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# 1 Introduction

## Background

- 1.1 The School Standards and Framework Act 1998 requires local authorities (LAs) to prepare schemes dealing with the financing of schools maintained by the authority. The scheme below sets out the rules governing the financial relationship between the County Council (the LA) and its maintained schools. Schools have been consulted and the scheme approved.
- 1.2 The scheme contains requirements relating to financial management and associated issues that are binding both on the County Council and on schools. The scheme applies to community, voluntary, foundation, community special, foundation special and nursery schools.
- 1.3 The County Council is responsible for maintaining the schools covered by the scheme, including all the expenses of maintaining them (except in the case of a voluntary aided school where some of the expenses are, by statute, payable by the governing body). Although governing bodies are empowered to enter into contracts, in most cases they do so on behalf of the County Council as maintainer of the school and owner of the funds in the budget share. Contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations; for example, contracts made by aided or foundation schools for the employment of staff.
- 1.4 Part of the way the County Council maintains schools is through the funding system put in place under sections 45 to 53 of the School Standards and Framework Act 1998 (see paragraph 2.1).
- 1.5 The County Council has to distribute amounts from the ISB amongst maintained schools using a formula that accords with regulations made by the Secretary of State. Details of the formula, with current values, are given in the annual budget share guidance notes and part 3 of the local management scheme.
- 1.6 After each financial year, the County Council will publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.
- 1.7 One copy of the scheme will be supplied to the Headteacher and one copy to the governing body of each school covered by the scheme, and any approved revisions will be notified to each school. All revisions will need to be approved by the Secretary of State for Education and Skills. Copies of the scheme are available at the Hampshire County Council Education website (<http://www.hants.gov.uk/education/schools>)

## Principles

- 1.8 The County Council has adopted the following principles in respect of finance:
  - governors and Headteachers should have maximum freedom to determine spending priorities, including related decisions on the appointment of staff and the use of premises

- governing bodies should have the incentive to plan future spending to meet longer-term needs and objectives by retaining unspent balances. However, balances should only be held for specific purposes and should not be excessive
- schools should seek value for money in purchasing and setting charges
- schools must account properly for all funds, both official and unofficial
- schools must keep sufficient financial records to satisfy statutory and County Council requirements
- governors and Headteachers should take a realistic approach to financial planning, in particular its future effects.

## 2 Legal Framework

### Legislation

2.1 Legislation of particular relevance includes:

- the Local Government Act 1972 which, in section 151 and via the Accounts and Audit Regulations 1996, states that the Chief Financial Officer (CFO) of each local authority is responsible for ensuring the probity and regularity of the authority's financial activities. For schools, this responsibility is discharged by establishing the Scheme of Financial Management under section 48 of the School Standards and Framework Act 1998
- the School Standards and Framework Act 1998, which is the Government's main way of raising standards in education. The Act includes legislation on education development plans, class sizes, new categories of schools, new organisational arrangements for schools and the increased delegation of funds to schools
- The Late Payment of Commercial Debts (Interest) Act 1998 requires debts to suppliers to be paid within 30 days of receiving the goods/service or invoice (whichever is the later). The supplier must receive a cheque, or the funds must clear in their account, by the 30th day. Suppliers are permitted to charge interest at the base rate +8% on late payments. Further guidance is available from Payments, County Treasurer's Department (<http://www.hants.gov.uk/finance/payments>)

### Financial Regulations, Standing Orders and Contract Practice Notes

- 2.2 In managing their delegated budgets, schools must abide by the County Council's requirements on financial controls and monitoring, not only those in the scheme but also those outside and compatible with it. The scheme refers to more detailed publications that contain further requirements.
- 2.3 The scheme is consistent with the County Council's Financial Regulations, Standing Orders and the Contract Practice notes relating to contracts, and therefore they apply to all schools. Each school should have a hard copy of the Financial Regulations, Standing Orders and Contract Practice notes. In addition, they are available on Hantsnet (<http://www.hants.gov.uk/finance/rules>)

- 2.4 The responsibilities for schools have been recognised in the Standing Orders and Contract Practice notes by the following:
- references to ‘chief officer’ include a Headteacher
  - references to ‘Executive Member’ include the governing body
  - the Headteacher / governing body of a school can receive and accept tenders.

### **Other guidance**

- 2.5 The scheme refers to the Local Management in Schools Manual of Financial Practice and Procedure, which is produced and maintained by Education Financial Services.
- 2.6 Other useful guidance includes Schools Communication 1582 “ Standards of Financial Management in Schools” and the forthcoming “ Statement of Financial Expectations”

### **Rules for revision of the scheme**

- 2.7 The scheme will be regularly reviewed by the County Treasurer and Director of Children’s Services and may need revision from time to time. All revisions will be discussed with school representatives in advance, and then all schools will be consulted before any changes are made. Any revisions will require approval by the Schools Forum and Executive Members of the County Council and a copy will be sent to the Secretary of State for Education and Skills.

## **3 Roles and Responsibilities**

### **Role of County Council**

- 3.1 The County Council will:
- determine total resources available to schools collectively
  - allocate resources to individual schools on the basis agreed after consultation and in accordance with any relevant regulations
  - set out conditions and requirements within which governing bodies must operate
  - expect schools to conform to the highest public service standards in their stewardship of funds
  - monitor the performance of schools, give advice and take corrective action where necessary. In extreme cases, this may include withdrawing delegation and charging items against the school’s delegated budget.

### **Role of governing body**

- 3.2 The governing body will:

- have formal responsibility for the running of the school
- together with the Headteacher, draw up and carry out a school improvement plan for the school
- be able to delegate authority but not responsibility to the Headteacher
- deploy resources and ensure they are used appropriately
- determine the number of teaching and support staff
- appoint and dismiss staff
- formulate school policies, e.g. health and safety, lettings, pay
- provide such information as the County Council requires
- adopt the highest public service standards for the conduct of the school's activities
- approve and monitor the school's budget
- report to parents annually on its stewardship of the school's finances.

3.3 The governing body should consider the extent to which it wishes to delegate its financial powers to the Headteacher, and to record its decision (and any revisions) in its minutes. This should include the setting of set cash limits as to the decisions that can be made by the headteacher and other staff. The first formal budget plan of each year must be approved by the governing body or by a committee of the governing body under the Education (School Government) (Terms of Reference) (England) Regulations 2000 and the School Governance (Constitution) (England) Regulations 2003.

### **Role of Headteacher**

3.4 The Headteacher will:

- manage the school's financial position at a strategic and operational level
- have responsibility for the day-to-day running of the school, including effective systems of internal control and other financial issues
- have a key role in helping the governing body draw up a school improvement plan for the school, and carry it out
- ensure financial statements are properly presented and adequately supported
- conduct the school's business in accordance with the highest public service standards
- have responsibility for all tasks delegated by the governing body.

3.5 The Headteacher has overall executive responsibility for the school's activities, of which financial activities are clearly a part.

## **Role of County Treasurer**

- 3.6 The County Treasurer is the Chief Financial Officer (CFO) of the County Council and, as such, must ensure the probity and regularity of the County Council's financial activities. The County Treasurer will make statutory financial returns, oversee financial processes, provide advice where requested and ensure financial controls are adequate. To fulfil this responsibility, the County Treasurer may prescribe which financial systems and which financial service providers may be used. The County Treasurer, or representative, also has the right to attend meetings of the governing body to advise or report on major financial matters.

## **Role of audit**

- 3.7 All schools come within the internal audit regime determined by the County Treasurer and the external audit regime of the County Council, as determined by the Audit Commission, and must co-operate with it. Internal audit will test, review, report and make recommendations on the financial controls operating within the County Council and individual schools. This will include examining the economic, efficient and effective use of resources. External auditors will test, review and report their opinion on the accuracy of the accounts produced by the County Treasurer.

## **Status of schools/County Council in contracts**

- 3.8 If a governing body of a community school enters into a contract, it does so on behalf of the County Council. If the governing body of a Foundation or Voluntary Aided (VA) school enters into a contract relating to staff or property, it does so on its own behalf. No governor of any school will incur personal financial liability for any contract that they enter into in good faith while exercising their delegated powers, provided they are acting in accordance with this scheme and the County Council's Standing Orders on Contract and Financial Regulations in respect of purchasing, tendering and contracting matters.
- 3.9 Schools have a right to opt out of contracts arranged by the County Council, unless they have lost that right for particular contracts (whenever started), in accordance with a specified written procedure.
- 3.10 Standing Orders require all schools to seek at least three tenders for any contract with a value of £15,000 in total or £10,000 in any one year. European Union Procurement Regulations must also be complied with for contracts over the prescribed threshold (£154,000 as at 1 January 2002). A school must get an appropriate County Council Officer from the Chief Executive's Legal Section to countersign any contracts for goods or services worth more than £75,000 in total or £60,000 in any one year. The school does not have to seek suppliers from an approved list. These rules apply to all contracts for goods or services where the school does not buy back the County Council service. Schools must assess in advance, where relevant, the health and safety competence of contractors, taking into account the County Council's policies and procedures (see also paragraph 11.20 and Appendix A).

## **4 Budgets and Planning**

### **Strategic financial plans**

- 4.1 Each school should have a strategic financial plan which links closely with the School Improvement Plan. The strategic financial plan should cover a minimum of three years, so it may act as a means of long-term financial planning , e.g. saving money in years one and two, to spend on a major item in year three or anticipating a future funding shortfall in advance. Thus the specific purposes for which balances are held and the intended amounts for each purpose should be part of the plan. The plan should be updated each year so it will act as a three year rolling document. Appendix E lists the main features of a strategic financial plan.
- 4.2 The plan should contain a realistic number of strategic priorities that are based upon robust and accurate self-evaluation processes that demonstrate that the school is fully aware of its strengths and weaknesses.
- 4.3 With the introduction of multi-year budgets by the DfES from April 2006 schools will be able to plan ahead with greater certainty over future funding levels. Schools will therefore be able to submit their strategic financial plans to the county council more easily and certainly during the summer term.

### **Budget plan submission**

- 4.4 Each school must prepare a complete annual school budget (at General Ledger code level) within its total resources and must not plan an overspend. Total resources are defined as the current allocation (budget share), any balance brought forward, together with additional income streams the schools has access to. The County Council requires schools to take full account of estimated deficits and surpluses at the previous 31 March in their budget plan. When a realistic forecast suggests a school may be in danger of a deficit budget, the local Education Financial Services (EFS) office should be informed immediately. If it is not possible to balance the budget, then a plan should be agreed as for schools that have already incurred deficits. Any deficit incurred for whatever reason is a first call on the following financial year's budget share. The County Council may bar schools from adding to the size of a deficit (effectively putting a cap on the school's financial position) but may not bar spending on particular items of expenditure within the same overall total.
- 4.5 The school's budgeting timetable will be linked to that of the County Council. The key events for the school will be:

#### **Year One**

- Jun/Aug - Identification of new plans and priorities for the ensuing financial year (these should be reflected in the school improvement plan).  
Identification of main purposes for holding balances.
- Sep/Dec - Final cash-limited allocations will not be received until March each year (in future these will be multi-year allocations). However, any changes to allocations will be based largely on inflation and changes in pupil numbers. A school should be able to ascertain in the Autumn term whether

its allocation is likely to alter much in real terms (i.e. ignoring inflation). Therefore, it should be able to start making budget decisions for the following year, e.g. on staffing levels

- Dec/Jan - Staffing levels to be approved by the governing body, or a committee of the governing body, with regard to pupil numbers and the School Improvement Plan. *In the light of these decisions review purposes and amounts for intended balances submitting assignment of balances return by 31 December.*
- Feb - County Council agrees the forward budget. This will include the total amount available to be delegated to schools
- Mar - School receives firm cash-limited allocation. The allocation is based on pupil numbers on the January PLASC return. The final budget must be formally approved by the governing body or a committee of the governing body, minuted and a signed copy of the budget appended to the minutes.

### **Year Two**

- Apr – Schools firm up on purposes for which balances are held and submit *any material amendments* to county council by 1 May
- May/June - Previous year's accounts are closed down and the balance carried forward
- Sep/Nov – The school reassesses its original budget and produces a revised budget. The revised budget must be formally approved by the governing body and a signed copy attached to the minutes.

- 4.6 Each school must provide the County Council with details of expected and actual expenditure and income, in a form determined by the County Council. Accordingly, schools must submit a budget plan (at General Ledger code level) for the current financial year to the County Council by 31 May. This should be followed by the strategic financial plan by 30 June. Further details are given in section 8 - Reporting Requirements.

### **Budget preparation**

- 4.7 Budgets should be prepared realistically and should allow a contingency for unforeseen circumstances. Balances not earmarked for a specific purpose should not be excessive. The County Council would not expect balances for unforeseen circumstances to exceed 3% of the annual budget share or £10,000 (whichever is the higher). Where a school sets a budget at the start of the financial year with a contingency, it would be expected practice for the school to review the potential to draw upon these funds to meet changing school needs during the year.
- 4.8 The school may save/earmark additional funds for specific projects for the benefit of the current pupils. Balances accumulated for specific projects should not be at the expense of current provision and must be clearly documented as part of the school strategic financial plan.
- 4.9 Most of the school budget will be to cover staffing costs, so it is essential that a school can accurately estimate the cost of the staff it employs. Budget planning aids are available for staffing (contact EFS for details).

- 4.10 A school must take into account any advice from the Chief Executive, or his/her representative, as to the merits of the proposed capital expenditure from the budget share if it is more than £15,000. If the premises are owned by the County Council, or the school has voluntary controlled status, then the governing body should seek the County Council's consent to the proposed works, and such consent can be withheld only on health and safety grounds.
- 4.11 The County Council will supply schools with all the school income and expenditure data which it holds and which could help efficient planning by schools, and supply schools with an annual statement showing when this information will be available at times through the year.
- 4.12 Schools are allowed to vire freely between budget headings in the expenditure of their budget shares.
- 4.13 All schools aspire to the highest standards of financial management and hence they are expected to revise the school's budget during the year to reflect changed circumstances and more up to date information. Normally the budget should be revised during the autumn term and after agreement by the finance committee or the full governing body should be reported to the county council, either by entry on to SAP or by return by 30 November each year.
- 4.14 The County Council can charge the budget share of a school without the governing body's consent only in circumstances expressly permitted by the scheme. If such a situation arises, the County Council will consult the school as to its intention and notify the school when the charge has been made. Further details are given in section 14 - Charges Against School Budgets.
- 4.15 The County Council will charge the budget share for a school in all cases where an agreement to receive the service and accept the charge has already been entered into ; e.g. sign up to a Service Level Agreement with a part of the County Council.

### **Schools in deficit**

- 4.16 The plan for the recovery of any deficit should indicate the rate of improvement in the school's financial position that the plan will deliver. If immediate recovery is not possible, the plan should have provided for elimination of the deficit by the end of its third year. Further advice including a formal framework for reporting and monitoring is available from Education Financial Services.
- 4.17 The recovery plan should be submitted to the Director of Children's Services (via EFS) by 31 July after the financial year in which the deficit was incurred, and an update report produced annually (by 31 May each year) until the deficit is cleared.
- 4.18 If a school considers a deficit cannot be recovered within three years, then formal approval needs to be sought from the Director of Children's Services. In no circumstances can the actual elimination of a deficit extend beyond five years. Schools that are not effective in reducing actual deficits will be actively considered for either the capping of current deficit levels and/or the suspension of delegated management and are very likely to attract a notice of concern.

- 4.19 Any school that was in deficit at 1 April 2003 must have agreed with the County Council a plan to eliminate the deficit as soon as possible, and in even the most challenging circumstances, within four years (by 31 March 2007).
- 4.20 Any school whose actual deficit exceeds 8% of its budget share or £40,000 (whichever is the greater), will be examined with a view to suspending delegated management. Any school whose actual deficit exceeds 5% of its budget share or £25,000 (whichever is the greater) will be required to produce monthly financial reports to EFS and the County Council may require the attendance, with full speaking rights, of a senior officer at the Governing Body's meetings .
- 4.21 If a school is in deficit, has considered the best ways of reducing it, and then proposes to use part of its School Standards Grant (often referred to as "the Chancellor's money" or "direct funding of schools") for new expenditure, then the County Council will agree to that unless it is demonstrable that the proposed expenditure is unreasonable in the school's financial circumstances.

## **5 Financial Controls and Tax**

### **Financial systems**

- 5.1 The County Treasurer is responsible for maintaining the County Council's accounts under S151 of the Local Government Act 1972 and S113 of the Local Government Finance Act 1988. Schools' budget allocations comprise part of those accounts. SAP is the County Treasurer's approved finance system for use across the County Council's activities.
- 5.2 Schools not using SAP may continue with their existing financial system, provided the financial system meets the minimum requirements set out in Appendix C "Accounting System Minimum Requirements". The system will be subject to internal audit review. These schools will be expected to provide a monthly data file so that financial information can be uploaded into the County Council's accounts in a timely manner (see Appendices D and F)
- 5.3 Schools must provide information to the County Council on the accounting basis specified. It is for a school's governing body to decide on what basis internal accounts or systems are operated for subsidiary purposes, provided they meet any costs of modification to ensure the principal accounts are provided in accordance with prescribed County Council financial systems.

### **Consistent financial reporting**

- 5.4 Consistent financial reporting (CFR) was introduced in 2002/03 as a standard to provide data to the DfES for integration onto the national benchmarking data base. Schools have a legal requirement to provide this data, and they have the option of completing returns themselves, or requesting the County Council to complete the information on their behalf (through Education Financial Services). For schools using SAP, the reports needed for CFR can be generated by the system. The legal basis of CFR means that schools using other systems have to be able to report their annual figures in accordance with the CFR framework and

within the timetable set by DfES. This legal requirement applies whether a school's CFR return is made by the school directly or via the County Council

- 5.5 The DfES makes this data available for schools to view annually in September covering the previous financial year. This is available through the website at: <http://sfb.teachernet.gov.uk/login.aspx>

## **Financial records**

- 5.6 All financial records, except payroll-related records, bank statements and inventories, should be kept at the school for three complete financial years (1 April to 31 March) plus the current financial year. This period is based on the date of entry to the financial records; or, if a document covers a range of dates, on the date of the last entry. Bank statements must be kept for six years, and inventories kept indefinitely.
- 5.7 Requirements for other financial records are as follows:
- income tax and national insurance records and documents must be kept for six years plus the current financial year
  - all other payroll-related records should be kept for two years plus current
  - superannuation (pension) records should be kept for three years plus current with the exception (Foundation schools only) of Certificates of Protection of Pension Benefits. These require the pay records to be held for 13 years. Foundation schools were given advice on this point when they first became grant maintained.

Further information on payroll or superannuation is available from the HR Payroll Services Centre (<http://intranet.hants.gov.uk/hrintranet/svccentre.htm>) or Pension Services, County Treasurer's Department (<http://www.hants.gov.uk/finance/pensions.html>) respectively,

- 5.8 Individual financial records must be suitably retained and cross-referenced so they can be easily retrieved and examined. The following people are permitted to examine such information:
- County Treasurer's staff, including Education Financial Services' staff, Internal Audit, Payments Group, Accountancy and Corporate Finance
  - Staff from the appointed external auditors, e.g. District Audit
  - National Insurance compliance officers
  - Officers and representatives from HM Revenue and Customs.
- 5.9 After the retention period is over, records should be disposed of as confidential documents.
- 5.10 A copy of all invoices where the VAT amount is greater than £20,000 must be sent to the VAT Accounting Officer, Corporate Finance, County Treasurer's Department at The Castle. Copies should be marked "Not for payment - VAT purposes only".

- 5.11 Queries about keeping invoices, or who is entitled to examine them, should be directed to the Payments Group, County Treasurer's Department.

## **Assets**

- 5.12 All schools should maintain an asset register that contains details of significant equipment and capital items and an inventory that contains details of moveable non-capital assets. The register and inventory should be kept up to date and include the following information:
- date of acquisition
  - description of the asset including a unique identification mark such as a serial number
  - cost
  - source of funding
  - location of asset
  - details of disposal or write-off.
- 5.13 Schools will be free to determine their own arrangements for keeping a register of assets worth less than £1,000. However, schools must have a register and will be expected to have regard to the County Council's policies on inventories. Schools must ensure that whatever arrangements are in place meet the school's insurance policy requirements.
- 5.14 Controls, such as security marking, should be in place to safeguard assets. Schools should consider the best location for the asset. Any changes to the asset register should be authorised. Further details are given in the County Council's Financial Regulations.

## **Payroll requirements**

- 5.15 To fulfil statutory S151 responsibilities, the County Treasurer must approve the providers of all payroll services to all schools. If the County Council is the payroll service provider, the County Treasurer will arrange for the completion and return of all payroll-related financial statements required by law.
- 5.16 If a school has elected to use an external provider, then all associated responsibilities - such as effective administration, payments and submission of returns - will rest with the school. This will include submitting information to the County Council as specified in Information Supporting the Scheme for Financial Management (Appendix B) and getting cleared funds into the County Council's bank account by the due dates. If the school fails to provide this, or similar information specified by the County Treasurer, it may result in the suspension of delegated funding to the school and/or a charge against the school's budget (see sections 13 and 14).
- 5.17 All payments to employees, except cash reimbursements (up to £100), must be made via the payroll service. Car allowances to employees also have to be handled through payroll. In no circumstances should payments to staff for work done be made through petty cash.

- 5.18 The Headteacher is responsible for verifying that all who are paid via the payroll are properly appointed employees. A signed declaration must be held for each term and must be available for audit review.
- 5.19 The Chairman of the governing body must authorise in writing any change in the Headteacher's salary except standard incremental and inflationary increases. A copy of the Chairman's signature must be sent to the payroll service provider, to be held on file, in order to validate any request for amendment.

## **VAT**

- 5.20 All schools will be included on the County Council's VAT registration. The County Treasurer has produced a VAT manual available to all schools, which explains how to identify and account for VAT. Amounts reclaimed on behalf of schools will be passed back to those schools. Copies and further advice are available from Corporate Finance, County Treasurer's Department.

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

- 5.21 To ensure smooth running of the scheme, the Inland Revenue has agreed that:
- maintained schools, whatever their status, which do not yet operate the County Treasurer's approved financial system will administer the CIS on behalf of the County Council, in respect of construction work undertaken at those schools
  - for other maintained schools, the County Council will administer the scheme. To do so, it is important that the County Council can get proper information from schools as to the details of expenditure on construction work.

## **6 Carry Forwards, Deficits and Balances**

### **Carry forwards**

- 6.1 Schools will carry forward from year to year both underspendings and overspendings on individual school budgets. When a school decides to invest with the County Treasurer some or all of the unspent money brought forward, it will receive interest on the sum concerned at a rate set by the County Treasurer, after consultation with school representatives.
- 6.2 After consulting Headteachers, primary and special schools are paid nominal interest of 0.1% on balances carried forward. The balance of the interest payable on all primary and special school balances is then used to support all those schools' delegated budgets. Secondary schools will receive interest equivalent to the base rate less 0.5% on any part of their balance carried forward and invested with the County Council.
- 6.3 All monies due to a school's official funds from other sources, e.g.: Governors funds, unofficial funds, PTA ; must be paid into the official fund before 31 March each year so that a true carry forward figure can be determined.

## **Deficits**

- 6.4 A deficit is defined as a cumulative deficit such that expenditure has exceeded total resources made available including any surplus balance brought forward from previous years. A school's surplus or deficit balance at the end of the financial year is equal to that at the beginning of the new financial year. In addition, any formal agreement for eliminating a deficit balance agreed between the County Council (normally Education Financial Services) and a school, must continue to be followed.
- 6.5 A school facing an overspend is expected to discuss it with the County Council (Education Financial Services) before incurring a deficit. In the case of an actual overspend, the County Council would expect to agree with the school a plan of action to reduce the deficit over a reasonable period. This is an important management discipline, aiming to help the school to manage its own affairs. Similarly, if a school overspent in consecutive years it would again be necessary to discuss why and agree corrective action. In practice, schools must discuss all budget deficits with Education Financial Services.
- 6.6 Schools must not plan for an overspend, though there may be instances where they need to anticipate a future budget in order to meet a large one-off item of expenditure. They must get prior agreement from Education Financial Services.
- 6.7 The County Council may charge interest on deficit balances up to 0.5% above the base rate at 1 April each year. The interest will be on the balance at the start of the year. Interest will only be charged on deficit balances after a specific decision of the Children's Services Executive Member to do so.
- 6.8 The County Council has no powers to write off the deficit balance of any school's budget.

## **Balances**

- 6.9 Surplus balances held by schools as permitted under this scheme are subject to the following restrictions which apply to balances as at the end of March 2009 and thereafter. The calculation of any claw back will apply as follows:
- 6.9.1 The County Council will calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the recurrent balance as defined in the Consistent Financial Reporting Framework.
- 6.9.2 Funds held in relation to Adult Learning and Community Education will then be discounted in determining the level of balance subject to potential clawback.
- 6.9.3 The County Council will then deduct from the resulting sum any amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the authority and which the authority is satisfied are properly assigned, as set out in the table below:

## Purpose

1. Unspent Standards Fund grant and other specific earmarked grants for which specific spend conditions are attached Where grant funds are held on a cluster basis, e.g. 14 to 19 consortia, *early years funding*, the amount should be identified in this section by the holding school
2. Revenue contributions to Capital / ICT schemes (individual contribution greater than or equal to £5,000)
3. Any impact of anticipated changes in numbers on roll or other commitment\* identified, as set out in the school's Strategic Financial Plan and/or School Improvement Plan (individual amounts greater than or equal to £1,000)  
*\* A commitment must be evidenced by a contract or official order dated prior to 1 April of the current year. i.e. for 2008/09 accounts this means dated 31 March 2009 or earlier*
- 4 Contributions to Renewal Funds such as those for outdoor pitches with a specialised surface e.g. Astro Turf Pitch (ATP) or Multiple Use Games Area (MUGA). These should be clearly set out in the Schools Strategic Financial Plan/School improvement Plan. The total set aside should be earmarked

## Timescale

### (from 31/3 of relevant year end)

Must be spent within one year.  
*Standards Fund grants usually cover a period of 17 months (April yr 1 to August yr 2) and, therefore, any carry forward should not be for more than 50% of the total grant.*

Limit to planned contract start date within three years of initial assignment

Must be spent in accordance with approved Plans, within a maximum two year period.

As a guide it is expected these will have a 10 year life

6.9.4 If the result of these steps is a sum greater than 4% of the current year's budget share (secondary schools) or whichever is the greater of 5% or £25,000 (primary, nursery and special schools), then the Authority shall deduct from the current year's budget share an amount equivalent to the excess.

6.10 Funds held by a school on behalf of other schools (e.g. cluster or collaboration arrangements), other than in respect of funds that relate to government grants (where item 1 of the specific purposes above applies) should be disaggregated and allocated to appropriate schools in accordance with the terms of those arrangements. These balances should then be incorporated into each of the appropriate school's accounts and considered as part of their balances and treated accordingly.

- 6.11 Funds from other sources paid into the budget share account of the school will count except those involving donations that have specific spend conditions attached to them and which would meet one of the specific purposes above.
- 6.12 Funds held in relation to a school's exercise of powers under section 27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the Authority.
- 6.13 In order to meet this timetable all school governing bodies with planned year end balances must submit a report (or complete a form designed by the County Council) by 31 December of that financial year to Education Financial Services, explaining how and when it intends to use the balance i.e. *the specific purposes for which it has been assigned and the timescales involved*. This must be accompanied by minutes of the governing body and/or finance committee clearly showing approval of the proposals. Supporting documentary evidence (e.g. details of capital schemes including formal estimated costs) must also be provided. **When no such information is received the entire balance will be regarded as unassigned and uncommitted.**
- 6.14 Any subsequent changes to the planned year end balances and their intended use must be submitted using the appropriate documentation (as noted above) by 1 May following year end. Reasons for changes following the 31 December submissions must be fully explained and will be subject to scrutiny.
- 6.15 The total of any amounts deducted from schools' budget shares by the County Council under this provision will be applied to the Schools Budget as determined by Schools Forum.

## **7 Cheque Books and Bank Accounts (not Imprest)**

### **Cheque books**

- 7.1 All schools can choose to manage payments locally. Schools keep all interest earned but bear the cost of all bank charges. Schools are not permitted to overdraw their accounts, in this situation the school will be required to close their local bank account and open an imprest account with the County Council.
- 7.2 All delegated funds will be paid into the bank account, but deductions will be made in respect of the interest the County Council loses by forwarding funds earlier than payments would otherwise have been made. The exact deduction will be reviewed annually. Schools should also be aware of the additional administrative costs of taking the cheque book option.
- 7.3 Devolved grant payments will also be paid into that account. No interest clawback will be made on sums advanced for devolved grants.
- 7.4 The governing body decides whether to opt in or out of the cheque book scheme. The decision should be formally minuted. Any school opting in to or out of the cheque book scheme, or making any change on this matter, must notify the School Funding team, Children's Services Department by 1 December for arrangements to take effect in the following April, or by 31 March for arrangements to take effect from September.

- 7.5 Any school operating an imprest account must reconcile and arrange closure of that account before starting to use a cheque book account.

### **Bank accounts**

- 7.6 All maintained schools may have an external bank account, in the name of the school rather than the County Council, into which their budget share instalments may be paid. If a school has an external account, the account mandate must state that the County Council is the owner of the funds in the account, is entitled to receive statements and can take control of the account if the school's delegated management is suspended. Bank account signatories must be employees of the school or Hampshire County Council. All banking arrangements must be approved by the County Treasurer so that the suitability of the banking institution can be assessed and monitored. The list of approved financial institutions is maintained by Corporate Finance, County Treasurer's Department. If an institution is removed from the list, all accounts with it must be closed immediately after notification from the County Treasurer, and any funds returned to the County Council pending the opening of a replacement account. Any funds paid by the County Council should be returned to it pending the opening of a replacement account.
- 7.7 Approved banking institutions as at 1 January 2003 are:
- Lloyds TSB Bank Plc
  - National Westminster Bank Plc
  - HSBC
  - Barclays Bank Plc
  - HBOS
  - Alliance & Leicester Bank Plc
  - Britannia Building Society
  - Royal Bank of Scotland Plc
  - Co-operative Bank Plc
  - Abbey National Plc
  - Nationwide Building Society
  - Bradford & Bingley Plc
  - Yorkshire Building Society
- 7.8 Schools having bank accounts with other banks, before 1 April 2001, will be allowed to retain those accounts. Any changes of banking arrangements must first be approved by the County Treasurer.
- 7.9 All new banking arrangements may only be made with effect from the beginning of each financial or academic year, except in the case of paragraph 7.6. Schools without a bank account either at the start of the scheme or later cannot have one until any deficit balance is cleared. When a school opens an external bank account, it may immediately have transferred to it the estimated total of its surplus balance, with corrections made later if necessary.
- 7.10 In such circumstances, the County Council will estimate the expenditure based on that school's historical profile, and then seek comments on the estimate from the school. The balance to be transferred will be the difference between the pro rata share of the budget share allocation and the estimated expenditure, plus any balance from a previous financial year. This provisional balance will transfer on the last banking day before the new arrangements take effect. There will subsequently be a full reconciliation.

- 7.11 Schools opting for cheque books must set up a direct debit instruction if they intend to make payments via SAP or have the County Council process payments centrally (e.g. for utility bills), so that the County Treasurer can debit schools for items paid on the school's behalf. An instruction form is available from Corporate Finance and should be returned there on completion. A school cannot stop a direct debit paid on its behalf. However, the request to make a payment via SAP must be authorised in advance by one of the school's nominated authorising officers.
- 7.12 The County Council will advance budget shares to schools monthly in arrears.
- 7.13 Monthly payment will give advances as shown below:
- 1/36th of the school's annual budget share on the first banking day of April each year
  - 3/36ths of the school's annual budget share on the penultimate banking day of each month from April to February inclusive
  - 2/36ths of the school's annual budget share on the penultimate banking day of March each year.
- 7.14 Any former Grant Maintained Schools which paid their staff before the last working day of each month prior to 1 April 1999, and who asked for their monthly advances to be paid before the penultimate banking day of each month since then, may continue having their cash advances paid early. An interest charge will be made for this.
- 7.15 If a school chooses to have its monthly advance before the last working day of the month, the additional lost interest deduction will simply be the number of days early divided by 365 x base rate x the advance amount. So if a school wants to receive a £125,000 advance four days early, the deduction will be:
- $$4/365 \times 4.50\% \times £125,000 = £62 \text{ (where the base rate is 4.50\%)}$$
- 7.16 The County Council will pay interest to schools on late advances of budget share instalments, if such late advance is the result of a County Council error. The interest rate for cash flow deductions will be used.
- 7.17 Examples of interest deductions are shown in the table that follows for a school with a budget share totalling £1,500,000, of which £1,200,000 is payroll-related and £300,000 is not. The examples reflects the actual spending patterns of schools and is based on financial year 2005/06 at a base rate of 4.5%, for illustrative purposes only.

**Table 7.1 - Interest deduction calculation for local bank account schools**

Date	Day of year	Average day of payment for non-cheque book schools				Average day of advance	
		Non-pay amount	Pay amount	Total amount	Weighted day of spending	Advance amount	Weighted day of spending
	b	c	d	e(c + d)	f(b x e)	g	h(b x g)
01/04/05	1			0		41,667	41,667
15/04/05	15	60,800		60,800	912,000		
28/04/05	28					125,000	3,500,000
29/04/05	29		100,000	100,000	2,900,000		
15/05/05	45	31,400		31,400	1,413,000		
27/05/05	57					125,000	7,125,000
31/05/05	61		100,000	100,000	6,100,000		
15/06/05	76	15,300		15,300	1,162,800		
29/06/05	90					125,000	11,250,000
30/06/05	91		100,000	100,000	9,100,000		
15/07/05	106	36,700		36,700	3,890,200		
28/07/05	119					125,000	14,875,000
29/07/05	120		100,000	100,000	12,000,000		
15/08/05	137	13,300		13,300	1,822,100		
30/08/05	152					125,000	19,000,000
31/08/05	153		100,000	100,000	15,300,000		
15/09/05	168	13,500		13,500	2,268,000		
29/09/05	182					125,000	22,750,000
30/09/05	183		100,000	100,000	18,300,000		
15/10/05	198	34,600		34,600	6,850,800		
28/10/05	211					125,000	26,375,000
31/10/05	214		100,000	100,000	21,400,000		
15/11/05	229	13,800		13,800	3,160,200		
29/11/05	243					125,000	30,375,000
30/11/05	244		100,000	100,000	24,400,000		
15/12/05	259	22,900		22,900	5,931,100		
29/12/05	273					125,000	34,125,000
30/12/05	274		100,000	100,000	27,400,000		
15/01/06	290	23,400		23,400	6,786,000		
30/01/06	303					125,000	37,875,000
31/01/06	306		100,000	100,000	30,600,000		
15/02/06	321	14,800		14,800	4,750,800		
27/02/06	333					125,000	41,625,000
28/02/06	334		100,000	100,000	33,400,000		
15/03/06	349	19,500		19,500	6,805,500		
30/03/06	364					83,333	30,333,212
31/03/06	365		100,000	100,000	36,500,000		
<b>Total</b>		<b>300,000</b>	<b>1,200,000</b>	<b>1,500,000</b>	<b>283,152,500</b>	<b>1,500,000</b>	<b>279,609,879</b>
				(i)	(j)	(k)	(l)

Average day of payment (j divided by i) = 283,152,500/1,500,000 = 188.8

Average day of advance (l divided by k) = 279,609,879/1,500,000 = 186.4

Difference = number of days interest = 2.4

Interest deduction = 2.4/365 x 4.50% x 1,500,000 = £444 (where 4.50% is the base rate)

- 7.18 For further details of the requirements for and operation of cheque book accounts, please see section 14 of the County Council's Local Management of Schools – Manual of Financial Practice and Procedure.

## 8 Reporting Requirements

### Key requirements

- 8.1 Accurate and timely financial reporting is an indication of good financial management. Where schools fail to meet the reporting timetables they are likely to fall short of the FMSiS standards. A repetition of a failure to meet the reporting requirements, particularly if it affects statutory deadlines e.g. : final accounts, VAT, NI, pensions, would be a reason for the issue of a notice of concern.
- 8.2 All schools are required to submit the following financial returns:
- Annual approved budget by 31 May- see below
  - Strategic Financial Plan by 30 June - see Appendix F for some further details
  - Approved revised budget for the year by 30 November - see below
  - *Assignment of balances return as at 31 March specifying purposes for balances to be completed by the preceeding 31<sup>st</sup> December – any subsequent material changes to be advised by the 1<sup>st</sup> May*

### Financial returns – County Council System Users (SAP)

- 8.3 Schools operating SAP must submit their revenue budget for the current financial year to SAP by 31 May each year, and revised budget agreed by Governors to SAP **by no later than 30 November** each year. The only other information required, (except for cheque book schools using SAP), as long as SAP records are kept up to date, will be the balance assignment notification and the copy of the strategic financial plans. All budgets entered onto the County Council's financial system (SAP) must be recorded at General Ledger (GL) code level.
- 8.4 Cheque book schools using SAP must produce a monthly bank reconciliation between the bank statement and the bank balance shown on SAP. Further guidance outlining the timetable for submitting financial returns for schools operating SAP can be found in Appendix F.

### Financial returns - Non-SAP

- 8.5 Specific financial returns are required from schools not operating SAP, as well as the ones required of all schools.. An explanation of returns required is given in Appendix F Part 2 . The County Council will not request income and

expenditure reports more often than the monthly frequency needed to meet the statutory VAT, NI and pension obligations. This will also provide information to keep the County Council's accounts up to date.

## **9 School Income**

### **Retention of income by schools**

9.1 Schools are permitted to keep all income from:

- letting (this includes formal leases) school premises (subject to any joint use or PFI agreements)
- levying fees and charges, except where a service is provided by the County Council from centrally retained funds
- fund-raising
- selling of assets purchased with delegated funds.

Schools must have regard to any policy statements on charging produced by the County Council.

9.2 Schools may cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the school's budget share. However, schools should have regard to directions issued by the County Council on the use of school premises, as permitted under the School Standards and Framework Act 1998 for various categories of schools.

9.3 Schools must ensure that VAT is accounted for properly on all income (see paragraph 5.15 on VAT).

### **Fees and charges**

9.4 All schools must have a charging and remission policy. Charges may not be made for education provided during school hours. The exception is that they may charge for musical tuition of an individual or a group of up to four pupils, if the teaching is not an essential part of the National Curriculum or a public examination syllabus.

9.5 Schools may also charge for:

- board and lodging. Income from boarding charges is collected on behalf of the LA and should not exceed that needed to provide board and lodging for the pupils concerned.
- public examinations where the pupil has not been prepared by the school, or where the pupil fails without good reason to complete the examination requirements
- wilful damage to school property, or the misuse or loss of books and equipment.

- 9.6 Although charges must not be made for school activities, parents may be invited to make a contribution towards the cost. If a particular activity cannot take place without financial help, that can be explained to parents at the planning stage. The essential point is that no pupil may be left out of an activity because his or her parents cannot, or will not, make a financial contribution. The school must first decide which class or group of pupils is to benefit from the activity, and then look for voluntary contributions for the activity or by general fund-raising.

### **Sale of assets**

- 9.7 For assets purchased from non-delegated funds, any income received will belong to the County Council. The school must take the advice of the Head of Procurement and Supplies on the disposal of surplus or obsolete assets. Normally, disposal should be by competitive tender or public auction except where:
- the expected value is less than £200, in which case the Headteacher should dispose of the asset in an effective and fair manner and must keep a record
  - the asset was purchased from delegated funds, in which case the governing body is free to exercise its discretion.
- 9.8 The sale of land is subject to different procedures: the advice of the Building Planning Officer in the Children's Services Department and the Head of Estates Practice must be sought and followed.

### **Write-offs**

- 9.9 Headteachers may write off any amount of income due up to a maximum of £200 if they consider it is irretrievable, and must sign an explanatory record giving reasons for the write-offs. Records must be kept for inspection.
- 9.10 The County Council cannot write off the deficit balance of any school's budget.

## **10 Audit Arrangements**

### **Internal audit**

- 10.1 By law, both internal and external audit must be funded from the strategic management heading, so they must not be delegated to schools. To fulfil S151 responsibilities, the County Treasurer will appoint internal auditors for all schools. The County Treasurer will determine the frequency and length of audit visits and nature of audit cover. This will be done in consultation with schools through management partnership.

### **External audit**

- 10.2 External auditors, e.g. District Audit, will be appointed by the County Council on the recommendation of the Audit Commission.

## **Additional financial advice**

- 10.3 Schools who fully subscribe to the EFS Service Level Agreement will receive advice and support from Education Financial Services including access to the Manual of Financial Practice and Procedures, a copy of which is on the **County Council website at <http://intranet.hants.gov.uk/childrens-services/efs/efs-publications/efs-financemanual.htm>**. They may purchase additional advice and support from the same source either through a Service Level Agreement or on a Pay As You Use basis.
- 10.4 Schools may also purchase additional internal audit services (e.g. annual reviews) from the County Council if they wish (contact Audit Services, County Treasurer's Department). Furthermore, schools may if they wish purchase financial advice or external audit to provide the governing body with assurance on the financial management of the school, in addition to the assurance gained from internal and external audit paid for centrally. Additional financial advice and independent external audit must be purchased from the school's budget share.
- 10.5 Schools must provide audit certificates for voluntary and private funds held, and for any trading organisations controlled by the school. These returns are required by 31 August following the end of the financial year.

## **11 Schools' wider involvement**

### **Community subsidy**

- 11.1 The governing body may choose to let school premises (this does not include leases or transfer of formal property rights) and equipment. Hire charges should be set so that the income at least covers any additional costs resulting from the non-school use. Any surplus may be added to the school's budget. Schools may claim a "community subsidy" from the County Council towards the costs arising from use by eligible community groups. In return, the governing body is expected to apply hire charges suggested by the County Council for use by the community groups. The charges are calculated to cover likely costs when added to the subsidy. Any surplus arising from subsidised use by community groups may only be spent for the benefit of community users. Further details, definitions and guidance are given in section 23 of the County Council's Local Management of Schools – Manual of Financial Practice and Procedure.

### **Community management agreements**

- 11.2 Some schools have entered into formal agreements with the County Council which set out arrangements for managing community use of the school, including any community facilities provided with support from funding partners, such as local authorities and Lottery distributors. The agreements establish management committees operating on behalf of the County Council and the schools' governing bodies. The committees are required to propose an annual budget which is subject to approval by parties to the agreement. These budgets should be entered into the SAP system by 1 May each year. The use of any surpluses carried forward is also subject to approval. The accounting arrangements are detailed in the agreements.

## **Community facilities power**

- 11.3 The Education Act 2002 gave school governors the power to provide facilities or services for their local community. Schools intending to exercise the power have a duty to consult the LA before starting provision and to have regard to any advice given. Full details of the formal consultation procedure and the information required are shown in “Application of the Scheme to the Community Facilities Power”, which is now Section 25 of the scheme.

## **Early years settings, before/after school clubs and holiday playschemes**

- 11.6 Early education and childcare settings (for example pre-schools, day nurseries, before/after school clubs and holiday playschemes) may operate at a school in one of three ways. The school can allow use of rooms to a bona fide organisation which has sole responsibility for running the club; or the school operates the club as an extension to the school; or the provision is included within a school’s community programme where there is a formal community management agreement. At an early stage in the planning, schools should seek initial advice and guidance from the Early Education and Childcare Unit (EECU) about the needs of the area, type of provision and regulation requirements.
- 11.7 If the school wants an external organisation to be responsible for running the setting, the County Council suggests that the use of rooms be subject to a licence agreement or lease. This will set out the terms and conditions of use and may require it to be non-exclusive. Further guidance can be obtained from the Head of Estates Practice.
- 11.8 Schools with community management agreements with the County Council may choose to manage provision themselves. Other schools wishing to manage the settings must consult the County Council formally before starting provision and must have regard to any advice. Normally, the consultation document should be sent to the Head of Adult and Community Learning, Children’s Services Department, The Castle, Winchester, SO23 8UG. If early years and childcare developments are included, a copy should also be sent to the Head of the Early Education and Childcare Unit, Aquitaine House, 2-5 St Clement Street, Winchester, SO23 9DR. This procedure is detailed in the “Application of the Scheme to the Community Facilities Power”.
- 11.9 Schools must ensure that the provision is not subsidised from the delegated school budget. The governors are responsible for agreeing day-to-day matters, such as fees, staffing and budgets. The EECU can provide guidance about salary scales, staff entitlements and other costs that need to be covered in financial planning. Registers should be used to record attendance and as a basis for collecting fees.

## **Children’s Centres**

- 11.10 In the early phases of the development of children’s centres the County Council gave some specific primary school governing bodies responsibility for the oversight and management of a children’s centre. This responsibility is outside the powers of the primary school governing body in respect of its budget share and full account has to be taken of specific children’s centre requirements set out

by the County Council. The development and approval of governance and financial management frameworks for children's centres will mean changes in the role of the governing body in respect of such centres. (These changes will not have the same effect on the integrated management of the three maintained nursery schools with children's centres) In the meantime the terms of this scheme and the supplementary guidance apply.

### **School companies**

11.11 The Education Act 2002 provides the power for schools to form or join school companies for certain purposes. The County Council is a supervising authority in terms of the statutory guidance being produced by the DfES. Permission must be sought from the County Council before a school forms or joins a school company. Supervision and regulation by the County Council will be based on the DfES statutory guidance when this is available.

### **Other wider activities**

11.12 As part of their exercise of the community facilities power and the development of extended schools services, schools may provide services commissioned by the County Council. These activities must be kept separate from school budget shares, as indeed must all community facility powers activities. The provision, as a third party provider, of children's centre services is one example of such activities.

11.13 The same standards and procedures as apply to a school's own budget and expenditure also apply to all joint arrangements with other schools. Whether the arrangements take the form of a Cluster, a Collaboration, a soft or hard Federation under the terms of the Education Act 2002 or some locally determined approach all the terms of this scheme still apply. There is a particular onus on any schools handling funds on behalf of the group to follow the highest standards of financial management so that the wider accountability is discharged effectively.

## **12 Other Financial Controls**

### **Pecuniary interests**

12.1 The governing body of each school must establish (if it does not already have one), a register that lists for each member of the governing body, the Headteacher and staff who may influence expenditure any business interests they, their partner or any member of their immediate family have. The governing body must keep the register up to date with notification of changes and through annual review of entries, and make the register available for inspection by governors, staff, parents and the County Council.

### **Governors' expenses**

12.2 Under schedule 11 of the School Standards and Framework Act 1998, only allowances for purposes specified in regulations may be paid to governors from a

school's delegated budget share. Payment of any other allowance is strictly forbidden. Furthermore, schools must not duplicate payment by the Secretary of State to additional governors appointed by him or her to schools under special measures.

- 12.3 The County Council may delegate funds to meet governors' expenses to the governing body of a school yet to receive a delegated budget.

### **Liability of governors**

- 12.4 As the governing body is a corporate body, governors of maintained schools will not incur any personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

### **Health and safety**

- 12.5 In spending the school's budget share, governing bodies must have due regard for duties placed on the County Council in relation to health and safety, and the County Council's policy on health and safety matters in the management of the budget share (see Appendix A).

### **Whistleblowing**

- 12.6 Schools should take note of the Human Rights Act and the County Council's rules on "whistleblowing". Schools should establish arrangements to safeguard the interests of whistleblowers. Further guidance is included in the Manual of Personnel Practice.

### **Child protection**

- 12.7 Schools are urged to support the work of child protection case conferences and similar events whether by the release of staff to attend or by making written submissions. However, there is no requirement on schools to release staff to attend and the County Council does not make any payments to schools to help meet costs.

## **13 Aspects of Delegation**

### **PFI/PPP**

- 13.1 The County Council will issue regulations regarding PFI/PPP projects if one is developed.

### **Delegation to new schools**

- 13.2 The County Council can delegate selectively and optionally to the governing bodies of schools that have yet to receive delegated budgets.

## **Special Educational Needs (SEN)**

- 13.3 Additional funding may be given to mainstream schools to educate pupils with SEN in line with the 1981 Education Act. Governors have a statutory responsibility to provide for pupils' needs.

### **Catering**

- 13.4 When entering into a contract or agreement for catering services, the governing body must have regard to the County Council's policies on school meals in discharging its duties in relation to school meals.

## **14 Borrowing and Investments**

### **Borrowing**

- 14.1 Schools must not, under any circumstances, borrow through a bank overdraft or other means without gaining the prior written consent of the County Treasurer, followed by the Secretary of State.
- 14.2 The County Treasurer will only consider approving a loan application if the loan's purpose accords with the County Council's Asset Management Plan and capital programme priorities. Borrowing by a school will form part of the County Council's credit requirement, and so will affect capital planning for the Children's Service.
- 14.3 The County Council defines borrowing as:
- loans, whereby lenders make available to schools a sum of money which schools use for specific purposes (this includes increasing the term of existing loans or drawing down additional amounts within a facility provided by a bank)
  - finance leases and hire purchase contracts.
- 14.4 Schools should seek an opinion on the nature of the lease from Corporate Finance, County Treasurer's Department before entering into any lease agreement.

### **Loan scheme from school balances**

- 14.5 A loan scheme is available from school balances. Access to the scheme is limited to borrowing for County Council Children's Services Asset Management Plan and strategic planning priorities only.
- 14.6 Borrowing from school balances for this purpose will be restricted to 25% of the net aggregate of school balances in any one year, after deduction of balances relating to the Standards Fund and other miscellaneous balances not accruing directly from schools' revenue budgets.
- 14.7 Eligible schemes will require a clear repayment stream either from capital receipts to be released later in the project or from revenue savings, such as might be generated from a surplus place removal scheme.

- 14.8 Loan advances for specific capital schemes may only be drawn down in instalments and, for repayments based on capital receipts, are limited to 75% of the anticipated capital receipt generated by the scheme. There must also have been Executive Member agreement to the disposal of the asset (i.e. to the key decisions and to funding from capital receipts).
- 14.9 Repayments of loan advances must be made, in full or in part, as soon as appropriate funds are available. In any event, the outstanding balance of specific project advances must be repaid in full immediately the capital receipt is realised.
- 14.10 However the loan scheme works, individual schools retain the right to draw on their full balance at any time and will receive interest on their total balance in accordance with the agreed interest regime (paragraph s 7.4 and 16. 2)

## **Investments**

- 14.11 If a community school has chosen to operate a local bank account (cheque book option) and intends to invest money other than in a deposit account, then the governing body of the school must write an investment policy and get it approved by Corporate Finance, County Treasurer's Department, before making any investment. The investment policy must include:
- which types of investment may be used, e.g. deposit account
  - who the school may invest with, i.e. financial institutions approved by the County Treasurer
  - under what circumstances the school may invest
  - authorisation process, e.g. who has to authorise and within what financial limit
  - monitoring arrangements.
- 14.12 Investments must be made in accordance with the investment policy and written procedures approved by the governing body. Governors should obtain written advice on their investment policy from their professional advisers. The governing body must implement procedures to ensure that this policy is adhered to at all times. Governors should note that the security of any funds under their control is more important than the level of return gained from them.

## **Leasing**

- 14.13 The temporary acquisition of premises or equipment by a school may constitute a lease. Schools are not permitted to enter into leases of land or buildings. In some cases, the County Council may enter into a property lease for school use subject to approval by the relevant Executive Member. Schools wishing to propose a new lease should contact their Building Planning Officer in the Children Service's Department and the Head of Estates Practice.
- 14.14 Accounting standards require leases to be reported in specific ways, depending on the terms of the lease. For the County Treasurer to determine how the payments should be accounted for, a school must contact the Corporate Finance section,

County Treasurer's Department before entering into any contract where it acquires the temporary use of equipment.

## **15 Financial Management Standards**

### **Financial Management Standard in Schools (FMSiS)**

- 15.1 All maintained schools must demonstrate compliance with the DfES' Financial Management Standard in Schools(FMSiS) in line with the timetable determined by the authority in discussion with Schools Forum to meet DfES requirements, and at any time thereafter:
1. Secondary schools 2006/07 and all subsequent years;
  2. Primary, special and nursery schools the phased approach, which has been agreed with representatives of such schools, leading to all schools by 2010
- 15.2 The County Council has not made external assessment of compliance with FMSiS compulsory but where such assessment is undertaken it has to be funded from a school's budget share. All secondary schools (and all other schools as part of the agreed rollout programme) must complete an annual self assessment against the Standard using the DfES self assessment tool. A copy of the completed self assessment, and an external assessment if that has been carried out, must be sent to the County Treasurer's Internal Audit Section by 28 February each year.

### **Circumstances in which Notices of Concern may be issued**

- 15.3 The County Council will issue a notice of concern to the governing body of a school when in the opinion of the Chief Finance Officer and the Director of Children's Services, the school has failed to comply with any provisions of this scheme, or where actions need to be taken to safeguard the financial position of the local authority or the school. The notice will set out the reasons and evidence for it being issued.
- 15.4 The County Council will set out the requirements on the governing body in relation to the management of funds, including actions, restrictions, limitations or prohibitions that it must comply with. These requirements may include:
- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
  - insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;
  - insisting that support is purchased from a financial provider to ensure that school staff have access to financial advice;
  - requiring the school to be externally assessed against the FMSiS standards

and to implement any remedial action identified as being needed to bring the school up to the standards;

- placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools ( e.g. provision of monthly accounts to the County Council);
- insisting on regular financial monitoring meetings at the school attended by local authority officers;
- requiring the governing body to use SAP as its financial system where it does not already do so;
- requiring notification of all decisions including contracts of employment which commit the school to more than £5,000, (or an amount specified by the County Treasurer) ;
- imposing restrictions or limitations on the manner in which the school manages extended school activity funded from within its delegated budget share – for example by requiring the school to submit income projections and/or financial monitoring reports on such activities;
- requiring the attendance, with full speaking rights, of the County Treasurer’s representative at the meetings of the governing body and all relevant committees;
- submission of financial forecasts covering each year of a multi-year budget period.

15.5 The notice will state the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the county council may take where the governing body does not comply with the notice.

### **Circumstances in which suspension of delegated management would be considered**

15.6 The School Standards and Framework Act 1998 allows the County Council to suspend a governing body's right to a delegated budget if it fails to comply with requirements or mismanages the funds. The County Council may do this if the provisions of the scheme for financial management of schools , including the requirements attached to a notice of concern (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons as stated in section 17 of the Act, but in that case there is no right of appeal. Alternatively, or in addition, schools may receive a charge against their school budget for any liabilities incurred (see section 16 of this scheme).

- 15.7 Every school is reminded that if it concludes an agreement (with a third party) against the County Council's wishes or without informing the County Council and it is judged to be seriously prejudicial to the interest of the school or the County Council, this may constitute grounds for the suspension of the right to a delegated budget.

## **16 Charges against School Budgets**

### **Basis for making a charge**

- 16.1 The County Council may make a charge against a school's budget share, to protect its own financial position, if it incurs liabilities through action or inaction by the governing body. The circumstances for making a charge are shown below:
- where premature retirement costs have been incurred without the prior County Council's written agreement to bear such costs (the amount chargeable being the excess over any amount agreed by the County Council)
  - other expenditure incurred to secure resignations where the school had not followed County Council advice
  - awards by courts and industrial tribunals against the County Council, or out-of-court settlements, arising from action or inaction by the governing body, contrary to the County Council's advice
  - expenditure by the County Council in carrying out health and safety work, or capital expenditure for which the County Council is liable, where funds have been delegated to the governing body for such work, but the governing body has failed to do it
  - expenditure by the County Council incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the County Council or the school has voluntary controlled status
  - expenditure incurred by the County Council in repairing persistent, wilful or malicious damage to school premises perpetrated during the school day
  - expenditure incurred by the County Council in insuring its own interest in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the County Council
  - recovery of money due from a school for services provided to the school, where a dispute over the money due has been referred to a disputes procedure set out in a service level agreement, and the result is that money is owed by the school to the County Council
  - recovery of penalties imposed on the County Council by the Contributions Agency or HM Revenue and Customs, Teachers Pensions or regulatory authorities as a result of school negligence
  - correction of County Council errors in calculating charges to a budget share (e.g. pension deductions)

- additional transport costs incurred by the County Council arising from decisions by the governing body on the length of the school day, and failure to notify the County Council of non-pupil days resulting in unnecessary transport costs
  - legal costs incurred by the County Council because the governing body did not accept the advice of the County Council
  - costs of necessary health and safety training for County Council staff, where funding for training had been delegated but the necessary training was not carried out
  - compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect
  - cost of work done on teacher pension remittance and records for schools using non-County Council payroll contracts; the charge to be the minimum needed to meet the cost of the County Council's compliance with its statutory obligations
  - costs incurred by the County Council in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of that statement
  - costs incurred by the County Council due to submission by the school of incorrect data
  - recovery of amounts spent from specific grants on ineligible purposes
  - costs incurred by the County Council as a result of the governing body being in breach of the terms of a contract.
- 16.2 If any former grant-maintained special school maintained by the County Council fails to repay any amount of a loan due to the Secretary of State, as agreed under section 122 of the Education Act 1996, the County Council may charge the school's budget share.
- 16.3 If the County Council believes that a charge should be made against a school's budget, the matter will be discussed with the school first and then presented in writing. The school will have 15 school days from the date of the letter to respond. Before finalising a charge, the appropriate chief officer will consider the reasons for it and the school's response. Charges will be reported to Children's Services Executive Member at least annually.
- 16.4 The County Council may send the school an invoice or deduct a charge from the budget share, either in full for immediate settlement or over a period of time as specified by the chief officer. A charge against a school's budget can still be made if the school has a deficit balance or the charge would leave the school with a deficit.
- 16.5 The County Council must charge salaries of school-based staff to school budget shares at actual cost. The County Council may also suspend delegated funding to the school (see section 13).

## **Fees to be deducted from teachers' salaries and remitted to the General Teaching Council for England**

- 16.6 The General Teaching Council for England (Deduction of Fees) Regulations 2001 ("the Regulations", S.I. 2001 No. 3993) came into force on 10 January 2002. The Regulations apply to teachers at maintained schools registered with the General Teaching Council for England ("the GTC") or required to be so registered by the Teachers (Compulsory Registration) (England) Regulations 2001 (S.I. 2001 No.1266). The Regulations place a duty on the employer of such teachers to deduct and remit the GTC fee in respect of a teacher who has not already paid the fee to the GTC where the GTC has notified the employer to deduct and remit the fee of that teacher. This includes teachers who have told the GTC that they wish to pay the fee by a salary deduction as well as teachers who have not stated how they wish to pay the fee.

To ensure the performance of the duties to deduct and remit the fee imposed on employers by the Regulations, conditions are imposed on the LA and governing bodies of all maintained schools covered by this scheme in relation to their budget shares. The conditions, which came into effect on 28 February 2002, are as follows:

- (1) By virtue of section 46 of the School Standards and Framework Act 1998 and the regulations made under that section (at present the Financing of Maintained Schools (England) Regulations 2001 (SI 2001 No.475, Part II and Schedule 1) the costs of payroll administration for teachers in the Authority's maintained schools fall to be met from the budget shares which are allocated to governing bodies pursuant to section 47 of the Act, and which are delegated to them pursuant to sections 49-50. Accordingly, by virtue of Chapter IV of Part II of that Act and this Scheme, governing bodies of maintained schools are responsible for making suitable arrangements (or ensuring that such arrangements are made) for the administration of payroll services in respect of their teachers.
- (2) A governing body of a community school, community special school or a voluntary controlled school, though not the employer of the teachers at such a school, shall:-
  - (a) where the governing body has entered into any arrangement or agreement with the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of fees by the Authority to the GTC. The governing body shall meet any consequential costs from the school's budget share;
  - (b) where the governing body has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of fees by that person to the Authority or directly to the GTC where this has been agreed between the GTC and the Authority. The governing body shall meet any consequential costs from the school's budget share; and
  - (c) where the governing body directly administers the payroll, deduct and remit the fees to the Authority or directly to the GTC where this has been agreed between

the GTC and the Authority. The governing body shall meet any consequential costs from the school's budget share.

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

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

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

## **17 Computer Security**

17.1 The school's governing body should ensure that computer systems used:

- provide security to fulfil responsibilities under the Data Protection Act
- can efficiently provide information required by the County Council
- have suitable controls to safeguard the data stored from unauthorised access, manipulation and corruption
- are backed up and retained so that any information lost can be recreated.

## **18 Provision of Services and Facilities by the County Council**

### **Centrally retained budgets**

- 18.1 The County Council will determine on what basis to provide services funded from centrally retained budgets. The County Council will not discriminate on the basis of category of schools except where:
- funding has been delegated to some schools only
  - such discrimination is justified by differences in statutory duties.

### **Service level agreements**

- 18.2 All agreements between the County Council and schools from 1 April 2005 will last for a maximum of three years from inception and up to five years for any subsequent agreement relating to the same services, except catering services where the periods in question will be five and seven years respectively. The terms of any agreement should be reviewed at least every three years.
- 18.3 The County Council will endeavour, where possible, to offer services singly as well as in combination packages. Buyback services will not unreasonably restrict a school's freedom of choice among the services available. Services will be available on a basis that is not related to an extended agreement, as well as on the basis of such agreements.
- 18.4 The County Council will offer services at prices that are intended to generate income which is no less than the cost of providing those services. The total cost of the service must be met by the total income, even if schools are charged differentially.
- 18.5 Service level agreements will be in place by 31 March of the previous financial year to be effective for the following year. Schools will have at least six weeks to consider the terms of agreements.

## **19 Insurance**

- 19.1 Insurance will be delegated to all schools, who will then have the opportunity to buy back into the County Council's arrangements. If a school chooses external insurance providers, then the cover relevant to the County Council's insurable interests provided by the policy should be demonstrably at least as good as the relevant minimum cover arranged by the County Council.
- 19.2 If a school does not choose the County Council's scheme, it should obtain the cover detailed in Appendix C of Information Supporting the Scheme for Financial Management. Schools must gain approval from the Chief Executive's Insurance section if they intend to purchase insurance that does not meet the minimum requirements specified. The County Council will have regard to the

actual risks that might reasonably be expected to arise at the school in question when considering minimum levels of cover.

- 19.3 Schools should make appropriate arrangements to ensure replacement or repair of their buildings and contents if damage arises from explosion, storm, flood, riot or malicious damage, and similar risks. The schedule must include cover for all costs and disbursements (professional fees, provision of temporary accommodation, etc.) Arrangements with their insurer or other provider are expected to match the standard and speed of response currently provided by the County Council.
- 19.4 The school must cover not only its own liabilities but those of the County Council which arise from the action or inaction of the school. Schools that choose to insure risks themselves should arrange for the insurer to provide all insurance and risk management advice, claims handling and legal representation in respect of claims.
- 19.5 The governing body should also undertake risk assessment to determine whether insurance of the school buildings and contents against theft and terrorism would represent value for money.
- 19.6 For a school that was formerly voluntary aided, the governing body must have regard to any guidance from their trustees about the insurance required for any premises, used by the school, which are owned by the trustees. Voluntary aided schools are discussed more thoroughly in section 20 of this scheme.
- 19.7 If an external provider is to be used, the governing body must invite tenders every three years, in accordance with tendering procedures.

## **20 Maintenance of Buildings**

- 20.1 For community schools, where the County Council owns the school land and buildings, it will be responsible for “landlord” functions such as major structural repairs and replacing major components. Schools are responsible for most general items of repair and maintenance of the buildings, including related health and safety requirements. The County Council does not have a de minimis level for capital. The split of responsibility has been based on guidance from the DfES and is in line with the CIPFA Statement of Recommended Practice. Further details and examples are given in Appendix A of the scheme.
- 20.2 The County Council is ultimately responsible for the fabric of the buildings of all County Council-maintained schools. The County Council has a duty to ensure that schools are maintaining buildings and fixtures in line with best practice, and to ensure that all health and safety requirements are being met. The County Council will inspect school buildings in discharging this duty. Failure to maintain buildings and fixtures to the required standard may lead to the suspension of delegated funding (see section 15), or a charge against the school's budget (see section 16), or both.
- 20.3 Governing bodies of voluntary aided schools are eligible for grant from the DfES in respect of their statutory responsibilities; they will also have responsibilities for other repairs. “The voluntary aided and special agreement school - Determination

of financial liabilities' list will be used to establish responsibility for payment of liabilities.

- 20.4 The County Council may retain funds centrally for repairing and maintaining kitchens and kitchen equipment in schools that have not had school meals delegated.

## **21 Central Funds and Earmarking**

- 21.1 The County Council may allocate funds in addition to the schools' budget shares. Funds may be allocated to schools at the request of, or otherwise by agreement with, the governing body for any specified purpose.
- 21.2 These funds must be used only for the specified purpose for which they are made available, and they should be kept separate from the school's budget share. The funds may be allocated regularly for recurrent expenditure, or on particular occasions for a specific expense. Earmarked funds must be returned to the County Council if not spent in-year, or within the period in which schools are allowed to use the funding, if different.
- 21.3 The allocations which schools receive from specific grants, such as the Standards Fund School Development Grant, are subject to the grant conditions set by the DfES or other government body.

## **22 Voluntary Aided Schools**

### **Buildings and insurance**

- 22.1 In the case of aided schools, the buildings are owned by the trustees and not the County Council. Therefore some of the insurance arrangements are the responsibility of the governing body in conjunction with the trustees. Separate insurance should be considered for:
- damage to the school building from fire, earthquake, storm, etc
  - legal costs of an action due to a fault with the premises
  - risks arising from events held on school premises and organised by the church or a private individual.
- 22.2 When Governors' contributions to capital schemes are involved the funding arrangements must be planned to ensure that the cash flow implications do not cause the school's revenue budget to be overspent.
- 22.3 For further details, definitions and guidance relating to voluntary aided schools, see section 33 of the County Council's Local Management of Schools - Manual of Financial Practice and Procedure.

## **23 Unofficial Funds**

- 23.1 Most schools have money available from sources other than the County Council, which they may use for their general benefit. If such funds are controlled by an

employee because of his or her position at the school, but do not pass through the County Council's accounts, they are regarded as unofficial funds. The Local Government Act 1972 states that a local authority may require any of its staff to account for all money and property committed to their charge and to produce the relevant supporting documents. To fulfil section 151 responsibilities, this requirement is extended to include all staff at all schools.

- 23.2 Accounts must be maintained and supporting documents (e.g. receipts) held for all transactions, including a 'management trail'. Reporting arrangements must be formalised. Best practice requires the reporting of annual accounts.
- 23.3 Audit certificates must be provided to the local Education Financial Services office for private or voluntary funds held by the school, and for any accounts of trading organisations controlled by the school. A copy must also be retained at the school. Annual audited accounts are required by 31 August after the year end.
- 23.4 For further details on the requirements for and operation of unofficial accounts, see section 32 of the County Council's 'Local Management of Schools - Manual of Financial Practice and Procedure'.

## **24 Best Value Statements/Value for Money**

### **Best Value Statements/Value for money**

- 24.1 All schools must consider the relevance of Best Value principles in the expenditure of funds from their delegated budget share.
- 24.2 Best Value is a statutory duty to deliver services to clear standards, focusing on the balance between cost and quality in striving to continuously improve and deliver services in the most effective, economic and efficient means available. Legislation places a duty on the County Council to secure Best Value in the way the County Council exercises its functions.
- 24.3 Schools are accountable for balancing costs (in terms of economy and efficiency) and effectiveness (in terms of the performance and quality of all they provide). Applying Best Value principles to the management and use of resources can help to achieve this balance. Best Value principles represent a commonsense approach and an attitude towards good management that should become embedded in the school.
- 24.4 Schools need not undertake Best Value reviews of their activities, but under the Schools Standards and Framework Act 1998 must produce a Best Value Statement showing:
  - (a) how they are applying the principles of Best Value in managing the school; and
  - (b) what they will do to ensure their spending reflects these principles in achieving the outcomes stated in the school improvement plan.
- 24.5 The Standards and Framework Act 1998 requires Best Value Statements to be submitted to the County Council at the same time as school budgets. As budgets are held electronically in Hampshire, there is no desire to have a Best Value Statement submitted separately. Instead, the County Council would expect it to

accompany the budget submitted to the governing body and for its receipt and consideration to be acknowledged in the minutes of the meeting. The Best Value Statement should also be attached to the minutes.

24.6 In relation to schools and expenditure from delegated budgets, the main features of Best Value can be summarised as a need for the governing body of a school to ensure:

- (a) the existence of a programme of performance review which will aim for continual improvement. Existing mechanisms can be developed to satisfy the requirements for review. School improvement plans, post-OFSTED inspection plans and the production of annual/strategic budget plans, give the governing body with an opportunity to demonstrate that they are applying the four principles of Best Value.

The reviews should include:

- **challenging** how and why a service is provided (including consideration of alternative providers)
  - **comparison** of performance against other schools, taking into account the views of parents and pupils
  - mechanisms to **consult** stakeholders, especially parents and pupils
  - embracing **competition** as a means of securing efficient and effective services
- (b) the development of a framework of performance indicators and targets which will provide a clear practical expression of a school's performance, taking national requirements into account
- (c) that the following are included in school improvement plans
- summary of objectives and strategy for the future
  - forward targets on an annual and longer-term basis
  - description of the means by which performance targets will be achieved
  - a report on current performance
- (d) that internal and external audits take place ensuring that performance information is scrutinised. County Council oversight of school finances provides external review.

24.7 The independent inspection and intervention elements of the Best Value framework will be the responsibility of other bodies, so a governing body will not need to demonstrate that it adheres to Best Value principles.

24.8 The LA provided example Best Value Statements to all schools in September 2002, and Education Financial Services will include the production of Best Value Statements in its training and other materials.

24.9 In addition to the DfES booklet “Best Value in School” (website <http://www.dfes.gov.uk/valueformoney/>), there is useful guidance in the Audit Commission’s self-evaluation tool “Managing School Resources” and its publication “Keeping your Balance” (<http://www.audit-commission.gov.uk>).

## **25 Application of the Scheme to the Community Facilities Power**

### **Introduction**

- 25.1 Schools wishing to develop services or facilities for the community are encouraged to discuss proposals with the County Council in the first instance.
- 25.2 Schools which choose to exercise the power conferred by s.27(1) of the Education Act 2002 to provide community facilities will be subject to a range of controls.
- 25.3 Community facilities are defined in the Act as “ any facilities or services whose provision furthers any charitable purpose for the benefit of – (a) pupils at the school or their families, or (b) people who live or work in the locality in which the school is situated.”

### **Controls**

- 25.4 Expenditure incurred in the exercise of this power may not be met from the school budget share including any accumulated surplus on the budget share.
- 25.5 Regulations made by the Secretary of State under s.28(2), if made, which can specify activities which may not be undertaken at all under the main enabling power.
- 25.6 Schools’ legal obligations to consult the County Council and have regard to advice from the authority.
- 25.7 Guidance issued by the Secretary of State to governing bodies about a range of issues connected with exercise of the power to which the school must have regard.
- 25.8 The requirements under s.28(1), to act within the limitations and restrictions contained in a school’s own instruments of government.
- 25.9 These additional provisions in the Hampshire County Council scheme for financing schools ( made under section 48 of the School Standards and Framework Act 1998 extended to the powers of governing bodies to provide community facilities by paragraph 2 of Schedule 3 to the Education Act 2002)

### **Relationship with existing community agreements**

- 25.10 Where a school is already carrying out any of the activities covered by this power under the terms of an existing funding or management agreement with the County Council then the terms of that agreement continue to apply.

### **Consultation with the County Council**

- 25.11 Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, governing bodies must consult the County Council and have regard to the advice given to them.
- 25.12 Schools are likely to benefit from informal contacts and advice from officers with the relevant professional expertise well before the formal consultation itself. It could also be helpful to all parties if schools gave the County Council notice of their intent to exercise the power in advance of the formal consultation itself.
- 25.13 Formal consultation with the County Council will commence when the full consultation material has been submitted in writing and the response period will begin from receipt of the full material. Major uses of the power where services have an annual turnover in excess of £100,000 or capital schemes costing more than £100,000 are involved will lead to the County Council providing formal advice in writing (which may be e-mail) within eight weeks. In the case of more minor uses advice will be provided within six weeks. Subsequently the governing body should inform the council of the action taken in response to this advice.
- 25.14 The school should provide the following information in the formal consultation document:
- a full business plan for the provision of the proposed community facilities or services covering the first three years of operation;
  - in the case of capital projects affecting the existing buildings on the school site and/or the construction of new buildings then the full plans and costing of the works proposed ;
  - details of any planning and environmental considerations and evidence of discussions with relevant regulatory agencies;
  - details of the progress on consultations with school staff and parents;
  - expressions of support from potential user groups, district and parish councils, local community groups, neighbouring schools, business representatives, as appropriate;
  - details as to how the facility will be managed and how this relates to the management of the school;
  - a statement that the proposed activities will not interfere with the overriding purpose of the school in achieving higher standards for pupils ;
  - details of any proposed funding agreements with third parties;
  - the insurance arrangements proposed.
- 25.15 Normally the consultation document should be sent to the Head of Adult and Community Learning, Children Services Department, The Castle, Winchester, S023 8UG. Where Early Years and Child Care developments are included then a copy should also be sent to the Head of the Early Years and Childcare Unit, Aquitaine House, 2-5 St Clement Street, Winchester, S023 9DR.

### **Consultation with other bodies**

- 25.16 Section 28 (4) requires governing bodies to consult the staff of the school and the parents of registered pupils of the school.

25.17 School governing bodies should consult the planning and service provision bodies in their neighbourhoods which are currently involved with those sorts of facilities. For example; district councils for leisure facilities, adult education providers, local colleges and the local learning and skills council if adult education is involved. Often the relevant bodies will have plans which affect the activities proposed and may be interested in becoming a partner in the particular project.

25.18 Bodies with plans covering the community to be served by the facility or services should be consulted and the degree of fit with the relevant planning frameworks and policies assessed. In particular the following should be consulted if their work could be affected :

- The Sure Start Strategic Plan published by the local Early Years Development and Child Care Partnership, where any developments affecting early years education or child care are proposed. Schools should also consult local providers of childcare services and be satisfied that the proposals will not undermine the financial viability of existing services.
- The local parish/town councils (where they exist) and the local district council. These will have relevant planning policies. Community development plans and the priorities contained therein will be very important for community facility developments. There may also be specific plans for young people, area regeneration, leisure facilities and / or arts/sports plans and so on.
- Agencies such as Sports England, Arts Council will have policies and strategies in addition to specific plans that will affect not only their funding attitudes but also set their priorities.
- All the schools within the cluster and neighbouring secondary schools.
- The County Council's Adult and Community Learning Unit's three year Development Plan for Adult and Community Learning, which is updated annually for the Learning and Skills Council (LSC) for Hampshire and the Isle of Wight. Local adult and community learning providers including colleges should also be consulted.

### **Funding Agreements with Third Parties**

25.19 The provision of community facilities in many schools may be secured through a funding agreement with one or more third parties which will be supplying funding and/or being a party to the management of provision. A very wide range of bodies and organisations are potentially involved.

25.20 Any funding agreements with third parties (as opposed to funding agreements with the County Council itself) should be submitted to the County Council for its comments and advice. Such draft agreements should form part of the consultation with the County Council. Schools must have regard to any advice given. The County Council may propose conditions relating to access, egress and use of other facilities on the site.

- 25.21 Funding agreements with third parties should contain adequate provision for access by the County Council to the records and other property of those parties which are held on the school premises in order for the county council to satisfy itself as to the propriety of expenditure on the facilities in question.
- 25.22 However, schools are reminded that if an agreement has been or is to be concluded against the wishes of the County Council or has been concluded without informing the County Council and is judged to be seriously prejudicial to the interests of the school or the County Council, that may constitute grounds for suspension of the right to a delegated budget

### **Financial accounts and information**

- 25.23 Best practice in respect of the financial management of community facilities, is to use the same accounting and reporting systems as are used for the school's main budget share but with the activities separately identified on a full cost basis. This includes the submission of budgets onto SAP by 1 May each year. However where this is not practicable then schools which exercise the community facilities power must provide a summary statement every six months, showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next six months. The form of these statements will be notified to schools and the forms will be returned to Head of Adult and Community Learning. These schools must also provide an approved annual budget by the 1 May deadline.
- 25.24 If the County Council believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power then it may, after giving notice to the school, require financial statements to be supplied every three months or in certain instances monthly.
- 25.25 Financial information relating to community facilities also has to be included in returns made by schools under the Consistent Financial Reporting Framework.
- 25.26 Schools are required to grant access to the school's records connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure.

### **Treatment of Income and Surpluses**

- 25.27 Schools may retain all income derived from community facilities except where otherwise agreed with a funding provider. When a surplus has been derived after a proper charging of all costs including relevant overheads then the surplus may be carried over from one financial year to the next. Standard practice would be to account for this as a separate community facilities surplus. The surplus arising from the community facilities activities could only be added to any budget share surplus with the written agreement of the county council.

- 25.28 The normal expectation is that any surplus which accrues from the use of the community facilities power will be used within two years. Where the County Council provides funds in respect of an use of the community facilities power the funding agreement with the County Council will explicitly cover the use of any surplus generated.
- 25.29 The school must ensure that no deficit arises from the operation of the community facility. Where a deficit balance exists at the end of a financial year this must be recovered from future income as part of a formal recovery plan (see section 4 on deficits).
- 25.30 Since expenditure incurred by the governing body in the exercise of the community facilities power may not be met from the budget share the school's budget share will not include the rates or floor area relating to the community facilities so provided.
- 25.31 All the costs of maintaining any facility used for these purposes needs to be covered by the income.
- 25.32 When a school ceases to be maintained by the County Council, any accumulated retained income obtained from exercise of the community facilities power reverts to the County Council unless there is some other agreement with a funding provider.
- 25.34 Liabilities to third parties incurred in the exercise of this power are a charge on all the income retained by the school from these activities.

## **VAT**

- 25.36 As with existing community activities schools may only reclaim VAT for expenditure on community facilities where this is funded from local authority funds. Expenditure from funds obtained direct by schools from private (or indeed, central government) sources is not covered by the VAT reclaim procedures. Information is available in the updated VAT manual for schools and is available on the County Treasurer's website at <http://intranet.hants.gov.uk/ctdept/treasurers-vatmanual.htm> .
- 25.37 Schools are reminded that if any member of staff employed by the school or LA in connection with community facilities at the school is paid from funds held in a school's own bank account, the school is likely to be held liable for payment of income tax and National Insurance, in line with Her Majesty's Revenue and Customs (HMRC) rules.

## **Banking and Borrowing**

- 25.38 These are covered by Sections 7 and 12 respectively of the text of the Scheme of Financial Management and also apply to the use of the community facilities power. However where a bank account is set up specifically in relation to the use of the community facilities power then the account mandate should not imply that the County Council is the owner of the funds.

## **Health and safety**

- 25.39 The health and safety provisions of the main scheme ( see especially Appendix A) apply also to the community facilities power.
- 25.40 The governing body are responsible for the costs of securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day. The governing body would be free to pass on such costs to a funding partner as part of an agreement with that partner.

## **Service Level Agreements (SLAs)**

- 25.41 The community facilities powers, activities and transactions are not covered by schools' existing SLAs with the County Council. This means local authority services like payroll, payments, ICT support, Criminal Record Bureau checks, finance, personnel and so on, in respect of staff employed or expenditure incurred in the exercise of these powers, will only be provided at an extra cost beyond the SLA subscription rate. When making these arrangements with the county council or other providers schools will need to ensure the issues surrounding National Insurance and taxation of employees have been fully dealt with.

## **Insurance**

- 25.42 It is the responsibility of the governing body to make adequate arrangements for insurance against risks arising from the exercise of the community facilities power. Details of these arrangements should be included in the formal consultation material sent to the County Council. Such insurance should not be funded from the school budget share. The County Council is not able to offer this insurance under a SLA arrangement.
- 25.43 A school proposing to provide community facilities should, as an integral part of its plans, undertake an assessment of the insurance implications and costs, seeking professional advice if necessary.
- 25.44 The County Council will undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the resultant cost to the school. This is particularly to safeguard the County Council against possible third party claims.

## 26 Glossary

Chief Financial Officer (CFO)	The County Treasurer is the CFO of the County Council so has a responsibility to ensure probity and regularity in the County Council's financial activities
CIPFA	Chartered Institute of Public Finance and Accountancy
ISB	Individual Schools Budget
LA	Hampshire County Council is the appointed Local Authority
PFI/PPP	Private Finance Initiative (PFI) and Public Private Partnerships (PPP). PFI is the most prolific form of PPP to date, used to deliver services where it will provide better Value For Money compared to traditional public sector investment.
Prudential limit	The financial limit up to which a foundation school may borrow money, currently set as the amount of money a school can borrow without the cost of repaying the debt (principal + interest) exceeding 5% of the total annual revenue budget
Systems applications and products (SAP)	SAP is an integrated, flexible e-business software platform that has replaced the HCC legacy systems for payroll, personnel, finance and procurement and is helping to position HCC and its staff to respond to future business challenges, technological advances and new Government requirements such as Best Value, the Local Government Modernisation Agenda, e-commerce and the likely introduction of the Euro
Section 151 (S151)	The section of the Local Government Act 1972 that defines the responsibilities of the CFO (see CFO)
Vire	To move funds from one budget head to another

## 27 **Who to contact**

For **Financial Records, Advice and Unofficial Funds** queries, contact your local Education Financial Services office:

- Winchester Local Office, Clarendon House, Romsey Road, Winchester, SO22 5PW 01962 869611
- Fleet Local Office, Birch House, Barley Way, Fleet, GU51 2YB 01252 812333
- Havant Local Office, River Way, Havant, PO9 2EL 023 92498200

For **Maintenance of Buildings** queries, contact Property Business and Regulatory Services on 01962 847876.

For **Insurance** queries, contact the Chief Executive's Department at The Castle on 01962 847327.

For **General Queries and Notification to change Cheque Book Status**, contact the School funding team, Children's Services Department at The Castle on 01962 846423.

For **County Treasurer's** queries, refer to the County Treasurer's "Who Does What?" handbook.

## 28 **Guidance documents**

Education Act 2002

School Standards and Framework Act 1998

Hampshire County Council Local Management of Schools - Manual of Financial Practice and Procedure

Hampshire County Council Financial Regulations

Hampshire County Council Standing Orders

Hampshire County Council Code of Practice on Contracts

Hampshire County Council VAT Manual

Schools Communication 1582 "Standards of Financial Management in Schools"

Statement of Financial Expectations

Hampshire County Council Accounting Information for Schools

## Maintenance of School Buildings

### County Council and landlord role

Under the Fair Funding Regulations, land and buildings at community schools remain in the ownership of the County Council, which will continue to act as the landlord. At foundation and controlled schools, although the County Council is not the owner of the buildings, it does have ultimate responsibility for the building fabric. The legal position for VA schools is significantly different, so the following paragraphs apply only to VA schools where they are specifically mentioned. The County Council discharges these functions through the Executive Member, Policy and Resources, who budgets for delegated and non-delegated expenditure on land and buildings at all schools.

The Executive Member, Policy and Resources is responsible for the relationship between revenue repair and maintenance and capital repairs, and for the funding implication of major policy initiatives such as the land and property review.

### Split of responsibility

The responsibility for most general items of repair and maintenance of buildings, including related health and safety requirements, has been delegated to schools. The County Council remains responsible for most major repairs and the replacement of major components. The split of responsibility has been based on guidance from the DfES and is in line with the CIPFA Code of Practice with the following broad categories:

Delegated items	Landlord responsibility
Internal decoration and repairs	Major structural repairs
External decoration and repairs	Replacement components or systems, e.g.:
*Maintenance of all engineering services/systems	heating water services roofing cladding wiring
Minor repairs and maintenance of structural components, including roofs and cladding systems	Major repairs to structural components, e.g.:
All related health and safety	roofs/walls floors cladding systems all related health and safety
Floors	Re-roofing
Maintenance of fences, gates and hard landscape	Fire precaution upgrading
Energy conservation and insulation	Demolition
Maintenance and repair of drainage	Replacement drainage

Appendix B contains a detailed split of responsibilities between all schools and the County Council.

### **Best practice and health and safety**

The Department of Property, Business and Regulatory Services have provided schools with detailed best practice advice (in the SLA provided to all schools) in relation to their responsibilities for repair and maintenance of buildings. If schools do not subscribe to the County Council's SLA for repair and maintenance, they will be responsible for abiding by this best practice advice to ensure that buildings remain safe and operational. Particular attention is drawn to a school's local management responsibility for the health and safety of its occupants and visitors, including contractors employed to work on the buildings, whether through the SLA or not.

Appendix A2 lists the main legislative requirements and Codes of Practice relating to buildings which all schools must comply with. Any work on behalf of schools, as part of the SLA, must comply with these requirements.

### **Survey and inspection**

The County Council has a duty to ensure that schools are maintaining buildings and fixtures in line with best practice and to ensure that all health and safety requirements are being met. In discharging this duty, the County Council's representatives make regular inspections of school buildings. Arrangements will be made with individual schools. Schools may not unreasonably deny access to the County Council for this purpose.

In line with section 14 (charges against schools' budgets), a school's failure to maintain buildings/fixtures may lead to a charge against a school's budget, if the County Council incurs additional costs or liabilities as a result of this failure.

This section does not apply in whole or in part to schools that choose to buy back the County Council's services: in doing so they will be regarded as having met best practice and to have complied with health and safety requirements.

### **Approval to undertake alterations**

All schools must seek the written authority from the Department of Property, Business and Regulatory Services before undertaking any alteration or structural work, and they must provide a health and safety plan. Consent can be withheld only on health and safety grounds.

### **Contractors**

The Health and Safety Executive (HSE) has informed the County Council of the following four important matters concerning the control of contractors, which significantly affect schools' responsibilities for repairs and maintenance:

(a) Some schools are using contractors not on the approved list. When organising their own work, schools need not use contractors from the County Council's approved list, but it is strongly recommended.

(b) Local managers (e.g. Headteachers, governors, site managers, caretakers) need to be aware of the County Council's legal responsibilities and have sufficient knowledge to identify contractors who are poor health and safety performers.

(c) Monitoring contractors must be proactive in checking basic health and safety requirements.

(d) Poor-performing contractors need to be removed from the approved list whether this be the County Council's or school's own list.

The five key standards schools must reach in discharging their responsibilities in appointing and controlling contractors are detailed in the SLA for repair and maintenance. The Department of Property, Business and Regulatory Services can give schools more advice.

Schools not subscribing to the SLA with the Department of Property, Business and Regulatory Services will have particular responsibilities to discharge in respect of managing projects that fall within the requirement of the Construction (Design and Management) Regulations 1994.

**Split of Responsibility for Repairs and Maintenance under Fair Funding  
Regulations for all schools**

<b>Element</b>	<b>County Council responsibility</b>	<b>Delegated to school</b>
<b>Roofs</b>		
<i>Flat</i>	<p><b>Structure:</b> Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of structure.</p> <p><b>Screed/insulation:</b> Replacement/repair of substantially all. Improve effectiveness of insulation.</p> <p><b>Finish:</b> Replacement of all/ substantially all on existing roof.</p> <p><b>Edge trim/fascias:</b> Replacement of all/substantially all on existing roof.</p> <p><b>Other:</b> e.g. flashings, rooflights. Replacement of all/substantially all on existing roof.</p>	<p>Repair/replacement of small parts of an existing structure.</p> <p>Replace small areas of rotten or defective timber, make good minor areas of spalling concrete where reinforcing bars exposed.</p> <p>Repair replacement of screed/ insulation where defective.</p> <p>Work to improve insulation standards during work to repair/replace small areas of roof.</p> <p>Replacement of roof finish on existing building, to under capital value limit. Re-coating chippings to improve life expectancy.</p> <p>Repairs/replacement (uPVC). Repainting.</p> <p>Repairs/replacement (uPVC). Clearing out gutters and downpipes. Replacement/repair/repainting of individual/part gutters/pipes.</p> <p>Repair/replacement/cleaning of individual items.</p>
<i>Pitched</i>	<p><b>Structure:</b> Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure.</p>	<p>Repair/replacement of small parts of an existing structure.</p> <p>Replace/repair small areas of rotten/defective joists, rafters, purlins etc. Not complete trusses.</p> <p>Repair/replacement/increasing thickness of insulation in an existing roof.</p>

	<p><b>Insulation:</b> Replacement/repair of substantially all. Improve insulation to current standards.</p> <p><b>Roof finish:</b> replacement of all/substantially all on existing roof.</p> <p><b>Bargeboards/fascias:</b> replacement of all/substantially all on existing roof.</p> <p><b>Drainage:</b> Replacement of all/substantially all on existing roof.</p> <p><b>Other:</b> e.g. flashings, roof windows, replacement of all/substantially all on existing roof.</p>	<p>Replace missing/damaged.</p> <p>Repairs/replacement/repainting.</p> <p>Clearing out gutters and downpipes.</p> <p>Replacement/repairs of individual pipes/gutters.</p> <p>Repair/replacement/cleaning.</p>
<i>Other</i>	<p>Rebuild or substantially repair structure of existing covered link.</p> <p>Rebuild or substantially repair structure of existing porch.</p>	<p>Minor repairs, maintenance to existing covered link.</p> <p>Minor repairs, maintenance to existing.</p>

## Floors

<i>Ground floor</i>	<p><b>Structure and dpc:</b> Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure.</p> <p>Screed replacement of all/substantially all on existing floor.</p>	<p>Repair/replacement of small parts of an existing structure.</p> <p>Replacement and repair of screed and finishes/replacement mats/mat wells.</p> <p>Maintenance, e.g. revarnishing wooden floors.</p>
<i>Upper floor</i>	<p>Structure as ground floor.</p> <p>Screed and finish – as ground floor.</p>	<p>As ground floor.</p> <p>Repairs of finishes/replacement – as ground floor.</p>

## Ceilings

<i>Top/only floor</i>	Suspension	Repair/replacement including from water damage and necessary decoration.
	<i>Membrane</i>	
	<i>Fixed</i>	Repair/replacement including from

	<i>Access panels</i>	water damage. Repair/replacement.
<i>Lower Storeys</i>	Suspension	Repair/replacement.
	<i>Membrane</i>	
	<i>Fixed</i>	Repair/replacement.
<i>All</i>	<b>Specialist</b> removal/replacement of damaged/disturbed asbestos-based materials, planned or emergency.	Inspection, air testing for asbestos. Applying sealant coats to asbestos surfaces for protection.

### **External walls**

*Masonry/cladding*

Repairs. Preventive measures, e.g. tree removal.

Repair/replacement of small parts of an existing structure, e.g. repointing/recladding a proportion of a wall where failure has occurred.

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.

*Windows and doors*

Repair/replacement of individual windows. Repainting frames.

*Framing* – structural replacement programme.

*All*

Glazing

Replacing broken glass.

Repair/replacement. Upgrading to meet statutory health and safety requirements.

Repair/replacement upgrading locks etc.

*Jointing* including mastic joints

Internal and external decoration to include cleaning down and preparation.

*Masonry chimneys*

Structure

Jointing including expansion and mortar joints/pointing/dpc.

Repair and repointing.

<b>Internal walls</b>		
<i>Solid</i>	Complete including various internal finishes, linings and decorations.	Repairs and redecoration to internal plaster/linings tiles, pin boards etc.
<i>Partitions</i>		Repairs and redecoration.
<i>Doors and Screens</i>		Internal maintenance and redecoration. Repair/replacement of defective doors and screens.
<b>Sanitary services</b>		
<i>Lavatories</i>		Repair/replacement of damaged sanitary ware, fittings, waste plumbing etc.  Small areas of refurbishment.  Repair/replacement of damaged fittings, waste plumbing etc.
<i>Kitchens</i>		Maintain kitchen to requirements of local authority.  Cleaning out drainage.  Redecoration.
	General refurbishment.	Repairs.
<b>Mechanical services</b>		
<i>Heating/ hot water</i>		General maintenance of all boiler house plant, including replacement of defective parts. Regular cleaning. Energy-saving projects.  Monitoring systems Health and safety issues.
	Safe removal of old/damaged asbestos boiler and pipework insulation, where risk to health and safety.	
	Planned replacement of old boiler/controls systems past the end of their useful life.  Emergency replacement of boiler/plant systems.	Replacement of defective parts.
<i>Cold water</i>	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.
<i>Gas</i>	Distribution on new and major refurbishments, terminal units.	Repairs, maintenance and gas safety. All servicing.
<i>Ventilation</i>		Provision of local ventilation. Repair/replacement of defective

<i>Other</i>		systems and units. 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>		
<i>General</i>		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 and safety requirements. All servicing.
<i>Power</i>	Control gear, distribution, fixed equipment, protection etc.	All testing, repair and replacement of small items of equipment.
<i>Lighting</i>		Replacement of luminaries, all testing, adjustments and improvements to emergency lighting.
<i>Other</i>		Repair/replacement of lightning protection. Repair and maintenance of alarm systems, CCTV, lifts, hoists etc. Repair/replacement of communication systems, maintenance including all door access systems.

<b>External works</b>		
<i>Paving</i>		Maintenance and repair of car park and playground markings.
<i>Miscellaneous</i>		Maintenance and repair of all perimeter/boundary/retaining walls, fencing and gates.
<i>Drainage</i>		Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. Cleaning of the above and unblocking as necessary.
<i>Open air pools</i>		Hygiene, cleaning, maintenance and repairs, including replacement parts. Simple energy saving systems.
<i>Services distribution</i>	Heating mains, gas mains, water mains, electricity mains, renewal	Annual servicing of heating, gas, water and electricity mains.

	of any of the above.	
<i>Upkeep of grounds</i>		Maintenance of grounds and inspection of mature trees.
<i>All</i>	Vandalism reinstatement to any of above.	Vandalism reinstatement to any of the above.
<i>Temporary buildings</i>	All repairs identified above.	All repairs identified above.
<i>Demolition</i>	Taking down, removal and clearing sites or buildings, including sealing off drains and services.	All repairs identified above.

## Notes:

### Voluntary aided schools

1. The split of responsibility in relation to kitchens is as detailed in the above schedule, and should be considered in conjunction with the Catering Services SLA.
2. The above schedule should be read in conjunction with the Repair and Maintenance of Buildings SLA 2002/07 and the Property Handbook, volume two, Schedule of Maintenance Responsibilities. Responsibilities delegated as part of LMS are additional to the above areas.
3. Delegated work, undertaken as an integral part of a capital project, would normally be deemed a County Council responsibility.

This schedule does not include new construction, improvements and alterations to buildings, which are the responsibility of the Executive Member, Education.

### Current Legislation applicable to Repair and Maintenance

The following shows the main aspects of current health and safety legislation that schools must comply with when organising work.

The Prevention of Accidents to Children in Agriculture Regulations 1998  
Asbestos (Licensing) Regulations 1983 (as amended) 1998

Building Act 1984 (as amended) 1999  
Building Regulations 1991

Construction Act 1998  
Confined Spaces Regulations 1997  
Construction (Design and Management) Regulations 1994  
Construction (Head Protection) Regulations 1989  
Construction (Health, Safety and Welfare) Regulations 1996  
Construction Products Regulations 1991 (as amended) 1994  
Control of Asbestos at Work Regulations 2002  
Control of Asbestos in the Air Regulations 1990  
Control of Lead at Work Regulations 2002  
Control of Pesticides Regulations 1986 (as amended) 1997  
Control of Substances Hazardous to Health Regulations 2002  
Controlled Waste Regulations 1992

DfES Constructional Standards for School Building Projects  
DfES Design Bulletin No 7  
Disability Discrimination Act 1995

Electrical Equipment (Safety) Regulations 1994  
Electricity at Work Regulations 1989  
Environmental Protection (Duty of Care) Regulations 1991  
Environmental Protection Act 1990

Fire Precautions Act 1971  
Fire Precautions (Workplace) Regulations 1997 (as amended) 1999

Gas Appliances (Safety) Regulations 1995  
Gas Safety (Installation and Use) Regulations 1998  
Gas Safety (Management) Regulations 1996

Health and Safety at Work, etc Act 1974  
Health and Safety (First-Aid) Regulations 1981  
Health and Safety (Miscellaneous Amendments) Regulations 2002  
Health and Safety (Safety Signs and Signals) Regulations 1996  
Health and Safety (Young Persons) Regulations 1997  
Highly Flammable Liquids and Liquefied Petroleum Gases Regulations 1972

Late Payment of Commercial Debts (Interest) Act 1998  
Late Payments of Commercial Debts Regulations 2002  
Lifts Regulations 1997  
Lifting Operations and Lifting Equipment Regulations 1998

Management of Health and Safety at Work Regulations 1999  
Manual Handling Operations Regulations 1992

Noise at Work Regulations 1989  
Notification of Cooling Towers and Evaporative Condensers Regulations 1992

Party Wall Act 1996  
Pollution Prevention and Control Act 1999  
Personal Protective Equipment at Work Regulations 1992  
Provision and Use of Work Equipment Regulations 1998

Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995

Simple Pressure Vessels (Safety) Regulations 1991 (as amended) 1994  
Pressure Equipment Regulations 1999  
Pressure Systems Safety Regulations 2002  
Special Waste Regulations 1996 (as amended) 2001

Town and Country Planning Acts

Waste Management Regulations 1996  
Workplace (Health, Safety and Welfare) Regulations 1992

## **Accounting System Minimum Requirements**

The accounting system used must:

- record all transactions so that source documents can be traced
- be capable of producing management information efficiently for the school and the principal accounts in the format required by the County Council, in accordance with County Council financial systems
- ensure the integrity and confidentiality of data held in accordance with the Data Protection Acts, e.g. access controls, passwords
- be fully documented and have procedures for operation
- satisfy VAT requirements
- have adequate support available
- have a full audit trail
- have access controls.

## **Payroll Services- submission of Returns to Hampshire County Council - requirements for Schools using an external payroll provider**

To ensure that the correct returns and payments are made on time to the Treasurer, Community Schools using an external payroll service provider must send the following details by the specified deadlines to the HR Payroll Service Centre and other designated organisations. If they do not, their delegated funds may be suspended or they may face an extra charge. In this appendix, 'Payroll Services' means the HR Payroll Service Centre.

### **1. Aggregation of Earnings**

Schools are considered employers in their own right and will have their own unique HMRC Employers' PAYE reference number.

If a member of staff is working for a school as well as another County Council department, their earnings are regarded as being with separate employers and are not aggregated.

So, if a member of staff has two or more employments with the same school, aggregation is a matter between the school, the payroll provider and the HMRC.

### **2. PAYE**

As an employer with its own unique PAYE reference number, the school, or its payroll provider, is expected to make payments to the Collector of Taxes.

### **3. Teachers' Pensions**

A schedule supplied by the Children's Services Devolved Finance Unit (CSDFU) for the Teachers' Pension Scheme must be reconciled and accompany payment of pension contributions. This enables the County Council to reconcile the figures and make payment as required by Teachers' Pensions. The schedule must be returned to the CSDFU by the first working day of the month (by fax if necessary). Cheques are to be received for banking by the 7<sup>th</sup> of the month.

The CSDFU will also supply schools with a schedule for the 'Annual Return' which will be set out in the same format as required on form TR17A. The schedule must be returned to the CSDFU by 5 May each year.

All PEN forms (new appointment details, retirement applications etc) are to be sent to **Pension Services Section, County Treasurers Department, The Castle, Winchester, SO23 8UB** as the situation requires.

### **4. Local Government Pension Scheme (LGPS)**

#### **4.1 Contributions**

A schedule for the LGPS must accompany payment within two working days of the end of the month. This enables the County Council to reconcile the amounts

paid. This schedule must be in the same format as required on form SUPERBOD.XLS and sent to County Treasurer's.

#### **4.2. Annual Return**

Following 31 March each year an annual return must be submitted to the Pension Services Section. The return requires details of employees total pension contributions and earnings upon which contracted out national insurance has been paid. A formal request will be sent in February each year by Pension services detailing both the information and the format required. This data must be supplied in the specific format requested in a Microsoft Excel spreadsheet or for a school with less than 12 employees form SUP/12/99/AXIS can be used. The information must be submitted by 12 May each year.

#### **4.3 Scheme administration**

Information affecting pensions, which would usually be provided by Payroll Services – e.g. notification of new appointments, changes of employment hours and terminations of appointments – must be sent on the relevant forms, as set out in the employers guide, to the Pensions Services Section of County Treasurer's immediately these situations arise. Further information specifying the exact requirements of the Pensions Services Section and the employers' guide are on the Pensions Services website

<http://www3.hants.gov.uk/finance/pensions.htm>

### **5. Additional Voluntary Contributions (AVCs)**

#### **5.1 Teacher AVCs – Prudential**

Schools must not send payments directly to the Prudential. Teachers' Pensions requires each County Council to make one payment on behalf of all establishments. A schedule (form TeachAVC.doc) supplied by HR Payroll Service Centre must accompany the monthly payment to the County Council. This enables the County Council to reconcile the figures and make payment as required by the Prudential. Payment and schedule must be returned to HR Payroll Service Centre by the day before the last weekday of each calendar month. Further guidance on deadlines, etc, is on the schedule.

#### **5.2 Local government AVCs – Halifax Equitable Clerical Medical (HECM) or Eagle Star**

Schools employing support staff who pay AVCs should:

- send the total of AVCs to HECM by the 14th of each month
- at the same time send a schedule showing the name of the contributor, amount, etc
- keep appropriate records of all contributions for inspection by the County Treasurer's internal audit at any reasonable time
- Contact Pension Services for advice on procedures if any support staff wish to pay AVCs to Zurich (Eagle Star)

## **6 Teachers' Annual Return of Service**

- 6.1 Each year in early May blank spreadsheets (with appropriate columns and headings) are circulated to schools by Payroll Technical Services. Schools must enter details of all their teaching staff in accordance with Teachers' Pension's instructions for completion of the Annual Return. The completed spreadsheet must be returned to Payroll Technical Services by mid June.
- 6.2 Payroll Technical Services check the quality of data i.e. That the relevant fields appear to conform to TP requirements. They do not validate the data as to its correctness which is the responsibility of the school. If there appears to be a problem, Payroll Technical Services will contact the school for clarification and amendment
- 6.3 Once all schools have satisfactorily completed the spreadsheet Payroll Technical Services will forward the return to Teachers Pensions before the deadline of 31 August.

## **7 PAYE Returns (P14, P35 and P38)**

As an employer with its own unique PAYE reference number, the school, or its payroll provider, is expected to make all required annual returns to the HMRC showing cumulative pay, tax and national insurance, etc.

## **8 P11d Return**

As an employer with its own unique PAYE reference number, the school, or its payroll provider, is expected to make all required returns to HM Inspector of Taxes regarding benefits and expenses received by staff during the previous financial year.

## **9 Statistical Returns**

These returns are received by unique PAYE reference number (e.g. the New Earnings Survey each April). Schools are required to complete and return them to the appropriate Central Government department.

## Insurance Requirements

### Procedure and general requirements

Schools that request delegation of the insurance budget must provide commercial insurance cover at least as good as that currently provided by the County Council's arrangements. The school's insurance policies must also cover the liabilities of the County Council in respect of the school so that there is no need for the County Council to make its own arrangements in that respect.

The County Council does not limit the amount of indemnity for schools in many areas of risk but recognises that such unlimited cover may be difficult to obtain. The limits given below represent the minimum the County Council considers acceptable in terms of commercial insurance cover. However, the school retains responsibility for all liabilities that may arise irrespective of the amount and should seek professional advice as to the appropriate level of cover and way of funding those liabilities.

Before 31 March in any year, schools must show the Chief Executive evidence that they have adequate and appropriate insurance cover and that suitable arrangements exist for the provision of insurance advice, risk management advice, claims handling, legal representation in respect of claims, and for the replacement and repair of buildings in the event of damage or destruction by fire.

### Risks to be covered by school's insurance

1. The liabilities that are to be covered by commercial insurance are given below. In each case the nature of the indemnity required has been stated, together with the limit of indemnity and the permitted exclusions.

#### 2. General definitions

'School' means the governors (and where appropriate trustees) and school requesting delegation of the insurance budget.

'Council' means Hampshire County Council, being the LEA.

**Employee:** Any person who is:

- (a) under a contract of service or apprenticeship
- (b) engaged under any work experience or similar scheme
- (c) any person volunteering to assist or co-opted to assist the School or Council in connection with the School's statutory functions.

**Injury:** Bodily injury, including death, illness and disease.

#### 3. Public liability

The Insurer must indemnify the School and the Council for all sums which either or both of them may be legally liable to pay as damages and claimant's costs and expenses for:

- (a) accidental injury to any person (except an Employee) if such injury arises out of and in the course of the functions of the School or Council
- (b) accidental damage to property not belonging to the School or in the custody or control of the School or Council arising out of the functions of the School and the Council.

The Insurer must also pay all costs and expenses incurred in defending any claim for damages and for representation at any coroner's inquest for any occurrence that may be insured by the policy.

#### **Permitted exclusions**

- Any amount for damages or penalties arising solely because of a contract or agreement.
- Cost of rectifying defective work carried out by or on behalf of the School.
- Fines.

#### **Limit of indemnity**

£10,000,000

### **4. Professional negligence**

**Financial Loss:** Loss except arising from bodily injury including death, illness and disease, or damage to property (except that to which the advice or work relates).

The Insurer must indemnify the School and the Council for all sums for which either or both of them may become legally liable to pay as damages and claimant's costs and expenses for Financial Loss. The Financial Loss must result from breach of professional duty caused by a negligent act or accidental error or accidental omission committed or alleged to have been committed by an Employee in providing professional advice or consultancy work in connection with the statutory functions of the School or Council.

In addition, the Insurer must pay all costs and expenses incurred in defending any claim for damages and for representation at any coroner's inquest for any occurrence that may be insured by this policy.

#### **Permitted exclusions**

- Any amount for damages or penalties attaching solely because of a contract or agreement.
- Fines.

#### **Limit of indemnity**

£1,000,000

### **5. Employer's liability**

The Insurer must indemnify the School and the Council in respect of all sums for which either or both of them may become legally liable to pay as damages and claimant's costs and expenses for injury caused to an Employee arising out of an in the course of employment by the School or Council.

In addition, the Insurer must pay all costs and expenses incurred in defending any claim for damages and for representation at any coroner's inquest for any occurrence that may be insured under this policy.

### **Permitted exclusions**

None.

### **Limit of indemnity**

£10,000,000

## **6. Motor insurance**

**Insured Vehicle:** Any motor vehicle owned by the School (except vehicles purchased with PTA money for which other insurance arrangements exist) and any motor vehicle owned by the Council and hired to the School by the Council's Transport Management Organisation.

The Insurer must indemnify the School and the Council for all sums which either or both of them may be legally liable to pay as damages and claimant's costs and expenses for:

- a) accidental injury to any person except an Employee if such injury arises out of the use of the Insured Vehicle
- b) accidental damage to property not belonging to the School and arising out of the use of the Insured Vehicle.

In addition, the Insurer must pay all costs and expenses incurred in defending any claim for damages and for representation at any coroner's inquest for any occurrence that may be insured by this policy.

### **Permitted exclusions**

- Policy excess – the School will be responsible for any Policy Excess
- Any amount for damages or penalties attaching solely because of a contract or agreement.
- Fines
- Damage to the Insured Vehicle.

### **Limit of indemnity**

Damage to Property: £5,000,000

## **7. Fidelity guarantee**

The Insurer must indemnify the School and the Council for loss of money or other property, including unofficial school funds, that belong to the School or the Council or in their trust or custody, for which the School or Council are

legally responsible, occurring as a direct result of any act, fraud or dishonesty committed by any Employee or School governor.

#### **Permitted exclusions**

- Loss of interest or consequential loss.
- Loss due to systems of selection and control failing or not being operated.

#### **Limit of indemnity**

All school employees and governors: £1,000,000

### **8. Libel and slander**

The Insurer must indemnify the School and the Council for all sums for which either or both of them may become legally liable to pay as damages and claimant's costs and expenses for:

1. Libels by any Employee or School governor appearing in any publications normal in the business of the School or Council.
2. Slander by any Employee or School governor arising out of and in the course of the discharge of official duties on behalf of the School or Council.

In addition, the Insurer must pay all costs and expenses incurred in defending or compromising any claim for damages.

#### **Permitted exclusions**

The first £2,500 of each and every claim.

#### **Limit of indemnity**

£1,000,000

### **9. Property insurance (fire, lightning and flood)**

**Insured perils:** fire, lightning and flood

**Property:** Buildings (except Aided Schools) and contents belonging to the School or the Council or held by them in trust for which they are responsible.

#### **Reinstatement:**

- a) the rebuilding or replacement of Property lost or destroyed which may be carried out in any manner suitable to the requirements of the School and the Council, including rebuilding on another site; OR
- b) the repair or restoration of Property damaged; OR
- c) both.

If Property is damaged, the Insurer must pay for:

- 1) the replacement, reinstatement or repair of the Property, or any part of it (including any amount payable for any additional cost of reinstatement as may be incurred solely because of the need to comply with European Community legislation or any Building or other Regulations under any Act of Parliament or bye-laws or any public authority)
- 2) an amount for architects', surveyors', legal and consulting engineers' fees necessarily and reasonably incurred on the reinstatement or repair of the Property but not for preparing any claim
- 3) debris removal costs
- 4) consequential costs such as loss of rent, additional hours worked by staff as a direct consequence of damage suffered.

In addition, the Insurer must pay all costs and expenses incurred in defending any claim for damages and for representation at any coroner's inquest for any occurrence that may be insured under this policy.

### **Permitted exclusions**

- Damage caused by explosion, aircraft, riot or civil commotion, storm, flood, burst water pipes, earthquake, impact by subsidence or ground heave, accidental damage, vandalism
- Any amount for damages or penalties attaching solely because of a contract or agreement
- Fines
- Cost of rectifying defective work carried out by or on behalf of the School
- Damage caused by flood, where responsibility for repair, reinstatement and maintenance of the managed property is delegated to the school as specified in Appendix A of the Scheme for Financial Management of Schools (i.e. cover required for major components and property which would be the landlord's responsibility)

### **Limit of indemnity**

The reinstatement or replacement value of the Property.

## **10. Property insurance (theft of contents only)**

**Property:** Contents except for cash or other funds in any building belonging to the School or Council and appearing on the School's inventory.

The Insurer must indemnify the School and the Council for the loss of Property resulting from theft involving forcible and violent entry to or exit from any building. The value of the Property must be discounted for depreciation over a seven-year period on the replacement cost.

### **Permitted exclusions**

The first £150 of each and every loss.

## Limit of indemnity

The current value of the School contents.

## 11. Official and unofficial School funds

The Insurer must indemnify the School and the Council for the loss of official and unofficial School funds subject to a maximum amount of:

	Official	Unofficial
Primary/Special	£200	£200
Secondary	£400	£200

## Permitted exclusions

- Loss arising from error or omission.
- Loss arising from fraud or dishonesty of employee.
- Loss from an unattended vehicle.

## 12. Travel policy

The Insurer must pay the School, the Council and Persons Insured the costs and expenses as described in the synopsis shown on Hantsnet.

## 13. Personal accident scheme

If an Employee suffers Injury in the course of his or her employment, the Insurer will pay the Employee the amounts set out in the personal accident scheme available from the Chief Executive's Department.

## 14. Engineering inspection

The Insurer will provide inspections, including periodic examination, of appropriate plant and issue reports on its condition including reports required by law.

## 15. Hirer's policy

**Hirer:** Any person or organisation hiring the Premises under an Agreement with the School.

**Premises:** The buildings owned or occupied by the School and hired to the Hirer.

The Insurer must indemnify the Hirer for all sums which either or both of them may become legally liable to pay as damages and claimants' costs and expenses for:

- Accidental Injury to any person (except an employee of the Hirer if the injury arises out of or in course of employment by the Hirer).
- Accidental damage to the Premises or the contents of the Premises.

- c) Accidental damage to other property not belonging to or in the custody or control of the Hirer.

In addition, the Insurer will pay all costs and expenses incurred in defending any claim for damages and for representation at any coroner's inquest for any occurrence that may be the subject of indemnity under this policy.

**Permitted exclusions**

- The first £100 of each and every claim.
- Any amount in respect of damages or penalties attaching solely because of a contract or agreement.
- Fines
- Cost of rectifying defective work carried out by or on behalf of the Hirer.
- Professional liability of the Hirer.

**Limit of indemnity**

£3,000,000

### Financial Reporting and Returns

This appendix supplements the main scheme provisions in sections 4, 6 and 8 and should be read in conjunction therewith.

#### PART 1

### County Council systems (SAP) Users

#### Annual Budget

For schools using SAP, the school budget must be put on SAP by 31 May each year. No more information will be required as long as SAP records are kept up to date (e.g. A revised budget agreed by Governors is recorded on SAP). All budgets entered onto the County Council's financial system (SAP) must be recorded at GL code level.

Schools awaiting full governing body approval of the annual budget should send a paper or electronic copy to EFS by 31 May. This copy should be marked "Subject to Formal Governors Approval". Once finally approved an e-mail should be sent to EFS local office in confirmation.

#### Strategic Financial Plan

A strategic financial plan covering the multi year budget period has to be submitted by 30 June each year. A specific format (use of the Financial Planning Software supported by EFS would meet the requirements) for such a plan can be found at <http://intranet.hants.gov.uk/childrens-services/efs.htm>

The main features of the plan should include:

- An analysis over the current year, the next three to five years, and the most recently completed year of income, expenditure and anticipated balance( surplus or deficit), all to the nearest £1,000
  - The income should be split by main source, i.e.: County Council funding, Standards fund and other specific grants, other income
  - The expenditure should show separately all the main headings by GL codes or by CFR codes suitably grouped. A sub-total for the sum of the staff costs and non-staff costs is required, along with separate identification of the balance brought forward.
  
- An identification for each year of the plan of major change factors, again to the nearest £1,000, for example loss of 20 pupils £35,000 or renewal of 10 whiteboards £27,000
  
- Other explanatory material demonstrating the links with the school improvement plan and with the use of assigned balances

## **Revised Budget**

The revised budget for the financial year as approved by the governing body or appropriate sub-committee should have been entered onto the County Council's financial system (SAP) at GL code level by 30<sup>th</sup> November.

## **Declaration of Assignment of Balances**

A declaration as to the assigned purposes of any balances (see sections 6.9-6.15), at 31 December submitted to the local EFS office with any subsequent changes by 1 May also to the local EFS office.

## **Additional requirements for SAP users with own Cheque Books:**

- a cash flow statement for the current year (by 31 May )
- a monthly bank reconciliation statement (by 7<sup>th</sup> working day after month end)

Returns to be sent to CSDFU, The Castle,

PART 2

## **Financial Returns – Non- County Council systems (SAP) Users**

The accounts of all schools maintained by the County Council (including aided and foundation schools) are part of the accounts of the County Council. Schools which chose not to use the County Council's SAP systems are required to provide information in a format and to a timetable specified by the County Council. This is so that the relevant information can be put into the County Council's accounts.

Except when required for tax, national insurance or bank reconciliations, the County Council will not request reports more than every three months, unless the County Council considers that more frequent submission is necessary. In such cases, the school will be notified in writing that, in its view, the school's financial position warrants more frequent submission, or the school is in its first year of operation.

## **Returns required**

The governing body must submit to the County Council each year by the date(s) set by the County Council:

- an income and expenditure budget for the current financial year. To the local EFS office by 31 May.
- a revised income and expenditure budget for the current financial year. To the local EFS office by 30 November.
- a cash flow forecast for the current financial year. To the local EFS office by 31 May.
- a monthly statement of all income and expenditure including schedules of VAT input tax and output tax. This is necessary for the County Council to reclaim VAT on the school's behalf (hence the monthly requirement), and is also used to keep the County Council's financial accounts up to date. To Children's Services Devolved Finance

Unit (CSDFU) by 7<sup>th</sup> day of the following month. In the event of any future changes meaning that this information is no longer required for VAT purposes, a quarterly return in the same format will be required.

- a forecast balance sheet for the current financial year. To the local EFS office by 31 May. An estimated balance sheet for previous year to CSDFU by 30 April.
- a statement of actual income and expenditure for the previous financial year. To CSDFU by 30 April.
- a declaration as to the assigned purposes of any balances (see sections 6.9-6.11), at 31 December submitted to the local EFS office with any subsequent changes by 1 May also to the local EFS office.
- photocopies of all documents relating to rent and rates payments and rebates during the previous year. To LMS Team, CSDFU by 30 April.
- reconciliation between the school's year end bank balance and the year end balance as reported on the statement of income and expenditure. To CSDFU by 30 April.
- Monthly Reconciliation between bank statement and schools own financial records. To CSDFU by the end of the following month i.e. end of May for April.

#### **Additionally:**

- The County Council also require the governing body to submit a strategic financial plan covering forecast income and expenditure for further financial years by 30 June each year. This should be to the nearest £1,000 and other details are above.
- The governing body must comply with the methods and principles according to which financial statements are to be prepared.
- Appropriate records must be kept to permit the identification and retrieval of source documentation for inspection purposes.
- Statements of actual expenditure must be provided in pounds and pence. Annual budgets should be presented in whole pounds, and may be rounded to the nearest £100.
- All financial returns to the County Council, except VAT, must be signed by the Chairman of the Governing body, and the Headteacher. The VAT return may be signed by the headteacher or a delegated officer. Submission by e-mail from an authorised officers' personal user id will be accepted as a signed statement. Where the Headteacher's e-mail account has been used to submit financial returns this should be backed up by a signed paper copy from the Chair of Governors.
- Basis of Accounting. Returns relating to positions during the year should be on a cash (receipts and payments) basis. Returns relating to final accounts should be on the accruals basis and hence include figures for debtors and creditors. This is consistent with the "converted receipts and payments" basis that local authorities have traditionally worked to.

## **Financial statements**

The governing body must send the County Council financial statements covering the whole of its activities for the financial year to 31 March each year. The governing body must comply with directions given by the County Council as to the information to be contained in the financial statements, how the information is to be presented, and the methods and principles according to which the financial statements must be prepared. If the County Council does not specify requirements, the governing body must ensure that best accounting practice is applied in the preparation of the financial statements. The County Council will notify schools of the exact requirements for completing returns when these are confirmed by the appropriate regulatory bodies.

## **VAT**

The County Council submits a VAT return to HM Revenue and Customs on a monthly basis after each VAT period. To produce the return on time, the County Treasurer must receive the total information required to complete the return by the seventh working day after the end of the relevant VAT period. Details of VAT periods are available from Corporate Finance, County Treasurer's Department. Appropriate records must be maintained to permit the identification and retrieval of source documentation for inspection purposes.

## **Reports**

The County Council requires the governing body to prepare regular reports on its financial position at such times and in such a way as it may direct. In addition the County Council requires all schools to advise Education Financial Services (EFS) immediately of any potential deficit budget and/or overdrawn bank account situation arising.