replacement of boiler plant/ systems	
<u>Cold water</u>	Provision of cold water services, storage tanks, distribution, boosters, hose reels etc. in major projects	Maintenance and repair/ replacement of defective parts such as servicing pipes. Annual servicing of cold water tanks.
<u>Gas</u>	Distribution on new and major refurbishment's, terminal units	Repairs, maintenance and gas safety All servicing
<u>Ventilation</u>	Mechanical ventilation/ air conditioning to major projects	Provision of local ventilation. Repair/ replacement of defective systems and units
<u>Other</u>	Swimming pool plant and its complete installation, including heat recovery systems	Repair/ replacement of parts to plant, pumps and controls. Water treatment equipment and all distribution pipework. Simple heat recovery systems. Solar heating plant and equipment.
<b>Electrical services</b>		
<u>General</u>	Main switchgear and distribution in major projects.	Testing/ replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables including that in temporary buildings.
	Replacement of obsolete and dangerous wiring systems, including distribution boards	All testing, earthing and bonding to meet Health & Safety. All servicing.
<u>Power</u>	Control gear, distribution, fixed equipment, protection etc.	All testing, repair and replacement of small items of equipment

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

### Notes

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

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

## **FINANCIAL REGULATIONS**

### **INTRODUCTION**

The Regulations in the following paragraphs lay down the procedures to be followed by officers in discharging their financial duties. They are effective from 31st July 2006. Executive Directors are responsible for ensuring the officers in their directorates comply with these Regulations and any guidance issued by the Executive Director for Resources, from time to time.

Attached to these Regulations are the Financial Procedures issued by the Executive Director for Resources. These are integral to the Regulations and provide further explanation on procedures to be followed by officers in discharging their financial duties. Financial Procedures are re-issued from time to time by the Executive Director for Resources to reflect new and / or changing issues.

The Regulations and Financial Procedures form part of the Council's regulatory framework alongside the Constitution and the annual Scheme of Delegation and must be adhered to by Council officers. Failure to comply with the Regulations and Financial Procedures may constitute misconduct and lead to formal disciplinary action.

In the following Financial Regulations and Procedures the term "Executive" refers to the Mayor, the Mayor and Executive members collectively, or individual executive members insofar as the Mayor has retained executive powers for him/herself or has delegated authority to the Executive collectively or individually for the activity referred to (Council Rules of Procedure & Standing Orders D3). Reference should be made to the current scheme of delegation to ascertain the person or body currently exercising executive power for the activity in question.

Under the Constitution adopted by Lewisham Council with effect from 6 May 2002 the scheme of delegation is adopted annually. The annual scheme of delegation consists of delegations of executive functions and powers from the Mayor (Article 15.2 and Council Rules of Procedure & Standing Orders D3-6) and the delegation of non-executive functions by the full Council (Article 15.1). Financial Regulations and Procedures must be read in conjunction with the scheme of delegation currently in force.

Information on the current scheme of delegation can be obtained from the proper officer.

Where an executive function is delegated to an officer, area committee, joint committee or another local authority (D3) the rules, procedures, financial limits and reporting of financial matters as set out in Financial Regulations and Procedures shall remain in force, except where another arrangement is specifically set out in the formal delegation of executive authority. In any instance any breach of Financial Regulations and Procedures shall be reported to the Executive Director for Resources.

### **A: Role and Responsibilities Statement**

#### **Chief Finance Officer**

A.1. S151 Local Government Act 1972 requires a named officer, who must be a qualified accountant, to take responsibility for the proper administration of the Council's financial affairs. S114 Local Government Finance Act, 1988 requires an officer to make a public report in specified cases of actual or anticipated financial misconduct or if there is a potential budget deficit. In Lewisham, these duties are vested in the Executive Director for Resources.

A.2. The Council's Constitution set out the following as the functions of the Chief Finance Officer:

- (a) Ensuring lawfulness and financial prudence of decision making. After consulting with the Head of Paid Service and the Monitoring Officer to report to the full Council, or to the Executive in respect of executive functions, and the Council's external auditor, if he/she considers that any proposal, decision or course of action will involve incurring unlawful

expenditure, or is unlawful and is likely to cause a loss or deficiency, or if the Council is about to enter an item of account unlawfully.

- (b) Administration of the Council's financial affairs. The Chief Finance Officer will have responsibility for the administration of the financial affairs of the Council.
- (c) Providing advice. The Chief Finance Officer will provide advice on the scope of powers and authority to take decisions, maladministration, financial propriety, probity and budget and policy framework issues to all Councillors including the Mayor and will support and advise Councillors and officers in their respective roles.
- (d) Giving financial information. The Chief Finance Officer will provide financial information to the media, members of the public and the community.

A.3. The Executive Director for Resources is also specifically responsible for and required to report to the Executive on:

- The resources required to implement Council policies including financing partnership arrangements.
- The level of Council Tax to be levied.
- The Council's prudential guidelines, in particular forward projections of revenue commitments and the budget strategy.
- The annual borrowing limit.
- The capital programme.
- Treasury Strategy.
- Arrangements for Financial Administration including Accountancy, Audit and Risk Management.
- The Annual Statement of Accounts and its publication.

A.4. The Executive Director for Resources also has a statutory duty to ensure that the accounts and supporting records of the Council are maintained in accordance with proper practices and kept up to date. Also, that the accounts present fairly the financial position and that reasonable steps have been taken for the prevention of fraud and other irregularities.

A.5. The Executive Director for Resources shall have access to all financial records held in the Council and require explanations from the Council officers as necessary.

A.6. The Executive Director for Resources shall determine Council procedures regarding debt recovery.

A.7. The Executive Director for Resources shall receive a report, from the appropriate Executive Director, of any breach of financial regulations or procedures. If deemed to be of a serious nature then the Executive Director for Resources shall submit an appropriate report to the Executive.

### **Executive Directors**

A.8. Executive Directors have overall responsibility for the finances of their directorate and must ensure there are proper systems for financial administration and control. Executive Directors shall consult the Executive Director for Resources on any matter which is liable to affect materially the finances of the Council before any provisional or other commitment is incurred and before reporting to the Executive.

A.9. Executive Directors shall ensure that accounting systems and procedures within their directorates incorporate adequate controls to safeguard against loss and fraud. Executive Directors shall ensure that officers in their directorates have adequate training in order for them to comply with financial regulations.



**Heads of Resources**

A.10. Under the arrangement for financial devolution, each directorate shall have an officer designated as a Head of Resources to support the relevant Executive Director and Budget Holders in discharging their financial and budgetary responsibility. The Head of Resources shall be accountable to the Executive Director for Resources on all matters pertaining to Section 151 and Section 114 responsibilities as they affect the Council's finances. Where a potential conflict arises between the service considerations and the S151 duties, the S151 duties must prevail.

**Decision Making**

A.11. Where officers make decisions under delegated authority, they shall record their decisions and the reasoning behind them and shall store those records in such a way as to be accessible for scrutiny, audit and inspection.

A.12. Where officers make a Key Decision under delegated authority they shall only do so on the basis of a written report that contains service, corporate, financial and legal considerations. Officers shall further comply with all other requirements of Key Decisions as set out in Procedure Rules & Standing Orders (G23).

A.13. The Constitution identifies certain executive decisions as being Key Decisions (Article 16.2) and sets out in part IV the procedures that must be followed when Key Decisions are made (Procedure Rules and Standing Orders G12-25). These procedures apply whether a Key Decision is exercised by the Mayor or is delegated to the Executive collectively or an individual executive member, by an Area Committee, Joint Committee or another local authority, or by an officer. The full list of Key Decisions is set out in Article 16.2 of the Constitution. The following paragraphs highlights those Key Decisions most directly related to financial matters:

- decisions which will involve expenditure or savings of £500,000 or more (save treasury management transactions taken in accordance with the Council's Treasury Management Strategy as approved by the Council)
- consideration of any report relating to the possibility of the withdrawal of delegation of budget from a school
- the Council's scheme for the financing of maintained schools
- closure of, or significant reduction in provision of, any Council service
- the fixing of fees and charges for Council services
- granting or withdrawing financial support to any external organization in excess of £10,000
- writing off any bad debt in excess of £50,000, unless the Council has within the last 3 years already written off debts for the person/organisation concerned totalling that amount in which case any further write off would be a key decision
- the disposal of any Council property for less than best consideration
- the disposal of any interest in Council property with a value of £500,000 or more
- the taking by the Council of an interest in land worth £500,000 in total
- the granting of any interest in land where the interest is valued at £500,000 or more
- applications for funding from any external body which if successful would also require Council match funding of £500,000 or more, or entail a revenue commitment of at least £500,000 in total by the Council
- consideration of any matter in which, to the decision-maker's knowledge, the decision-maker (or any member of a committee or sub committee making the decision) has an interest which ought to be declared. An interest includes a family member, friend, employer, or organisation with which the member is associated
- the award of a contract with a total value of £200,000

Where there is any doubt as to whether a decision is a key decision, it should be treated as if it were a key decision in any event.

## **B: Financial Planning and Financial Accountabilities**

### **Annual Revenue Budget and Budgetary Control**

#### **Budget Format**

B.1 The general format of the budget will be approved by the full Council and proposed by the Executive on the advice of the Executive Director for Resources. The draft budget should include indicative cash limits to different services and projects, proposed taxation levels and contingency funds.

#### **Budget Preparation**

B.2 The Executive Director for Resources is responsible for issuing guidance on the general content of the budget as soon as possible following approval by the full council, and allocates resources for discharge by the Directorates, who will operate within cash limits.

B.3 Financial control and administration is devolved to officers in directorates with responsibility for budgetary control and financial monitoring vested in the Budget Holders. Executive Directors shall prepare budgets in accordance with guidance given by the Executive Director for Resources.

B.4. Officers shall ensure that the Executive and delegated decision makers have the fullest information to enable them to exercise responsibility for the financial and other resources made available. Officers shall further ensure that such information is given in writing and include service, legal and financial implications and a consideration of options. They shall further ensure that such information is made available to executive decision makers within a sufficient timescale to allow them to give the matter proper consideration. Officers shall further ensure that all reports that have financial implications are forwarded to the Executive Director for Resources who shall advise of the financial implications before the report is considered by the executive decision maker.

#### **Budget Monitoring and Control**

B.5. Executive Directors are responsible for ensuring effective budgetary control within their directorates. They shall establish budgets for directorate services, and shall ensure that such budgets are properly and effectively managed by named budget holders. These budget holders shall ensure that their expenditure does not exceed their budget and that any required budget income target is achieved so as to meet their cash limit. Executive Directors are responsible for ensuring that their aggregate directorate cash limit is not overspent and they comply with the rules governing virements as set out within the Financial Procedures.

B.6. Budget holders have operational responsibility for budgetary control. They shall record financial commitments against their budgets, monitor their budgets and reconcile their own records to the Council's financial information system on a regular basis and take corrective action promptly to deal with any problems that may arise. In carrying out their budgetary responsibilities they shall comply with any guidelines issued from time to time by the Executive Director for Resources.

B.7. At the end of the financial year and following closure of the revenue accounts Executive Directors will report to the relevant Committee on the outturn of expenditure and income and the comparison with the approved budget. The Executive Director for Resources will report on the aggregate of the revenue outturn for all services to the Executive and full Council.

Virements

B.8. All virements shall be in accordance with the Financial Procedure for budgetary control and the limits set by Council. Currently Executive Directors can vire up to £500,000 with the approval of the Executive Director for Resources. Executive approval is required for virements between £500,000 and £1m and full Council approval for virements of £1m and over.

Treatment of Year-End Balances

B.9 The Executive Director for Resources is responsible for agreeing procedures for carrying forward under and overspendings on budget headings as part of the final outturn.

### Resource Allocation

B.10 The Executive Director for Resources is responsible for developing and maintaining a resource allocation process that ensures due consideration of the full Council's policy framework.

### Capital Expenditure

B.11. The regulations pertaining to revenue expenditure apply to capital with the exception that capital Budgets can only be vired as follows:

- up to £2.0m on HIP and up to £1m on OSCP delegated to the Executive Director for Resources;
- up to £4.0m on HIP and up to £2m on OSCP delegated to Mayor and Cabinet;
- over £4.0m on HIP and £2m on OSCP to be referred to the Full Council.

B.12. For Repairs and Maintenance items Executive Directors may move resources between schemes and divert their Repairs and Maintenance allocation towards any stream of revenue payments due under PFI or PPP Contracts.

B.13. At the end of the financial year and following closure of the capital accounts the Executive Director for Resources shall report to the Executive on the aggregate of capital expenditure compared to budget and the financing of the expenditure.

B.14. Capital and revenue projects will be managed in accordance with Lewisham's Standard for Project Management as contained in the Financial Procedures.

## Accounting

### Accounting Policies and Standards

B.15 The Executive Director for Resources is responsible for ensuring that the general principles adopted in compiling and presenting the annual audited accounts are in accordance with THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM: A STATEMENT OF RECOMMENDED PRACTICE (CIPFA/LASAAC). Any deviations must be stated in the accounts.

B.16. The accounts and accounting records shall be prepared in accordance with Financial Regulations and Procedures as issued by the Executive Director for Resources. Executive Directors shall closedown accounts under their responsibility in accordance with the closing timetable and guidance notes issued by the Executive Director for Resources.

B.17 Budget holders shall ensure that all expenditure and income transactions are recorded accurately on the Council's main financial information system by the use of the correct accounting code.

B.18. Executive Directors shall ensure that all systems of accounting and financial organisations in their directorates are regularly reconciled with the Council's main financial information system administered by the Executive Director for Resources and that the financial systems are kept up to date.

B.19. All financial systems shall be referred to the Executive Director for Resources for agreement before introduction or revision.

B.20. Executive Directors shall observe the following principles in the allocation of accounting duties:-

- the duties of providing information regarding sums due to or from the Council and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them;
- officers charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.

### **Maintenance of Reserves**

B.21 It is the responsibility of the Executive Director for Resources to advise the executive and/or the full Council on prudent levels of reserves for the authority.

## **C: Risk Management and Control of Resources**

### **Banking Arrangements**

C.1. The Executive Director for Resources (or an Officer authorised in writing by the Executive Director for Resources) is the only officer who can enter into banking arrangements on behalf of the Council.

C.2. Payments and Income over £250,000 shall be notified to the Executive Director for Resources' Treasury Team, for treasury management purposes.

C.3. All cheques drawn and instructions to draw on a bank account shall be made by the Executive Director for Resources or an Officer authorised in writing by the Executive Director for Resources.

### **Audit Requirements**

C.4. All principal local authorities and other relevant bodies subject to the Accounts and Audit regulations (England) 2011 should make provision for internal audit in accordance with this Code of Practice and they must "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".

C.5. The Audit Commission is responsible for appointing external auditors to each local authority. The basic duties of the external auditor are governed by section 15 of the Local Government Finance Act 1982, as amended by section 5 of the Audit Commission Act 1998.

C.6. The Council may, from time to time, be subject to audit, inspection or investigation by external bodies such as HM Customs and Excise and the Inland Revenue, who have statutory rights of access.

### **Internal Audit Function**

C.7. The Council's internal auditors have access, by law, to all financial and other records. Officers shall allow the Council's internal audit service access to such financial and other records as they may require.

### **Preventing Fraud and Corruption**

C.8. The Executive Director for Resources is responsible for the development and maintenance of an anti-fraud and anti-corruption policy.

C.9. Executive Directors shall report promptly any suspected financial irregularity or fraud in their Directorates or otherwise to the Group Manager (Audit and AFACT)

C.10. It is the responsibility of any employee discovering or having reasonable suspicion of any irregularity, misconduct or fraud to immediately notify the relevant Executive Director or Group Manager (Anti Fraud and Corruption). When so informed, the Executive Director shall appraise the circumstances and shall notify and discuss action to be taken concurrently with the Group Manager (Audit). All information shall be treated in complete confidence.

### **Contracts, Orders for Works, Goods and Services**

C.11. Officers shall comply with Article 17.2 of the Constitution [Contracts] and the Council's Contract Procedure Rules (Part IV of the Constitution, Section I).

C.12. Article 17.2 requires that any contract entered into on behalf of the Council in the course of the discharge of an executive function must be in writing. Such contracts must be :-

- signed by an Executive Director if the value is £100,000 or less
- signed by an Executive Director and at least one other officer if the value is between £100,000 and £200,000 or
- for contracts with a value of £200,000 or more executed under the common seal of the Council and attested by the Head of Law or such person as he/she nominates.

C.13. When the Council proposes to enter into any contract, whether it relates to works [construction or engineering contracts] and/or the supply (including the hire and leasing) of all goods and services, the Contract Procedure Rules must be applied.

C.14. All contracts shall comply with the EEC Treaty and with any relevant European Directives currently in force in the United Kingdom, as well as all relevant national legislation.

C.15. A number of corporate contracts exist which provide value for money. Officers are not permitted to purchase any commodities covered by these contracts outside of these contracts without the approval of the Executive Director for Resources. A full list of these corporate contracts is contained in the Financial Procedures.

### **Accounting Treatments**

C.16. Executive Directors shall ensure adequate arrangements for the certification of payments which provide proper verification and authorisation of sums due, including adequate internal division of duties and internal control.

C.17. Executive Directors are responsible for orders issued from their directorates which should be specific regarding terms and conditions and as a minimum must include the Council's standard terms and conditions. Executive Directors shall maintain up to date lists of authorised signatories and ensure compliance. Orders shall be issued for all work, goods or services to be supplied by the Council.

C.18. In all matters of payments, orders and payroll officers shall follow the designated internal division of duties and internal control set by the directorate.

### **Interests in Contracts**

C.19. By law, officers are required to give written notice to the Chief Executive of any pecuniary, personal or prejudicial interest they may have in a contract which has been or is to be entered into by the Council, other than a contract to which they are a party. Members too are under a legal duty to declare any personal interest they may have in any contract.

C.20. Both Members and officers shall be required to abide by the Member and Employee Code of Conduct [copies of which are included as Part V of the Constitution] particularly in relation to their personal interests in contracts which have been or are to be awarded by the Council.

**Consultants**

C.21. Officers shall follow the Contract Procedure Rules (section I of the Constitution) and the Appointment of Consultants Procedure Rules (Resources intranet page).

**Assets and Records**

C.22. Executive Directors shall be responsible for managing their directorate's assets, to include maintaining a full inventory in a form determined by the Executive Director for Resources, ensuring their security and arranging insurance through the Executive Director for Resources. All assets above £20,000 must be logged on the accounting asset management database maintained by the Capital and Treasury group.

C.23. Executive Directors should ensure that contingency plans for the security of assets and continuity of service in the event of disaster or system failure are in place.

C.24. Officers, in acquiring and disposing of assets, shall comply with the Council's Financial Procedures.

C.25. With regard to the acquisition and disposal of land and property, including the granting and taking of leases, licences, wayleaves and easements, all negotiations must be conducted either by or under the supervision of an appropriately qualified officer or advisor. For the purpose of these regulations the appropriately qualified officer or advisor is the Head of Property and Development and he/she shall expressly be required to approve any proposed terms in advance and thereafter the terms tentatively agreed. When disposing of land and property the Head of Property and Development shall comply with Section 123 of the Local Government Act 1972 and if the disposal is at less than best consideration ensure that the necessary Ministerial consents have been obtained.

C.26. Officers should note the definition of the disposal or write off of assets as a Key Decision in certain instances in Article 16.2c of the Constitution and shall comply with the Council's Rules of Procedure and Standing Orders (ref G12-25) where the disposal is a Key Decision.

C.27. Executive Directors shall be responsible for keeping and maintaining full financial, staffing and other records necessary for the proper administration of their Directorates' affairs. They shall supply such information on their directorates' assets and records to the Executive Director for Resources on request. All records shall be maintained for the periods specified by the Audit Commission in Circular TR20/98.

C.28. Executive Directors shall not write off any assets above the financial value set by the Executive scheme of delegation (currently £20,000).

**Income**

C.29. All income receivable by the Council, in respect of work done, goods supplied or services rendered, under contracts, leases or other arrangements or agreements, or for any other reason, shall be properly collected, recorded and accounted for. Demands for income due shall be raised and posted/sent promptly. Written or printed receipts shall be issued immediately for cash income received by an officer of the Council. Sufficient information must be obtained to enable allocation of income to the correct outstanding charge or account. All income received, in whatever form, shall be banked without delay.

C.30. Executive Directors are responsible for assessing the level of bad debt provision in their directorates. Executive Directors shall only write off individual debts against the Directorate bad and doubtful debts provision within the limits of their delegation authority (see table of delegated write off limits in Financial Procedures), after all reasonable steps have been taken to collect the debt. Debts in excess of these limits shall be reported to the Executive.

C.31. Executive Directors shall note that Article 16.2c of the Constitution defines the write off of debt as a Key Decision where the debt is in excess of £50,000 or the Council has within the last 3

years already written off debts for the person/organisation concerned totalling that amount. In such cases officers shall follow the procedures for Key Decisions as set out in the Rules of Procedure and Standing Orders (G12-25).

C.32. Executive Directors will prepare a summary of debts written-off under delegated authority and submit this to the Executive Director for Resources on an annual basis.

### **Treasury Management and Leasing**

C.33. All treasury management and transactions, including investments and borrowings by the Council, shall only be undertaken by the Executive Director for Resources. Also, the Executive Director for Resources shall report these transactions to the Executive in accordance with the CIPFA Treasury Management Code. The Treasury Policy Document approved by the Council specifies the parameters within which all treasury management dealings shall operate.

C.34. All securities which are the property of or which are in the name of the Council or its nominees shall be held in the custody of the Executive Director for Resources. The registration of the Council's stocks, bond and mortgages and the recording of all borrowing of money by the Council shall be carried out by the Executive Director for Resources or under such arrangements as the Executive Director for Resources may determine. All proposed leasing schemes should first be notified to the Executive Director for Resources' Capital and Treasury Group, who shall appraise them and direct on necessary arrangements.

C.35. The Executive Director for Resources is responsible for reporting to the Executive not less than twice each financial year on the activities of the treasury management operation and on the exercise of his or her delegated treasury management powers. One such report will comprise an annual report on treasury management for presentation by 30 September of the succeeding financial year.

### **Salaries Wages and Pensions**

C.36. The full Council is responsible for determining how officer support for executive and non executive roles within the authority will be organised. The Chief Executive is responsible for providing overall management to staff. He or she is also responsible for ensuring that there is proper use of the evaluation or other agreed systems for determining the remuneration of a job.

C.37. Executive Directors are responsible for controlling total staff numbers

by: advising the Executive on the budget necessary in any given year to cover estimated staffing levels adjusting the staffing to a level that can be funded within approved budget provision; varying the provision as necessary within that constraint in order to meet changing operational needs and the proper use of appointment procedures.

C.38. The Council shall only pay such salaries, wages and pensions, compensations and other emoluments to employees or former employees as are permissible in law and payment shall only be in a manner approved by the Executive Director for Resources.

### **Risk Management and Insurance**

C.39. The Executive is responsible for approving the authority's risk management policy statement and strategy and for reviewing the effectiveness of risk management. The executive is responsible for ensuring that proper insurance exists where appropriate.

C.40. The Executive Director for Resources is responsible for preparing the authority's risk management policy statement and strategy, for promoting it throughout the authority and for maintaining the Corporate Risk Register.

C.41. The Executive Director for Resources is responsible for advising the executive on proper insurance cover where appropriate and for effecting all insurance cover on behalf of the Council.

C.42. Executive Directors shall be responsible for identifying and affectively managing all significant risks within their directorate and for maintaining a register of all areas of significant risk within their directorate.

C.43. Executive Directors or their nominated representative shall notify the Executive Director for Resources in writing immediately upon the occurrence of any event that to their knowledge might give rise to a claim by or against the Council.

C.44. The Executive Director for Resources shall be responsible for negotiating all insured and self-insured claims in conjunction with claims handlers, legal advisers, loss assessors and loss adjustors as appropriate.

### **Gifts and Hospitality**

C.45. Employees must follow the code of practice for receipt of gifts and hospitality as contained in the Employee Code of Conduct. Any breach of the Code may result in disciplinary action.

### **Local Management of Schools**

C.46. These financial regulations also apply to schools and other institutions with delegated budgets under local management arrangements apart from the exceptions detailed in the Scheme of Delegation to Schools.



The main legislative framework for local authority financial control is as follows, more information on the impact of the legislation can be found in the School Finance Regulations or in the links to the individual documents:

1. **Local Government Act 1972**

Schools are covered by s151 of the Local Government Act 1972 which requires every local authority to “make arrangements for the proper administration of their financial affairs and...secure that one of their officers has responsibility for the administration of those affairs.”

2. **Local Government Act 1999**

The Local Government Act 1999 set out the legislative framework for Best Value. Guidance was published by the Government on performance planning and reviews under Best Value.

3. **Local Government Act 2003**

The Local Government Act 2003 introduced a new system of control on local authority capital investment based largely on self-regulation by local authorities.

4. **School Finance (England) Regulations 2008**

These regulations help to provide the funding framework in England, which local authorities use as a basis for delegating resources down to the individual school level.

5. **School Standards and Framework Act 1998**

The act provided for the greater devolution of funding from LAs to schools, whereby schools received delegated budgets for a further range of services which could be used to buy back services from the LA or from other suppliers.

6. **Learning and Skills Act 2000**

The Learning and Skills Act 2000 established the national Learning and Skills Council (LSC) and the local LSC's to oversee the education and development of 16-19-year-olds.

7. **The Education Act 2002**

The Act separated the 'Schools Budget' from the 'LEA Budget'. The Act required each LEA in England to establish an advisory schools forum, broadly representative of schools in that LEA's area.

8. **The Education Act 2005**

Steps were taken in the Act towards the introduction of the DSG whereby authorities would be required to spend the whole of their grant on their Schools Budgets. A new power provided for the setting of multi-year Schools Budgets by local authorities.

9. **Education and Inspections Act 2006**

The Act provided for the establishment of the Office for Standards in Education, Children's Services and Skills, bringing together the remits of the four separate inspectorates previously responsible for the inspection of children's services.

10. **The Children Act 2004**

The Children Act 2004 provided a clearer accountability for children's services with the establishment of a Children's Commissioner at national level in England and placed a duty on local authorities to make arrangements through which key agencies co-operate to improve the well-being of children and young people and widen services' powers to pool budgets in support of this.

11. **The LBL Scheme of Delegation to Schools**

Each LA has a Scheme for Financing Schools, which defines the financial relationship between the authority and the schools in its area. Schemes cover items for such as banking, accounting and audit arrangements. DfE guidance describes what is to be included in Schemes; amendments to Schemes are approved by the Secretary of State.

## VAT AND CAPITAL WORKS AT VA SCHOOLS. Q&A's

Can the VAT position be summarised? Unlike most schools, VA schools are not able to recover VAT through the local authority on capital works. This is because the statutory responsibility for the provision of the works lies with the Governors and not the local authority.

Q: So what has changed?

A: Most of the current rules are reiterated in the new guidance; the crucial change is that you are no longer able to recover VAT on capital purchases paid for using your delegated revenue account.

Q: When will the new rule be introduced?

A: 1st September 2009

Q: Are there any transitional arrangements for current capital projects?

A: HMRC were not prepared to put in place any specific transitional rules but they will consider any cases of expenditure straddling 1st September each on its merits – If you have any capital projects that are ongoing at 1st September and you had intended to save VAT by paying for some of the works from your delegated revenue account, get in touch with us and we will pass your case on to HMRC.

Q: How is 'capital' defined by HMRC?

A: There is quite a detailed definition of 'capital' and 'revenue' in the attached guidance note, along with some useful examples.

Q: If I break down a capital purchase into under - £2k 'chunks' so as to be revenue expenditure, can I recover Vat on the purchase through the local authority?

A: No. HMRC's published guidance makes it clear that schools should not make any attempt to artificially disaggregate capital expenditure in order to recover VAT.

Q: What should I do if I inadvertently recover VAT through the local authority on a capital purchase?

A: Tell us ASAP. We are less likely to incur fines and penalties if we declare errors to HMRC promptly.

Q: How must I code capital expenditure paid for from delegated revenue?

A: Most capital works will be paid for direct from your separate capital account. If you do pay bills through delegated revenue, you must code the gross cost, including the VAT element, to the relevant expenditure code.

Q: Is there a problem with VAT recovery on all purchases over £2k?

A: No, just because a payment is over £2k it is not automatically capital and so governor responsibility. The attached HMRC guidance note below details what constitutes capital and revenue spend.

Q: What is the position with Harnessing Technology funding?

A: Last year BECTA was contacted and were told that HT funding was 'capital', that VAT had been factored into the grant and that on no account should VA schools additionally recover VAT on HT purchases through the local authority. However, we are also aware that LA's in other parts of the country have received different advice from both BECTA and the DfE. We suspect that HMRC will closely scrutinise VAT recovery at VA schools and we recommend that, unless the DfE publishes some clear and consistent guidance to the contrary, schools should 'play it safe' and not recover VAT on any purchases made using HT funds, even when individual bills come to under £2k.

## **HMRC Guidance for Local Authorities (LA) and Voluntary Aided (VA) Schools – VAT recovery under section 33 VAT Act 1994 (July 2009)**

### **1. Section 33 VAT Act 1994**

S33 of VAT Act 1994 is a special refund scheme which allows specified bodies, including local authorities, to recover VAT incurred on their non-business activities. In order to be considered by HM Treasury for inclusion in s33, a body must:

- undertake a function ordinarily carried on by local government; and
- have the power to draw its funding directly from local taxation.

In all maintained schools, the LA has a statutory requirement relating to the provision of free education, a non-business activity of the LA.

### **2. Maintained schools and delegated budget**

All maintained schools, including VA schools, receive recurrent funding from their LA under arrangements set out in sections 45-53 of the School Standards and Framework Act 1998 (SSFA), which allows that every maintained school shall be financed by their LA by means of a “budget share” (the school’s delegated budget).

### **3. Governing bodies (GB) and VAT recovery**

Under section 36(1) of SSFA, governing bodies (GB) of maintained schools are separate legal entities. GB’s are not bodies specified in s33 VAT Act 1994 and therefore VAT incurred by GB’s in respect of their non-business activities may not be recovered under s33.

However, s49(5) of SSFA allows that “any amount made available” by a LA to the GB of a maintained school shall remain the property of the LA until spent by the GB and when spent by the GB shall be taken to be spent by them as the LA’s agent. This generally allows the LA to recover VAT on expenditure made from the delegated budget.

### **4. Voluntary Aided schools and GB responsibilities**

In the case of VA schools though, s49(6) SSFA stipulates that the GB does not act as the LA’s agent when spending amounts from the delegated budget to meet expenses payable by the GB in relation to work for which the GB is responsible. VAT may therefore not be recovered on such expenditure. In return for a continuing degree of autonomy over pupil admissions, hire of staff and contents of religious curriculum, GB’s of VA schools retain responsibility for certain capital work. At the time of publication of this guidance, these responsibilities and definition of capital expenditure are contained in the following legislation:-

- School Standards and Framework Act 1998 (SSFA)
- the Regulatory Reform (Voluntary Aided Schools Liabilities and Funding) (England) Order 2002 (RRO) (applies in England only) and
- the Education and Inspections Act 2006 (EIA)
- The Capital Expenditure in respect of Voluntary Aided Schools (England) Regulations 2007 (applies in England only)

The SSFA (as amended by the RRO) makes the GB of a VA school responsible for all capital expenditure in relation to school premises, with the exception of playing fields and related buildings on those fields (for which the LA is responsible). The EIA contains the current definition of capital expenditure (see para 5 below).

In England, DCFS, and in Scotland and Wales<sup>1</sup>, the Scottish and Welsh Assembly, may make grants to GB's of VA schools in order to help them meet these responsibilities (SSFA Sch 3 Para 5). In England, DfE fund 90% of a GB's qualifying expenditure (the RRO increased the maximum grant prescribed by the SSFA from 85% to 90%), whilst in Wales and Scotland this remains at 85%. DCFS and the Education Departments in Scotland and Wales understand that VAT will not be recoverable by the GB in respect of this expenditure and therefore their grant includes funds to cover the irrecoverable VAT costs. VA school GB's are expected to meet the remaining 10%/15% of costs from their own resources although para 8 of Sch 3 SSFA allows LA's to contribute to the GB's 10%/15% contribution, if they so wish.

### 5. Definitions of capital and revenue expenditure

The legal definition of "capital expenditure" contained in the SSFA in relation to GB's' responsibilities is subsequently amended by the EIA (s35) to be expenditure of a GB "which falls to be capitalised in accordance with proper accounting practices". However, regulation 2 of The Capital Expenditure in respect of Voluntary Aided Schools (England) Regulations 2007 qualifies this definition by providing that any expenditure incurred by a GB of a VA school shall not be treated as capital expenditure if it is an amount which is less than £2,000.

Responsibility for issues regarding funding for capital and revenue expenditure and determining what should be interpreted as capital, and what revenue, expenditure lies with the DfE (in England) and education departments in the devolved administrations. General guidance on capital funding for VA schools in England is issued by DfE in their "Blue Book" which can be downloaded from [teachernet](#). The Blue Book sets out who is responsible for expenditure at VA schools as below, followed by some examples to illustrate the points, adding that, in cases of doubt, there will be scope for VA schools and their advisers to determine whether expenditure is of a revenue or capital nature. This guidance also explains that these responsibilities are not specifically related to ownership. For example, GB's may own the playing fields and associated buildings, but the LA will still be responsible for any work on them.

#### A) Definition of capital expenditure for which GB is responsible (as per Blue Book)

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

#### B) Definition of capital expenditure for which LA is responsible (as per Blue Book)

- Maintenance of playing fields (including sports pitches and hard surfaced games areas)
- Buildings on those fields and related to their use
- Capital expenditure below £2,000 (see C) below)

#### C) Definition of Revenue expenditure for which LA is responsible (as per Blue Book)

- Day to day running costs of the school e.g. costs of staff, training, consumables, teaching resources, utilities etc

---

<sup>1</sup> The situation in Northern Ireland differs in that the Department of Education and newly established Education and Skills Authority are responsible for the delivery of education. Separate guidance for Northern Ireland to be issued in due course.

- Additionally, there is a threshold below which any expenditure of £2,000 net value or less, regardless of the use to which it is put, deemed to be revenue (see B) above)

Therefore whilst any expenditure of £2,000 or less is always to be classified as revenue expenditure, any expenditure above £2,000 will need to be considered and a view taken as to whether this is revenue or capital expenditure. The following examples are intended to provide guidance on how to decide what might be regarded as revenue (paid for from revenue budgets) and capital expenditure (which can be met from either capital grant or delegated revenue budgets).

- Localised repairs to a roof (patching or mending) should usually be met from revenue funds, because this would be regarded as normal repair and maintenance work. If the whole roof, or a substantial part of a large roof, needs to be replaced, then this could reasonably be regarded as a capital.
- Small repairs to playgrounds (filling individual potholes etc.) should usually be met from revenue funds, because this would be regarded as normal repair and maintenance work. If the whole of the playground needs to be resurfaced, then this might reasonably be regarded as a capital item.
- A boiler has unexpectedly broken down, and requires a new part which will cost £1,800. This could have been regarded as either revenue (because it is repair and maintenance) or capital. The cost, however, dictates that it must be revenue because it is below the 'de minimis' threshold of £2,000.
- Replacing a few damaged chairs or desks would be regarded as a revenue cost because it is normal wear and tear. If, however, as part of a refurbishment of a whole classroom, all of the furniture is to be replaced then it can be included as part of the capital project.

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

### 6. VAT recovery on expenditure

As described above, generally the LA may recover VAT (under s33 of the VAT Act 1994), where it is incurred by the LA in relation to expenditure for which it is responsible i.e. where it receives the supply.

However, VAT incurred by a GB on expenditure for which the GB is responsible is not recoverable under s33, even when payment is made from the delegated budget. VAT is only ever recoverable on expenditure from the delegated budget to the extent that it relates to expenditure for which the LA is responsible.

Neither is VAT recoverable by the LA on any expenditure made from DfE grant funding made to the GB. Again, this is designated for expenditure for which the GB, rather than the LA, is responsible.

Further, although LA's commonly contribute towards a GB's capital expenditure, for example, to assist GB's in meeting their own 10/15% contribution for capital works, or to subsidise certain projects, again VAT is not recoverable by the LA on such contributions. HMRC recognise that there has been some confusion in the past regarding such recovery and have, to date, accepted that LA's can recover the VAT incurred on expenditure which is the responsibility of the governing body but which the authority funds. However, HMRC have reviewed this policy and realise that it goes beyond what section 33 actually permits. In these arrangements, the GB is responsible for the expenditure and receives the supply. Thus, any VAT incurred on the supply is incurred by the GB, not the LA. This revised guidance now seeks to bring such treatment within the normal rules for

VAT recovery for LA's as set out in Public Notice 749 Local authorities and similar bodies. Therefore with effect from 1 September 2009, for projects initiated after this date, VAT may no longer be recovered by LA's in these circumstances, as the supplies are not made to them (whether or not paid from the delegated budget). We will consider, on their individual facts, cases where a project initiated after 1 September 2009 was funded on the basis of the previous policy.

Where however, an LA decides to spend its own funds (excluding the delegated budget), by placing an order directly with a supplier on work to a VA school for which the GB is statutorily responsible then, under certain circumstances, it may recover VAT under s33 as described in para 7.1 of Public Notice 749 i.e. it must procure the goods or services and receive the supply.

The flow chart at Annex A and the table of examples at Annex B are intended to give further guidance on circumstances when VAT may and may not be recovered, but are not intended to be exhaustive. In cases of doubt, GB's or LA's are advised to discuss the matter with HMRC.

### 7. Insurance arrangements for VA schools

Whilst HMRC can advise on the VAT consequences of arrangements, they are unable to give any advice regarding who is responsible for insuring school premises and property.

DfE advise that, although they expect the school premises to be insured, the actual detail of what to insure is for the individual parties to determine. In that context the school may need to seek advice from DfE, their LA's, especially in relation to funding for premiums and access to LA schemes, and from their Dioceses or other trustees (the ultimate owners of the buildings).

#### A) Responsibility for funding of insurance premiums

The various Education Acts described above provide that, in the case of a VA school, although a LA's statutory duty to "maintain" the school includes the "duty of defraying all the expenses of maintaining it", this duty does not extend to certain capital expenditure, for which statutory responsibility is laid to GB's.

The authority's duty to "maintain" in respect of all schools extends to the funding of premises insurance premiums as this is not "capital expenditure". Funding of premiums may be done in many different ways at the discretion of the authority, but must not disadvantage VA schools, who are entitled to equity with non-VA schools. In other words, where insurance is taken out, the LA is obliged to provide sufficient funds from its revenue budget (usually Dedicated Schools Grant) to each VA school, to enable the school to meet all its insurance premium costs (including any premiums payable to the diocese). If they are not allowed access to LA-managed insurance schemes, then there must be compensating recompense in their revenue funding so that they can buy into another scheme. In this respect, ownership of buildings is not a consideration. LA's insure Foundation schools (who own the buildings) and VA schools should be treated in the same way as those and community schools.

VA schools should be treated in the same way as other maintained schools in relation to providing for any revenue premises losses (currently below the de minimis level of £2,000 – see above) i.e. those for which the authority is responsible.

#### B) Premises Insurance

DfE advise that for premises insurance, ideally cover should be provided through a single insurance policy entered into by the school governors and identifying all parties with an insurable interest, together with their respective level of risk and responsibility for the insurance premiums (the LA will be responsible for certain expenditure, as set out above).

A VA school GB would be responsible for the financial cost, in the event of damage or loss requiring capital expenditure at a VA school. As with other capital expenditure, DfE agree to fund 90% of replacement costs via capital grant, leaving the remaining 10% of costs to be met from the GB's own resources. In order to cover this liability, GB's should arrange insurance cover for

their 10% liability (typically through the church diocese or its equivalent) for the benefit of the GB and the trustees.

However, although DfE will continue to meet their commitment to 90% capital costs, they advise that there is no contingency reserve from which this 90% funding can be drawn down. The 90% funding must therefore be met from existing funding streams (either the schools' own funds or the programme allocated through LA's, usually the Devolved Capital Formula or Local Authority Co-ordinated Voluntary Aided Programme (LCVAP)). This has led to unplanned reprioritisation where a major incident at a VA school could see such funding used in an emergency and thus diverted from other VA school planned projects.

In light of this, in order to provide more certainty for all VA schools and so that VA school capital programmes are not disrupted by unplanned emergency calls, DfE now advise VA schools to consider some form of 100% insurance, i.e. the full reinstatement value of the buildings, either through private providers or through a scheme operated by the LA (buy back). VA schools may also take insurance cover for the costs falling upon school governors for the hire of necessary temporary accommodation while insured damage is being repaired or replaced.

### C) VAT Recovery

As regards VAT recovery on any capital costs as a result of an insurance claim, the normal rules as set out above will apply. The responsibility for capital expenditure rests with the GB and any supply of building works falling within this definition will therefore be a supply made to the GB, who will be unable to recover the VAT charged on those works. Therefore, when establishing the insurance policy and its value, the insurer should be made aware that any VAT incurred in respect of such works at VA schools is irrecoverable and the premium should therefore reflect that. DfE have confirmed this view and recognise that this will result in increased premiums for VA schools.

HMRC public notices and published guidance referred to above can be found on [HMRC website](#).

## Appendix D Glossary of terms

Account	An account is a record/statement of monies received and expended with a balance of a specific nature. An account code is used to identify a particular type of account.
Annual Budget Plan	A formal financial statement prepared by schools each year, showing what they expect to spend their budgets on.
Asset	Something of worth which is measurable in monetary terms and relates to items in the balance sheet.
Asset Register	Also called an inventory. A record of assets owned by an organisation.
Audit	The process of examining the accounts. Auditors may be either internal (from the council) or external and are responsible for checking that proper records are kept and accounting procedures are set up and followed.
Audit Commission	Statutory body responsible for the external audit of local authorities; appoints auditors for each authority.
Authorised Signatory List	Formal list of a school's employees whom the Governors have agreed may sign cheques (within stated financial limits), authorise payments through payroll and/or make changes to payroll records.
Age-Weighted Pupil Unit (AWPU)	This is a standard unit used to allocate financial resources to schools, to which different weights are applied to account for the ages of pupils within each school.
BACS	Banks Automated Clearing System - enables automatic payments to be made from one bank account to another in the UK, and can be used for paying salaries and other regular payments, as well as direct debits.
Balance Sheet	The balance sheet shows the financial position of an organisation on a specific date. It is a statement of the recorded assets and liabilities on that specific date. It is usually prepared at the end of an accounting period.
Best Value	Best value provides a framework for the planning, delivery and continuous improvement of local authority services to deliver efficient, effective and economic services that meet the users' needs.
Bank Reconciliation	Checking that the school's bank account transactions match those recorded in the school's financial system.
Capital Expenditure	Expenditure on items which provide a benefit for more than one financial year, e.g. purchase of land and property, design and construction of buildings, purchase of major equipment and vehicles etc.
Cash Advance	Amounts advanced by the lea into school bank accounts on a termly basis to enable schools to meet the cost of locally incurred expenditure
CIPFA	Chartered Institute Of Public Finance & Accountancy - the accounting body that defines accountancy policy for the public sector.
Consistent Financial Reporting (CFR)	A Department for Children's, Schools and Families (DfE) initiative to define a consistent financial reporting methodology for all schools.
Closing Of Accounts	The process whereby total expenditure, income, budget and cash balances are determined for a particular financial year.



## Appendix D Glossary of terms

Commitment	This is where an order has been placed but no goods or services have been received nor has any payment been made.
Contingency	An amount set aside to meet unforeseen expenditure.
Cost Centre	This is an individual unit (e.g. A school, children's home, administration section); to which items of expenditure and income are charged for either managerial or detailed control purposes.
Creditor	A person to whom money is owed by a debtor; someone to whom an obligation exists.
Debtor	A person/entity who owes a creditor; someone who has the obligation of paying a debt.
Financial Year	The one year period for which budgets are set and accounts prepared. In the public sector (central and local government) it is usually from April of one year to March of the following year.
Governing Body	The body responsible for running of the school. Governing bodies consist of headteachers (if they wish), teacher and parent representatives, co-optees including business representatives, etc.
Government Grant	The government often funds projects which it wishes to support specifically by means of grant. Grants may only be spent on the specified types of expenditure, and will be subject to various restrictions and conditions for monitoring and reporting.
Journal Entry	An adjustment to allocate income or expenditure or to correct a misallocation of expenditure/income.
Leasing	A financial arrangement used to secure the use of assets such as vehicles, plant and equipment etc. There are two types of leasing arrangements - operating and finance leases.
Recharge	Transfer of expenditure from one cost centre or account to another, e.g. The cost of central departments recharged to services.
Petty Cash	A cash float used to make small and urgent payments for certain expenses incurred by staff.
Revenue Expenditure	Day to day running costs of an operation. It includes salaries and wages, fuel, supplies etc.
Service Level Agreements (SLA's)	SLA's are written agreements between service providers and service users.
Standards Fund Grant	This grant is a collection of specific grants whose purpose is to enable Schools and local authorities to achieve improvement in education Standards set out in agreed targets.
Individual Schools Budget (ISB)	The ISB typically constitutes 85-90% of an authority's schools budget once centrally managed items are removed.
Tender	Tender - means a formal written offer, in a form common to all tenderers, on the basis of detailed description or specification of the goods and services required

---

## Appendix D Glossary of terms

Trading Accounts	Financial statements which show the revenue from trading activities, the cost of these activities and the profit/surplus or loss/deficit arising during the given accounting period
Trial Balance	A list of accounts and their balances at a point in time; the total debit balances should equal the total credit balances.
Value Added Tax (VAT)	A mandatory tax applied to goods and services which generates income for central government and is regulated by customs and excise.
Virements	Transfer of allocated funds from one account code to another, or from one budget to another.
Voluntary Fund	A school-based account that receives private funds such as parental contributions

Amendments included in v1.0

Section	Original	Amendment