

Meeting / Date	<b>SCHOOLS FORUM 9 February 2022</b>	Agenda Item	<b>10</b>
Report Title	<b>Scheme for Financing Maintained Schools - Revised</b>		
Decision/Discussion/ Information	For Decision by Maintained School representatives only		
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Appendices	<b>Appendix 10A:</b> Consultation responses <b>Appendix 10B:</b> The Scheme for Financing Schools, Revised January 2022		

## 1. SUMMARY

- 1.1 This report concerns the Scheme for Financing Schools for maintained schools (revised)

## 2. RECOMMENDATIONS

### 2.1 Maintained School representatives on Schools Forum to note:

- 2.1.1 The consultation process and responses.

### 2.2 Maintained School representatives on Schools Forum to approve:

- 2.2.1 The Scheme for Financing Schools, revised January 2022.

## 3. REASON

- 3.1 It is a statutory requirement under the Schools Standards and Framework Act 1998 for LAs to have an up to date Scheme for Financing Schools. The scheme sets out the governance arrangements between maintained schools and local authorities.
- 3.2 There have been several revisions to statutory guidance by the ESFA up to April 2021, which require the scheme to be updated.

Best Practice is to review the scheme every three years, the last review was in December 2018 and approved at School Forum in February 2019.

3.3 All maintained schools must be consulted on the scheme prior to an updated version being forwarded to the DFE.

3.4 Significant changes in the revised report are as follows:

- (i) 4.6.2 and 4.6.3 replace the previous section on themed audits
- (ii) 4.14.2 revenue to capital threshold now £10,000
- (iii) 6.1.4 describes the treatment of excessive balances
- (iv) 6.3.1 states a 5 year recovery plan must be submitted if required
- (v) 6.7 No further “loans”: all are treated as cash advances from future budget shares
- (vi) 9.1.7 removed section on suspension of advances if VAT claims are late
- (vii) 10.2.3 late payments of invoices by schools will be a cause of concern
- (viii) Annex 10 Revised Invoice dispute arrangements removing role for Members

#### **4. CONSULTATION PROCESS**

4.1. All maintained schools were consulted on the proposed changes to the Scheme between 17 December 2021 and 27 January 2022.

4.2 The Scheme was discussed at Schools Business Managers’ meetings on 21 September 2021 and 25 January 2022.

4.3 An e-mail including the draft revised scheme document was sent to every maintained school on 17 December 2021 and also posted onto the Hub.

4.4 The responses and answers are shown at Appendix A.

#### **5. CONTENTS OF THE SCHEME**

5.1. The Scheme as shown at Appendix B covers various governance arrangements to ensure that maintained schools manage their resources effectively. It also places various conditions on the Council to ensure it abides by its statutory obligations with regard to maintain schools.

5.2 The majority of clauses within the scheme are covered by statute. The DFE have a model scheme which has been adopted in updating the scheme. The

model scheme can be accessed at:

<https://www.gov.uk/government/publications/schemes-for-financing-schools>

5.3 The approved scheme will be published on the Hub at:

<https://thehub.walthamforest.gov.uk/policy/schools/finance>

## **Item 10 APPENDIX A      RESPONSES AND ANSWERS TO CONSULTATION ON THE REVISED SCHEME**

In response to communication regarding the scheme for financing schools consultation, below are comments and queries sent on behalf of the School Leadership Team

### **Revised Report**

Comment: I have noted the proposed changes to the Scheme for Financing Maintained Schools and having discussed them with our School Business Manager, the changes all seem to make good sense. I have no further comments or feedback.

Comment: We have no comments. All seems fine.

Q1 A potential problem with VAT being uploaded quarterly instead of monthly is that it may have a negative impact on our cash flow, as we will no longer have that regular monthly income.

A1 Submitting VAT quarterly will reduce administrative time and enable robust processing and reimbursement of VAT promptly to schools.

Q2 Section 6.7: States that there will no longer be loans. Loans will be replaced by "Cash Advances". What is the difference between a loan and cash advance?

A2 The new regulations says loans should only be given for capital schemes.

Deficits are funded by cash advances; in theory these are recoverable from the following year's budget share but longer periods for recovery of cash advances can be agreed. The amount and frequency of cash advance repayments will be agreed with the school to ensure that full repayment is achieved as soon and practical but ensuring this does not put the school under further financial pressure. We will ensure the repayments are affordable and do not compromise cash flow.

Q3 How would the cash advances be clawed back?

A3 Please see A2 above.

Q4 How would the claw back of any cash advance impact the next round of monies we are due to receive?

A4 Please see A2 above

Q5 Loans have a longer repayment time. Cash advances have a smaller repayment period 3-12 months. How will this impact us as a school in significant deficit but also needs to move forward. What are the implications of not being able to pay within a given time scale.

- A5 Recovery of the cash advance will be determined in consultation with School Governors
- Q6 4.13.2 – ‘These allow schools to spend their budgets on pupils who are on the roll of other maintained schools/academies’  
In what scenario would this occur in a school?
- A6 A scenario is when a pupil is on roll at a school, but the school sends the pupil temporarily to another school to avoid exclusion
- Q7 6.1.4 – we had been told previously the recommended reserve level was 3-5%, how has 3% now been determined?
- A7 The Department for Education defines an excessive balance as one which is above 5 per cent of income in secondary schools, or above 8 per cent of income in primary schools, special schools or pupil referral units. Therefore, given that it is prudent to hold balances, it is recommended that these are below the DFE’s definition of “excessive”.
- Q8 8.2.22 – many years ago the payroll service was through the borough and also the recruitment process/checks were done through to them. Can it be made clearer that this only applies from when the schools were taken over the payroll and HR provision as anything before this time should be LA’s responsibility.
- 8A LBWF will still reserve the right to recover the cost of works done in respect of teachers pensions records and remittances should these prove excessive.
- Q9 9.1.7 – agreed importance of schools doing VAT returns in timely manner but it should also stipulate that LA will pay schools in a timely manner when the school has completed the VAT return in a timely manner as delays in VAT reimbursement can cause further issues to schools experiencing cash flow problems
- A9 Education Finance will process VAT returns in a robust way to ensure prompt payment to schools.
- Q10 10.4.9 – for clarity does this refer to undisputed invoices
- A11 Yes
- Q12 10.5.7 – where are points 29.9 and 29.10 that are referenced here?
- A12 The correct points have been input in the report, which are 10.5.5 and 10.5.6
- Q13 10.5.21 - I was not aware of this, could I get a copy of the template?
- A13 Please see the government link below

[Opting out of an automatic enrolment pension](https://www.thepensionsregulator.gov.uk > opting-out)  
<https://www.thepensionsregulator.gov.uk > opting-out>

Q14 The individual change of concern is the need to obtain additional authorisation when capital spend exceeds £10,000 (4.14.2). This figure seems a little low as it may mean most schools, most years. 3 year budgets and long term Asset Management Plans are already sent to the borough annually for sign off and include long term capital spend plans. I suggest £20,000 might be more practical for an additional level of approval above the existing. Hope that is useful.

A14 (1)To clarify, this refers to capital expenditure from revenue budget share not devolved capital.  
(2)The existing Scheme conflicted with the model Financial Regulations which has a threshold of £10K, so this brings the two documents in line.

Letter (some identifying details amended or redacted)

Many thanks for giving us the opportunity to input into the revised Scheme for Financing Maintained Schools. We have serious concerns about section 6.1.4 and how this action would be administered and would be seriously against this being included in the Scheme for Financing Maintained Schools. We were surprised at the timing of the e-mail that was sent out at 4.34pm on 17th December 2022 which was the last day of term. We need to be able to discuss these changes at full Governing Board meetings so in future would you please consider the lead in time required to be able to get the required input for meaningful consultations. Most of the changes seem to be sensible and are in line with previous discussions. There is one change 6.1.4 that we do not support.

6.1.4 It is the LA's aim that schools should be moving towards greater autonomy and should not be constrained from making early efficiencies to support their medium-term budgeting in a tight financial climate and should not be burdened by bureaucracy. Where a school is carrying excessive uncommitted balances, the LA will contact the school to discuss some level of distribution to support improved provision across the Borough.

This point seems to contradict itself by saying that the school should be moving towards greater autonomy but you will seek some level of distribution to support improved provision across the Borough in other words look to top slice excessive uncommitted balances. You fail to define what is meant by the term 'excessive' and who will make what appears to be an arbitrary decision.

The school has never set a deficit budget.

This has been achieved through the Governors and the senior leadership team ensuring that the school budget is reviewed and monitored not only for the short term but also over the medium term of a three-year period. This means making early strategic decisions on resources including staff consultations leading to redundancies and redeployment of staff, making good commercial contract decisions and ensuring all resources are effectively used. Although not popular this has meant that, the school has been able to manage with flat budgets and reducing pupil numbers over the past few years and has been able to cope with the ongoing issues with Covid.

The school has developed a service from which it derives income and promotes the work of Waltham Forest schools. There are numerous examples of where the school has already provided these services free of charge for the LA when asked. Therefore, it is our firm belief that we have for many years supported improved provision across the Borough by providing free professional services.

We fully understand that some maintained schools across the borough are in deficit or challenging financial situations. We would be keen to understand how this has occurred and debt in some cases accrued year on year under the watch of the LA. We think that the inclusion of 6.1.4 is unethical and will possibly lead to a breakdown of relationship and trust between some schools and the LA.

We have managed through good budgetary control and earned income been able to have carry forwards that has enabled us to set balanced budgets and have reserves in place to spend on infrastructure improvements and one-off projects to enhance the education provision. We have always provided plans to spend uncommitted balances and will continue to do so.

We are keen to know which other LAs in Greater London are also looking to include a similar change to their Schemes for Financing Maintained Schools.

**Q** Therefore, we request some clarity around this point before we could consider a response so could you please confirm:

What is excessive balances and are you looking at short term planning?

What will be the discussion around level of distribution and who will be involved?

What will be the decision-making process?

Who will have the authority to make the final sign off and who from the LA will sign the communication to the school community?

Lastly the mechanism for appeal within this consultation.

Sincerely

**A** The scheme may contain a mechanism to claw back excess surplus balances but this would only be focused on only those schools which have built up significant, excessive uncommitted balances. A conversation would be held with a school about using or committing to use excessive uncommitted balances before any further process was established.

# **London Borough of Waltham Forest**

**2022**

## **SCHEME FOR FINANCING SCHOOLS**

**Strategic Director Finance and Governance  
and  
Strategic Director, Families and Homes**

**London Borough of Waltham Forest Town Hall  
Forest Road, Walthamstow,  
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**Updated January 2022**



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## **SECTION 1: STATUTORY GUIDANCE**

- 1.1 Local authorities are required to publish schemes for financing schools, setting out the financial relationship between them and the schools they maintain. Statutory guidance lists the provisions which a local authority's scheme must, should or may include. Schemes need not follow the format used in the guidance, except for the text of directed revisions.
- 1.2 In making any changes to their schemes, other than directed revisions, local authorities must consult all maintained schools in their area and receive the approval of the members of their Schools Forum representing maintained schools. Local authorities must take this guidance into account when they revise their schemes, in consultation with the Schools Forum.
- 1.3 The Secretary of State may by a direction revise the whole or any part of the scheme as from such date as may be specified in the direction. In order to make a directed revision to schemes, the Secretary of State is required, by provisions in the School Standards and Framework Act 1998, to consult the relevant local authorities and other interested parties.
- 1.4 The introduction of the International Financial Reporting Standard for leases (IFRS 16) was postponed in relation to 2020 to 2021. It has been postponed again, until April 2022.
- 1.5 In circumstances where a school requires a budget share advance in order not to be overdrawn at their bank, this should be treated as a cash advance and not a loan. This will have no effect on the school's budget and outturn statements.
- 1.6 The best practice is to review the scheme every three years. The last review was in December 2018 and approved at School Forum in February 2019 by members of maintained schools.

## **SECTION 2: DOCUMENTS RELEVANT TO THE SCHEME**

Statutory guidance: Schemes for financing local authority maintained schools

Updated 23 April 2021

<https://www.gov.uk/government/publications/schemes-for-financing-schools/schemes-for-financing-local-authority-maintained-schools>

Schools Standards and Framework Act 1998

<https://www.legislation.gov.uk/ukpga/1998/31/contents>

Education Act 2002

<https://www.legislation.gov.uk/ukpga/2002/32/contents>

London Borough of Waltham Forest Financial Regulations for Schools

[https://thehub-beta.walthamforest.gov.uk/sites/default/files/2021-06/School\\_Model\\_Financial\\_Regulations\\_Final\\_1\\_June\\_2021.pdf](https://thehub-beta.walthamforest.gov.uk/sites/default/files/2021-06/School_Model_Financial_Regulations_Final_1_June_2021.pdf)

School and Early Years Finance (England) Regulations

<https://www.legislation.gov.uk/uksi/2021/59/contents/made>

School Revenue Funding Operational Guide

[file:///O:/Finance/Families/All%20Finance%20Files/Schools/Estimates/22-23/Schools\\_revenue\\_funding\\_2022\\_to\\_2023.pdf](file:///O:/Finance/Families/All%20Finance%20Files/Schools/Estimates/22-23/Schools_revenue_funding_2022_to_2023.pdf)

## **SECTION 3: INTRODUCTION**

### **3.1 Funding Framework**

3.1.1 The Funding Framework which replaced Local Management of Schools is based on the provisions contained in the School Standards and Framework Act 1998 (**SSFA**). A brief outline is provided in Annex 1.

3.1.2 The financial controls within which delegation operates have to be set out in a Scheme made in accordance with Section 48 of the Act and approved by the Secretary of State.

The LA has adopted the National Funding Formula (NFF) from April 2020. Funding for centrally retained duties is in the central school services block (CSSB) of the DSG.

3.1.3 The Individual Budget Share (IBS) is calculated for each school and delegated to the Governing Body (GB).

The revised scheme must be approved by maintained school members in the school forum.

A copy of each year's budget and outturn is included in the School Forum reports and is accessible to schools.

### **3.2 Role of the Scheme**

3.2.1 The Scheme sets out the financial relationship between London Borough of Waltham Forest Council (the Local Authority or **LA**) and the maintained schools which it funds. The Scheme contains requirements relating to financial management and associated issues, binding on both the LA and on schools.

3.2.2 In addition, the LA will issue more detailed guidance on a number of issues to which the GBs will need to have regard in the management of their budgets. These are referred to in the Scheme, as appropriate.

### **3.3 Schools Covered by the Scheme**

3.3.1 The Scheme applies in respect of all community, voluntary aided, voluntary controlled, foundation, community special or foundation special schools and pupil referral units (PRUs) maintained by the LA. A list of schools is attached for information at Annex 3.

### **3.4 Publication of the Scheme**

- 3.4.1 A copy of the Waltham Forest Scheme for Financing Schools is publicly available and accessible via the Council website at <https://www.walthamforest.gov.uk/content/council-finances>. The latest scheme will also be available on The Hub.
- 3.4.2 Any revised versions of the Scheme will be made publicly available by the date that they come into force and will state the date that the revised Scheme came into force.

### **3.5 Revision of the Scheme**

- 3.5.1 Any proposed revisions to the scheme will be subject to consultation with the GB and Head Teacher of every school maintained by the authority before they are submitted to the Schools' Forum for approval.
- 3.5.2 All proposed revisions must be submitted to the schools forum for approval by members of the forum representing maintained schools. Where the schools forum does not approve them or approves them subject to modifications which are not acceptable to the authority, the authority may apply to the Secretary of State for approval.

### **3.6 Delegation of powers to the Head teacher**

- 3.6.1 The GB of each school must approve the first formal annual budget plan of each financial year. If it wishes, the GB may delegate approval of the annual budget to a committee of the GB. The GB should also consider the extent to which it wishes to delegate its financial powers to the Head Teacher. These powers (and any revisions) are to be stated in the school's financial procedures and are also to be recorded in the minutes of the GB.
- 3.6.2 The approved (ratified) budget must be submitted to the LA (Education Finance) no later than the 15<sup>th</sup> May each year. The budget should also include forecasted income and expenditure for the following 2 years.



### **3.7 Maintenance of Schools**

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

## **SECTION 4: FINANCIAL CONTROL**

### **4.1 General Procedures**

#### **Application of Financial Controls to Schools**

- 4.1.1 Schools must follow the normal accounting conventions and financial reporting standards on financial controls and monitoring in the management of their delegated budgets. Some of these requirements are included in this document and others exist in detailed guidance notes issued on specific services. Schools may prepare their own Finance Manuals to be used in place of the LA's Financial Regulations, Standing Orders and procedure notes but approval for their use will be at the sole discretion of the Chief Finance Officer.

#### **Provision of Financial Information and Reports**

- 4.1.2 Schools are required to provide the LA details of anticipated and actual income and expenditure in a form and time determined by the LA. However, submission of such details are not required more often than once every three months except for those connected with tax or banking reconciliation unless the LA has notified the school in writing that in its view the school's financial position requires more frequent submission or the school is in its first year of operation.
- 4.1.3 Schools must submit quarterly budget monitoring reports in a specified format no later than 2 weeks after the end of the quarter. The forecasted income and expenditure must be realistic and schools will be requested to explain major variances between the submissions. (Including between quarter 3 and the outturn)
- 4.1.4 The submissions must also include the latest bank reconciliation carried out, including a copy of the bank statement which shows the closing balance that is being reconciled to.

#### **Control of Assets**

- 4.1.5 Each school is responsible for the safe custody and control of equipment and other assets and the maintenance of an inventory. Guidance notes on the maintenance of the inventory and the procedures to be adopted when disposing of assets should be followed.

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

- 4.1.6 The LA has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) code of recommended practice. An integral part is that accounts are maintained on an accruals basis rather than a cash basis (this means the cost of supplies and services etc. are accounted for in the period during which they were consumed or received. Similarly receipts from fees, charges rents etc. must be accounted for in the period to which they relate). Therefore, reports and accounts of schools must be submitted on a similar basis.
- 4.1.7 Schools must submit an outturn report of their financial position, in a specified format (Reporting Tool), no later than the last Friday in April. The information requested will be consistent with DFE's CFR requirements and other information required for consolidation into the LA's accounts.
- 4.1.8 Each year the Chief Finance Officer will issue guidance on the procedures and timescales to be followed at the end of the financial year for the closure of accounts.

**Writing off Debts**

- 4.1.9 Head Teachers are permitted to write off debts, subject to them reporting exercising such delegation to the Schools GB. Any debts written off will be charged to the School's revenue account.
- 4.1.10 A record of all debts written off, together with reasons, must be maintained and made available to the Chief Finance Officer upon request. Where debts become a significant issue for a School, advice should be sought from the Chief Finance Officer about establishing a bad debt provision.
- Schools should avoid offering credit, if credit terms are to be considered schools should consult with the Chief Finance Officer.

**4.2 Basis of Accounting**

- 4.2.1 Reports and accounts that are submitted to the LA must be prepared on an accruals basis, taking account of creditors and debtors.

### **4.3 Submission of Budget Plans**

- 4.3.1 Each year schools must submit their ratified budget plan including details of the proposed use of estimated surplus balances to the LA by 15<sup>th</sup> May showing its intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. Schools are required to submit a 3-year budget forecast and may be required to submit a 5-year budget forecast if the 3-year does not appear sustainable. The budget plan must be signed by the Chair of the GB (or Chair of the relevant Committee if a Committee of the GB has delegated powers to approve the budget) and recorded in the minutes of the meeting where the budget was approved.
- 4.3.2 Any revisions to budget plans should be reported to the Authority as part of the quarterly monitoring cycle. The format of the budget plan is as prescribed in the annual budget planning guidance note sent to schools in March each year.
- 4.3.3 The Authority will supply all maintained schools with all income and expenditure data which it holds which is necessary for efficient planning by schools. In particular:
- A statement of resources allocated to schools (the budget share)
  - Estimated Pupil Premium Grant
  - Estimated Early Years Funding
  - Anticipated 6<sup>th</sup> Form Funding
  - Anticipated High Needs Funding
- Schools should take full account of estimated deficits/surpluses at the previous 31 March in their budget plan.
- 4.3.4 It is recognised that schools are facing increasing financial challenges. It is therefore imperative that schools plan their resources effectively, including having sufficient reserves to cover unforeseen circumstances.
- 4.3.5 The recommended levels of reserves are 3% of budget share for primary schools and 2% for secondary. If reserves are being utilised to fund ongoing revenue commitments, (rather than one off investments) then schools must prepare outline financial plans for

the following 3 years. A pro-forma for this purpose is shown in Annex 9. These plans must include anticipated pupil numbers for future years. It is recognised that plans over a 3 year period must be done at high level and the pro-forma in Annex 9 recognises this.

#### **4.4 School Resource Management.**

##### **Efficiency and Value for Money**

- 4.4.1 Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements outlined in section 2.10.
- 4.4.2 It is for Head Teachers and governors to determine at school level how to secure better value for money.
- 4.4.3 There are significant variations in efficiency between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools, and think about how to make improvements. Further guidance on achieving best value can be found in Annex 2.

#### **4.5 Virement**

- 4.5.1 Schools may transfer (vire) funds freely between budget heads during the course of the financial year to reflect changes in spending plans and actual spending. Changes which are approved by a committee of the GB or Head Teacher should be in line with the level of delegation approved by the GB in its Scheme of Delegation. Any such changes should be reported to the Chief Finance Officer on request and records should be retained of all such changes.
- 4.5.2 Schools should not vire earmarked funds for other purposes without the prior approval of the LA.

#### **4.6 Audit: General**

- 4.6.1 All schools are within the Internal and External Audit regime determined by the Chief Finance Officer and the Head of Internal Audit and Anti-Fraud.

4.6.2 Internal Audit for LA maintained schools is essential and the Council's responsibilities include the planning and carrying out an audit programme for schools and for reviewing schools causing financial concern. LA undertake a three-year rolling programme to ensure that all schools receive an audit within that timeframe and any subsequent follow-up action needed on identified high and medium risks. Audits may be brought forward if there are schools with additional concerns. All audits are undertaken in line with the Council's Internal Audit Charter.

4.6.3 Schools can request internal audits to be carried out as part of the LAs traded service offer.

4.6.4 Schools must provide access to the school's records for both internal and external auditors. In the case of external audits, this is particularly relevant at year end when external auditors carry out random checks as part of their assurance tests. In these circumstances information will need to be provided in relatively short timescales.

#### **4.7 Separate External Audits**

4.7.1 Schools' GBs may spend funds from its budget share to obtain external audit certification of its accounts, separate from any LA internal or external audit process if they so wish. However, there is no expectation or legal obligation for schools to do so.

#### **4.8 Audit of Voluntary and Private Funds**

4.8.1 Schools must be able to provide year-end audit certificates in respect of voluntary and private funds held by schools and of the accounts of any trading organisations controlled by the school.

4.8.2 All non-public funds must be audited on an annual basis by a person approved by the GB who is independent of that fund. The governors must receive annually the audited statement of the school fund and any other voluntary funds held within the school and must formally minute the balances.

#### **4.9 Register of Business Interests**

4.9.1 The GB of each school is required to hold a register which lists for each member of the GB and the Head Teacher:-

- Any business interests, they or any member of their immediate family have;
- Details of any other educational establishments that they govern; and
- Any relationships between school staff and members of the GB.

4.9.2 The register must be kept up to date with notification of changes and through annual review of entries. This register must be available for inspection by governors, staff, parents, auditors and the LA. The register must also be published on a publicly accessible website.

#### **4.10 Purchasing, Tendering and Contracting Requirements**

4.10.1 Schools are required to abide by the LA's financial regulations and Contract Procedure Rules in purchasing, tendering and contracting matters, including leasing. This includes a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the LA's policies and procedures.

4.10.2 Nothing within these requirements shall be construed as requiring schools to:

Do anything incompatible with any of the provisions of this Scheme for Financing Schools, or any statutory provision.

Seek LA officer countersignature for any contract for goods or services; or

Select suppliers only from an approved list.

4.10.3 The Governing Board/ Head Teacher must ensure that they consider quality, economy and efficiency when purchasing supplies, goods, equipment, services and works. In respect of procedures to be followed with reference to contract value See Annex 11.

4.10.4 Buying for schools on a range of compliantly procured deals is on (<https://www.gov.uk/guidance/buying-for-schools>).

#### **4.11 Application of Contracts to Schools**

- 4.11.1 Schools have a right to opt out of LA arranged contracts except where they have voluntarily agreed to be bound to the terms and conditions of a particular contract(s).
- 4.11.2 Although Governing Boards are empowered to enter into contracts in their own right (Education Act 2002, Paragraph 3 of Schedule 1), and also may do so where they have a clear statutory obligation (e.g. contracts made by Voluntary Aided or Foundation Schools for the employment of staff), in most cases they do so on behalf of the LA as maintainer of the School and the owner of the funds in the budget share. It is a particular government requirement that all Schools shall approve and abide by both Financial Regulations and Contract Procedure Rules.
- 4.11.3 A table demonstrating procedures to be followed according to contract values is given in Annex 11.

#### **4.12 Central Funds and Earmarking**

- 4.12.1 The LA may from time to time make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget shares e.g. sums for SEN or EDP (Entrepreneur Development Policies) initiatives.
- 4.12.2 Any such earmarked funding from centrally retained funds is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not to be vired into the budget share. Schools should ensure that separate funds are entered onto their own financial management systems and that all expenditure charged to these allocations can be accounted for to demonstrate that the funds are only spent for the purpose for which they were allocated.
- 4.12.3 The LA cannot make any deduction, in respect of interest costs to the Authority, from payments to schools of devolved specific or special grant.



#### **4.13 Spending for the Purposes of the School**

- 4.13.1 In accordance with section 50(3) of the SSFA the GB is authorised to spend the budget share for the purposes of the school subject to the provisions contained in this scheme and any regulations issued by the Secretary of State. By virtue of section 50(3A) (which came into force on 1st April 2011), amounts spent by the GB on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.
- 4.13.2 Under Section 50(3) (b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. This has been done in the School Budget Share (prescribed purposes) (England) Regulations 2002 (SI 2002/378), which have been amended by School Budget Shares (prescribed Purposes) (England) (Amendment) Regulations 2010 (SI 2010/19). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools or academies.
- 4.13.3 The GB may not incur expenditure from the school budget for purposes which are properly the responsibility of other agencies.

#### **4.14 Capital Spending from Budget Shares**

- 4.14.1 The GB is free to use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the GB of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998.
- 4.14.2 However, if the expected capital expenditure in any one year will exceed £10,000 the GB must notify the Authority and take into account any advice from the Deputy Chief Executive, Families and Homes or from the Chief Finance Officer, as appropriate, as to the merits and implications (e.g. on VAT recovery) of the proposed expenditure. If the premises are owned by the Authority or the school has voluntary controlled status, then the GB should seek the consent of the Authority to the proposed works but such consent can be withheld only on health and safety grounds.

- 4.14.3 The Governing Body can contact LA Schools Asset Manager where there is uncertainty about expenditure that may qualify as capital on: [capitalteam@walthamforest.gov.uk](mailto:capitalteam@walthamforest.gov.uk)

#### **4.15 Notice of Concern**

- 4.15.1 The Authority may issue a notice of concern to the GB of any school it maintains where, in the opinion of the Chief Finance Officer and Director of Children's Services, the school has failed to comply with any provisions of the scheme, or, where actions need to be taken to safeguard the financial position of the Authority or the school.
- 4.15.2 Such a notice will set out the reasons and evidence for it being made and may place on the GB restrictions, limitations or prohibitions in relation to the management of funds delegated to it. These may include:
- Insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
  - Insisting that appropriately trained staffs are appointed to undertake tasks relating to the financial management of the school. Such appointments maybe temporary or permanent. These appointments will be at the expense of the school.
  - Insisting that an appropriately trained/qualified person chairs the Finance Committee of the GB;
  - Placing more stringent restrictions or conditions on the day to day financial management of a school that the scheme requires for all schools – such as the provision of monthly accounts to the LA;
  - Insisting on regular financial monitoring meetings at the school attended by LA officers
  - Imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

- Withdrawing a schools bank account facility, where it is deemed a school is unable to manage a bank account. (e.g. failure to carry out regular and accurate bank reconciliations)

4.15.3 The rationale for issuing a notice and determining the requirements included within it, are to safeguard the financial position of the LA and/or the School. Where the LA issues a Notice of Concern, the notice will be withdrawn once the Governing Board has complied with the requirements it imposes.

4.15.4 The circumstances in which a notice may be issued would include:

- Schools in deficit, where the school has failed to take appropriate and timely action to address the deficit and to follow the requirements of a licenced deficit, and to keep the LA informed on the progress in achieving the deficit recovery plan submitted;
- Schools having consistently high carry forward balances, with no relevant plans for using these;
- Schools failing to complete the SFVS as required;
- Schools with limited or nil assurance audit opinions who have failed to take appropriate and timely action regarding the issues identified in relation to financial management within the audit report issued.
- Schools not completing their financial returns on a timely and/or accurate basis.

4.15.5 It is imperative that schools appoint appropriately trained finance staff in order to comply with the provisions of this scheme. Failure to do so can result in a Notice being issued and schools having to bear additional staffing costs.

4.15.6 Any dispute between the LA and the school issued with a Notice of Concern, regarding any aspect of the notice, will be referred to the LA's Chief Finance Officer for resolution

#### **4.16 Schools Financial Value Standard (SFVS)**

4.16.1 All LA maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must

demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis.

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

All maintained schools with a delegated budget must submit the form to the LA before 31 March and annually thereafter.

#### **4.17 Fraud**

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

- 4.17.2 The GB and Head Teacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them; and the consequences of breaching these controls. This information must also be included in induction for new school staff and governors.

## **SECTION 5: INSTALMENTS OF THE BUDGET SHARE, BANKING ARRANGEMENTS, TREASURY MANAGEMENT**

The LA has adopted the CIPFA Code of Practice for Treasury Management. For the purposes of this section, Budget Share includes school block, place-led, and top-up funding for schools or pupil referral units.

### **5.1 Frequency of Instalments**

- 5.1.1 For schools operating their own bank account the budget share will be made available to the GB in monthly instalments throughout the financial year. Cleared funds will be made available by the 16th of each month or earlier if this is a non-banking day. The LA will reimburse costs arising for late payments, so long as no act or omission by a school caused the delay.
- 5.1.2 Money paid by the LA and held in such accounts remains LA property until spent (S49 (5) of the SSFA).
- 5.1.3 Where a school has a particular cash flow problem at some time during the year, the profile of payments for advances can be adjusted subject to the approval of the Chief Finance Officer.

### **5.2 Proportion of Budget Share Payable at Each Instalment**

- 5.2.1 The LA will normally pay the budget share in equal monthly instalments.
- 5.2.2 The calculation is the annual amounts of (Budget Share + Pupil Premium Grant + 6th Form Funding + Growth Fund Payments - De-delegation-PRU Contributions-PFI Contributions.)/12.
- 5.2.3 Payments for high needs students are paid each month according to the school days in the month, for which the pupils were on roll. High Needs payments are specific to individual pupils and therefore it is necessary to only pay for the days those pupils were at the school.
- 5.2.4 Payments for early years pupils are also paid monthly. These are paid via termly census and calculated using the EYSFF for that particular term.

### **5.3 Interest on Balances**

- 5.3.1 Schools may retain any interest earned from their external bank account.
- 5.3.2 Any unspent budget share in an external bank account cannot be used to make a time deposit greater than 364 days; such deposits should only be made with the institutions on the LA's approved list.

### **5.4 Interest on Late Budget Share Payments**

- 5.4.1 The Authority will add interest to late payments of budget share instalments, where such late payment is the result of Authority error. The interest rate used will be in line with Council's average deposit rate.

### **5.5 Budget Shares for Closing Schools**

- 5.5.1 Where approval for discontinuation of a school has been secured, budget shares will be made available for that school in equal monthly instalments until closure unless the school can prove that money is needed in greater instalments so as not to be detrimental to the operation of the school.

### **5.6 Bank and Building Society Accounts**

- 5.6.1 Details of any bank account to be used by schools must be provided to the Chief Finance Officer and certified by the Head Teacher and Chair of the GB. The appropriate form for recording this is SBAS and this is provided at Annex 7.

### **5.7 Restrictions on Accounts**

- 5.7.1 Schools may only open a bank account(s) with a bank or building society which is on the Authority's approved list, consistent with the Authority's Treasury Management policy; the current approved list is attached at Annex 7. The GB is free to use one or more approved institutions for the operation of banking arrangements and are free to choose the number and nature of the accounts held with those

institutions. The account into which the budget share is to be paid should have same day banking facilities.

5.7.2 Schools may open bank accounts for budget share purposes in their own name rather than the name of the Authority. However, schools must ensure that they follow Financial Regulations, Contract Procedure Rules and any other guidance issued in relation to management of bank accounts held either in their own name or in the name of the Authority.

5.7.3 Schools must not at any time have an overdrawn bank balance.

5.7.4 If a school has an account for school budget purposes which is in the name of the school rather than the Authority, the account mandate should provide that the Authority is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the Authority.

## **5.8 Borrowing by Schools**

5.8.1 Schools may borrow only with the written permission of the Secretary of State.

5.8.2 This requirement does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from delegated budgets, but the GB are free to charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. The GB does not act as agents for the Authority when repaying loans.

### **IFRS 16 Leasing and Other Credit Arrangements**

5.8.3 Schools may enter into operating leases but are not permitted to enter into any finance lease or other credit arrangements without the permission of the Secretary of State. Advice on any type of lease must be sort from the Treasury Management Section. All lease arrangements must be authorised by the Chief Finance Officer.

5.8.4 Leasing schedule from schools should be submitted annually in February to LA Treasury for the implementation of IFRS 16.

5.8.5 It is acknowledged that it can be difficult to differentiate between operating and finance leases. However, schools need to exercise caution when leasing assets as it is usually an expensive way of borrowing.

Schools must ensure that lease rentals in any one year are less than 2.5% of their annual Budget allocation and should consider more efficient ways of purchasing assets such as a temporary loan from the Council.

#### **5.9.1 Other Provisions**

5.9.1 Separate bank accounts should be operated for private and voluntary funds administered by the school.

5.9.2 The day to day operation of school bank accounts must comply with procedures and guidance laid down by the Chief Finance Officer in accordance with his statutory duties and responsibilities under the Local Government Acts. Where there is substantial or persistent failure to comply with such procedures and guidance the Chief Finance Officer has the authority to suspend the external bank account arrangements until the position is rectified to his satisfaction.



## **SECTION 6: THE TREATMENT OF SURPLUS AND DEFICIT BALANCES ARISING IN RELATION TO BUDGET SHARES**

### **6.1 The Right to Carry Forward Surplus Balances**

- 6.1.1 Any underspends against the total budget share, as determined in the LA's final accounts and published under Section 251 of the Act, will be carried forward automatically to the following financial year.
- 6.1.2 A school's surplus balance at 1 April will be equal to that at 31 March, (i.e. that amount shown in the out-turn statement published under s251).
- 6.1.3 All schools with balances that exceed the recommended maximum (3% Primary and Special Schools, 2% Secondary Schools) are requested to submit information detailing how they have accrued the balances and how they intend to utilise them. The information will be requested during the Autumn Term. The final accounts will be scrutinised to ensure that these balances have been used as intended.
- 6.1.4 It is the LA's aim that schools should be moving towards greater autonomy and should not be constrained from making early efficiencies to support their medium-term budgeting in a tight financial climate and should not be burdened by bureaucracy. Where a school is carrying **excessive uncommitted** balances, the LA will contact the school to discuss some level of distribution to support improved provision across the Borough.

### **6.2 Obligation to Carry Forward Deficit Balances**

- 6.2.1 Schools will carry forward deficit balances from one financial year to the next. A school's deficit balance at 1 April will be equal to that at 31 March, (i.e. that amount shown in the out-turn statement published under s251)

### **6.3 Planning for a Deficit Budget**

- 6.3.1 Schools that have a deficit over 5% of Individual School Budget share must submit a recovery plan to the LA. The plan must be signed by the Chair of the GB (or Chair of the relevant Committee if a

Committee of the GB has delegated powers to approve the budget) and recorded in the minutes of the meeting where the plan was approved.

#### **6.4 Writing off Deficits**

6.4.1 The Authority cannot write off the deficit balance of any school.

Where the authority gives assistance towards elimination of a deficit balance this will be done through the allocation of a cash sum, from the authority's schools budget (from a centrally held budget specified for the purpose of expenditure on special schools and pupil referral units in financial difficulty or, in respect of mainstream maintained schools, from a de-delegated contingency budget where this has been agreed by Schools Forum).

#### **6.5 Balances of Closing and Amalgamating Schools**

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

#### **6.6 Licensed Deficit Budgets**

6.6.1 The GB should not plan a deficit budget, after taking into account carried forward balances. In the event of an unplanned deficit arising during a financial year, schools will be required to make good such a deficit in the following financial year and should allow for that in their budget plans. This is known as a balanced budget.

#### **6.7 Budget Advance (not Loans)**

6.7.1 LA may provide budget advance (in the form of Cash Advance) to schools in financial difficulty.

The advance will assist schools to continue to operate smoothly.

- 6.7.2 Recovery of the cash advance will be determined in consultation with School Governors

## **SECTION 7: INCOME**

### **General**

All Schools must account for all income received by their establishment which is to be credited to their school budget or to the LA, in accordance with the LA's "Financial Regulations for Schools" and any supplementary guidance issued.

### **7.1 Income from Lettings**

- 7.1.1 Income generated from lettings of the school premises belongs to the school. Schools can cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share and the GB is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts including the requirement to conduct the school with a view to promoting high standards of educational achievement:-
- 7.1.2 Schools are required to have regard to directions issued by the LA as to the use of school premises, as permitted under the SSFA for various categories of Schools.
- 7.1.3 The income from lettings of school premises should not normally be payable into voluntary or private funds held by the school.

### **7.2 Income from Fees and Charges**

- 7.2.1 Income generated from fees and charges belongs to the school, except where a service is provided by the LA from centrally retained funds. However, schools must have regard to any policy statements on charging produced by the LA.

### **7.3 Income from Fund-Raising Activities**

- 7.3.1 Income generated from fund-raising activities belongs to the school. Where such activities have created a charge against the school budget, this charge must be reimbursed before the balance of income is credited to the unofficial fund.

**7.4 Income from the Sale of Assets**

- 7.4.1 Schools are allowed to retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds (in which case the LA will decide whether the school should retain the proceeds) or the asset concerned is land or building forming part of the school premises and is owned by the LA. Details on disposal of assets are documented within the Financial Regulations.

**7.5 Administrative Procedures for the Collection of Income**

- 7.5.1 Schools should seek advice from LA VAT Team to ascertain the VAT charge on letting their premises for community use, educational training and sports.

**7.6 Purposes for which Income may be Used**

- 7.6.1 Income retained by the GB from the sale of assets may only be spent for the purposes of the school.

## **SECTION 8: THE CHARGING OF SCHOOL BUDGET SHARES**

### **8.1 General Provision**

- 8.1.1 The LA may charge the budget share of a school without the consent of the GB only in circumstances expressly permitted by the Scheme. The LA will consult schools as to the intention to charge and will notify schools when it has been made.
- 8.1.2 Actual costs will normally be charged to school budgets for all items (including salaries of school based staff) but in some cases, for example where premises are shared with other users, apportionments of actual expenditure between users will be made.
- 8.1.3 Local authorities may de-delegate funding for permitted services without the express permission of the GB, provided this has been approved by the appropriate phase representatives of the Schools Forum.

### **8.2 Circumstances in which Charges may be made**

- 8.2.1 Where retirement and/or redundancy costs have been incurred without the prior written agreement of the LA to bear such costs (the amount chargeable being only the excess over any amount agreed by the LA).
- 8.2.2 Other expenditure incurred to secure resignations where the school had not followed LA advice.
- 8.2.3 Awards by courts and employment tribunals against the LA, or any out of court settlements, arising from action or inaction by the GB contrary to the LA's advice
- 8.2.4 Expenditure by the LA in carrying out health and safety work or capital expenditure for which the LA is liable where funds have been delegated to the GB for such work, but the GB has failed to carry out the required work.
- 8.2.5 Expenditure by the LA incurred in making good defects in building work financed from budget shares, where the premises are owned by the LA, or the School has voluntary controlled status.

- 8.2.6 Expenditure incurred by the LA in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the LA.
- 8.2.7 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the LA.
- 8.2.8 Recovery of penalties imposed on the LA by the Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, Teachers' Pensions, the Environment Agency or other regulatory authorities as a result of a school negligence.
- 8.2.9 Correction of LA errors in calculating charges to a budget share.
- 8.2.10 Additional transport costs incurred by the LA arising from decisions by the GB on the length of the school day, and failure to notify the LA of non-pupil days resulting in unnecessary transport costs.
- 8.2.11 Legal, audit and other costs that are incurred by the LA because the GB did not accept the advice of the LA.
- 8.2.12 Costs of necessary health and safety training for staff employed by the LA, where funding for training had been delegated but the necessary training not carried out. The LA can direct schools to release staff for health and safety training and charge the school for any relevant training provided, that the LA believes to be appropriate, to enable schools to implement the Council's Health and Safety Policies.
- 8.2.13 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 8.2.14 Recovery of amounts spent from specific grants on ineligible purposes.
- 8.2.15 Costs incurred by the LA as a result of the GB being in breach of the terms of a contract
- 8.2.16 Where delegation has been suspended at a school, the LA may charge such costs as it considered appropriate to the school budget share in discharging its responsibilities for running the school.

- 8.2.17 Where consequential costs arise from capital expenditure undertaken at the school by the GB, the LA may charge these costs to the budget share where such consequential costs have not been agreed in advance by the LA.
- 8.2.18 Essential capital expenditure incurred by the LA arising from deficiencies in the repair and maintenance programme undertaken by the GB.
- 8.2.19 Where schools have failed to demonstrate that amounts spent from specific grants are for eligible purposes. This will apply in particular to any specific grant allocation where failure of a GB to produce adequate records leads to a grant claim being disallowed by the LA's external auditor.
- 8.2.20 Expenditure incurred by the LA in the event of any failure on the part of the GB in meeting statutory or contractual obligations where those obligations have been entered into voluntarily or where the scheme binds the school to them.
- 8.2.21 Amounts agreed under a PFI / PPP agreement entered into by the GB of a school (see section 9).
- 8.2.22 Cost of work done in respect of teacher pension remittance and records for schools using non LA payroll contractors, the charge to be the minimum needed to meet the cost of the LA's compliance with its statutory obligations.
- 8.2.23 Costs incurred by the LA in securing provision specified in a statement of SEN / EHC Plan, where the GB of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs.
- 8.2.24 Costs incurred by the LA due to submission by the school of incorrect data.
- 8.2.25 Costs incurred by the LA in obtaining financial information from schools which are in deficit and have failed to make adequate arrangements for the timely provision of such information to the LA in accordance with the Scheme for Financing Schools.



- 8.2.26 Costs incurred by the LA or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.

## **SECTION 9: TAXATION**

### **9.1 Value Added Tax (VAT)**

- 9.1.1 The LA is usually able to recover VAT on expenditure incurred by schools. This does not include expenditure by the governors of a voluntary aided school when carrying out their statutory responsibilities to maintain the external fabric of their buildings nor capital works at Foundation Schools funded directly by DfE.
- 9.1.2 The Chief Finance Officer will issue guidance and procedural notes from time to time which must be observed by schools, together with any other instructions issued by HM Revenue & Customs.
- 9.1.3 All VAT recovered from HM Revenue & Customs in respect of school expenditure will be passed onto each school.

#### **Administration of Value Added Tax**

- 9.1.4 Schools are able to recover VAT under the umbrella of the Council's VAT registration. It is important that schools follow advice issued from time to time by the Council as any non-compliance with VAT rules and regulations could have an impact for all schools and council services. Therefore, schools must contact the Council's VAT officer for advice in the event of any query.
- 9.1.5 Schools are responsible for the correct declaration of input and output VAT. If schools fail to comply with VAT regulations and advice from the Council then the schools budget share will be charged with any resultant costs including any irrecoverable VAT (for any school or council service affected by the school's action), penalties and associated interest charges.
- 9.1.6 Schools must submit regular quarterly VAT returns to the Council which include details of that quarter's transactions from the School's ledger. Failure of a school to submit all the details required can mean the VAT claim will not be processed meaning a cash flow delay to the school concerned.
- 9.1.7 If schools are late submitting VAT returns, it is an indication that the financial ledger is not up to date.

**9.2 CITS (Construction Industry Taxation Scheme)**

9.2.1 Schools must adopt the procedures issued by the LA in connection with CITS.

## **SECTION 10: THE PROVISION OF SERVICES AND FACILITIES BY THE LOCAL AUTHORITY (LA)**

### **10.1 Provision of Services from Centrally Retained Budgets**

10.1.1 The LA will determine the basis on which services from centrally retained funds will be provided to schools. It will not discriminate in its provision of such services on the basis of categories of schools except where such discrimination is justified by differences in statutory duties. The term 'services' includes existing PRC and redundancy payments made by the LA.

### **10.2 Provision of Services bought back from the LA using Delegated Budgets**

10.2.1 All contracts with schools starting on or after 1 April 1999 to buy services or facilities from the LA will be limited to a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the later. Any subsequent agreements for the same services will be limited to a maximum contract period of five years. For the supply of catering services, an extension to five and seven years respectively may be made.

10.2.2 When a service is provided for which expenditure is not retainable centrally by the LA under the Regulations made under section 46 of the Act, it must be offered at prices which are intended to generate income which is no less than the cost of providing those services. The total cost of the service must be met by the total income, even if schools are charged differentially.

10.2.3 Schools should abide by the payment terms as specified on the invoice covering the charge for services and goods provided by the LA or by the payment terms in the SLA agreement. In the event that a school accumulates arrears this may cause the school to be flagged up as a school causing financial concern.

### **10.3 Packaging**

- 10.3.1 The LA will provide all services for which funding has been delegated, and for which the LA is offering the service on a buyback basis, in a way which does not unreasonably restrict schools' freedom of choice among the services available. There is no obligation for schools to buy a range of services even where discounts may be offered for doing so. All services will be offered on an individual basis.

### **10.4 Service Level Agreements**

- 10.4.1 Where services or facilities are provided under a service level agreement - whether free or on a buyback basis - the terms of any such agreement starting on or after the inception of the scheme will be reviewed at least every three years if the agreement lasts longer than that.
- 10.4.2 The Service level agreement must be in place by 31st March to be effective for the following financial year. Schools will have at least one month prior to this to consider the Terms of Agreement.
- 10.4.3 Services, if offered at all by the LA, will be available on a basis which is not related to an extended agreement, as well as on the basis of such agreements. (I.e. separate charges may apply to services provided on an ad-hoc basis than when they are included within an extended agreement).

#### **Payment, Invoicing and Dispute Arrangements**

- 10.4.4 Schools will be invoiced promptly for services that are provided by LA. In the case of most services this will be within a month of the service being delivered. For certain service level agreements (SLA's) charges will be in advance (e.g. Insurance). The details will be provided within each SLA.
- 10.4.5 On receiving an invoice, schools have a month to lodge a dispute if it is felt that the charges are incorrect or the service was not properly delivered. If disputes are not raised within this timeframe schools are liable to pay the full charge.
- 10.4.6 If a dispute is raised, then the dispute procedure as shown in annex 10 will be followed.

- 10.4.7 Schools must pay invoices within a month of them being received (except those in dispute).
- 10.4.8 Any undisputed invoice not paid within 2 months, will be referred to Education Finance and the Education Business Effectiveness service (EBE) . Contact will be made with the school as to why the invoice has not been paid. (e.g. cash flow problem) Appropriate arrangements will be made to settle the invoice. (e.g. one off additional budget share advance)
- 10.4.9 The LA reserves the right to deduct the amounts owed from the schools budget share, as a last resort.

## **10.5 Teacher's Pensions**

- 10.5.1 Governing Body is responsible for managing the procedures and controls for Salaries and Pension in accordance with pay and condition policies issued by The Department of Education, The LA, Teachers' Pension Agency and Accounting and Finance regulations. The Governing Body is responsible for ensuring the School is fully compliant in meeting its legal obligations with regard to Tax and National Insurance and Pension Regulations.
- 10.5.2 The two changes to Teachers Pensions came into effect from:  
April 2015 a new Career Average Scheme has been introduced.  
7April 2016 monthly data collection will replace the current Annual Salary and service returns.
- 10.5.3 Schools need to ensure that they are aware of all new developments and take steps to be compliant.
- 10.5.4 The Governing Body manage their payroll responsibility through the external payroll agency of its own choice. In so doing it is responsible for:-
- All aspects of the payroll functions.
  - Ensuring that the schools internal processes, records and those of its choice of external payroll provider are fully compliant with current and pending pension regulations, accounting standards and requirements of the LA.

- Penalties incurred if it fails to discharge its duties in this regard.

10.5.5 The Governing Body will satisfy the Chief Finance Officer that it can adequately carry out the payroll functions through its external payroll provider. 10.5.7 The Governing Body will be responsible for obtaining an Annual Audit Assurance from the external payroll provider's own auditor to confirm that the payroll provider has reasonable controls in place to discharge their payroll functions.

10.5.6 The Head Teacher will supply a letter of authorisation detailing those persons authorised to certify payroll transactions on behalf of the school (including specimen signatures) to the payroll provider.

10.5.7 The Governing Body must be informed by the Head Teacher and Business Manager on the performance of the payroll contractor. This should highlight non-compliance against current and new requirements stated in 10.5.5 and 10.5.6.

10.5.8 The Governing Body will ensure that processes are in place to ensure that:

10.5.9 The accuracy of members records in relation to Name; NI numbers; pension reference; male /female pay and allowances paid and FTE; submitted on the Teachers' Pension Salary and Service Return and the Local Government Year End List is checked by the School before it is submitted by its payroll provider to the LA.

10.5.10 The payroll data is regularly checked and updated monthly for starters leavers, change to pay grade and hours, maternity and strike pay, honoraria allowance, on costs payments.

10.5.11 The calculation of all remunerations and gratuities are correct.

10.5.12 Timely and accurate monthly deductions are made in relation to Teachers Pension, Local Government Pension Schemes and Auto Enrolment regulations fulfilling legal obligations.

10.5.13 Timely and accurate information required by Teachers Pension and Local Government Pension schemes is provided to the School or directly to the above organisations by the external payroll provider.

10.5.14 The Business Manager is responsible for ensuring all payroll input forms (starters, leavers, contract variations and claims) are signed in accordance with the Governing Body's letter of authorisation by the Head Teacher and sent to the external payroll providers with any other relevant instructions.

10.5.15 The Business Manager is responsible for ensuring the dummy payroll run is sent every month by the payroll provider to be checked for accuracy.

10.5.16 The Business Manager is responsible for advising by email any corrections or additions to the payroll provider.

10.5.17 The School Business Manager is responsible for ensuring that when the final payroll is sent by the payroll provider:-

1. An examination of the report and reconciliation to the initial payroll report is undertaken.
2. The reconciliations are signed by the individual undertaking the reconciliation and the Head Teacher.
3. Journal entries in respect of the report totals are made into the FMS system and a copy of the FMS journal filed with the payroll report (duly signed by two persons).

### **Pensions - Auto Enrol Regulations**

10.5.18 The Governing Body is required to ensure it complies with Auto Enrolment regulations. The Governing Body has a duty to Auto enrol all Eligible Job Holders age 22 and above or earning more than the government threshold.

10.5.19 The Governing Body is required to:-

1. Evidence that all members of staff are aware of Auto Enrolment and keep records of advising staff of Auto Enrolment.
2. Advise Members of staff who are not part of a pension scheme that they can be Auto Enrolled at any time.

10.5.20 All new staff are enrolled for pension by default. If new members wish to opt out, they can do provided they follow the guidance specific to their scheme and both individuals and the Schools maintain records of opt out. New staff have up to three months to opt out.



- 10.5.21 Advise the LA of all members of staff who became eligible for Auto Enrolment. A specific template needs to be submitted monthly to the Local Authority. The Opt-out application is only eligible if the template has been sent into the Teachers' Pension Agency by the LA.
- 10.5.22 Have arrangements so that staff opting out in accordance with the Auto Enrolment regulations can be reimbursed.
- 10.5.23 Ensure all staff that are Retired members, part time or have multiple contracts of employment comply with the Auto Enrolment rules.
- 10.5.24 Ensure that the payroll provider is fully compliant with the new regulations.

## **SECTION 11: PRIVATE FINANCE INITIATIVE (PFI)**

The LA and the GB of a school may wish to explore the possibility of PFI/PPP (Public Private Partnership) for major capital investments.

In such cases, prior agreement will need to be reached on any cost sharing arrangements for feasibility studies, appraisals and ultimate contractual commitments.

## **SECTION 12: INSURANCE**

### **12.1 Insurance Cover**

- 12.1.1 The GB shall notify the Chief Finance Officer promptly of all new risks, liabilities, properties or vehicles which require to be insured and of any alterations affecting risks or insurance indicating the amount of cover required.
- 12.1.2 The GB shall immediately notify the Chief Finance Officer of any fire, loss, accident or other event which may give rise to a claim under the LA's insurance arrangements.
- 12.1.3 All schools who buy back insurance through the Council receive the same level of cover as referred to in The Council's insurance policy agreement, including voluntary aided schools. Thus there is no requirement for voluntary aided schools to purchase additional premises related insurances.
- 12.1.4 If the GB opts to arrange its own insurance, the GB must demonstrate that cover sufficient for the LA's insurable interests, under a policy arranged by the GB, is at least as good as the relevant minimum cover arranged by the LA. This must be demonstrated by providing relevant documentation to the Chief Finance Officer on annual basis.
- 12.1.5 The GB can only leave the Council's insurance policy at the start of a financial year and must give at least 3 months prior notice in writing.
- 12.1.6 Where the GB opts to arrange its own insurance, the GB must have regard to the resources available to the school when deciding on any amount of risk it wishes to carry without external cover.

## **SECTION 13: MISCELLANEOUS**

### **13.1 Right of Access to Information**

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

13.1.2 The keeping of accounts, financial records and prime documents should be in a suitably secure place and condition and for such periods of time as specified.

Schools must not mix official funds (monies due to and from the LA) with unofficial school funds or any other voluntary funds (e.g. School Fund, PTA) which should be kept and accounted for separately at all times.

### **13.2 Liability of Governors**

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

### **13.3 Governors' Expenses**

13.3.1 The LA may delegate to the GB of a school yet to receive a delegated budget, funds to meet governors' expenses. The GB would not normally have discretion in the amounts of such allowances which would be set by the LA.

13.3.2 Under section 50(5) of the act, only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget share.

- 13.3.3 Payment of any other allowances is not permitted. Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional governors appointed by him to schools under special measures.

### **13.4 Responsibility for Legal Costs**

- 13.4.1 Legal costs incurred by the GB, (although the responsibility of the LA as part of the cost of maintaining the school unless they relate to the statutory responsibility of aided school governors for buildings), may be charged to the school's budget share unless the GB acts in accordance with the advice of the LA.
- 13.4.2 The costs referred to are those of legal actions, including costs awarded against the LA; not the cost of legal advice provided. Normally, general legal advice will be provided by the LA's Legal Services division, in the unlikely event that the LA's Legal Services division considers there to be a conflict of interest between the LA and the GB, it may be necessary for the schools to seek legal advice from an alternative source.

### **13.5 Health and Safety**

- 13.5.1 In expending the school's budget share the GB must have due regard to duties placed on the LA in relation to health and safety, and the LA's policy on health and safety matters in the management of the budget share.
- The appropriate policies are available on the hub and are regularly updated.

### **13.6 Right of Attendance for the Chief Finance Officer**

- 13.6.1 The GB must permit the Chief Finance Officer or any officer of the LA nominated by him to attend meetings of the GB at which any agenda items are relevant to the exercise of his responsibilities. The LA will give prior notice of such attendance unless it is impracticable to do so.

### **13.7 Special Educational Needs**

- 13.7.1 Schools should endeavour in spending the school budget share, to secure the special educational needs of their pupils.

### **13.8 ‘Whistle Blowing’**

School governors and school staffs who wish to complain about financial management or financial propriety at the school should refer to the LA’s policy on ‘Whistleblowing’. Copies are available from the LA’s Shared Services department and/or on the Waltham Forest intranet

### **13.9 Child Protection**

- 13.9.1 The GB must have regard to the Waltham Forest Safeguarding Children Board policies and procedures in respect of child protection in discharging their statutory duties for child protection. In particular, school staff should be authorised to attend case conferences and other relevant meetings when called and schools will be responsible for the cost of associated supply cover. The policies are electronic and can be accessed on:

<https://thehub.walthamforest.gov.uk/policy/schools/safeguarding/safeguarding-key-information> or by an internet search entitled Waltham Forest Safeguarding Children Board.

### **13.10 Data Protection**

- 13.10.1 The GB must have regard to the General Data Protection Regulations (GDPR) and comply with the DFE guidance at:

<https://www.gov.uk/government/publications/data-protection-toolkit-for-schools>

### **13.11 Redundancy /Early Retirement Costs**

- 13.11.1 The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. Further guidance is provided at Annex 8

## **SECTION 14: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE**

### **14.1 Delegation**

14.1.1 The LA is required to delegate all revenue funding for repairs and maintenance to schools. Only capital expenditure is retained by the LA. For these purposes expenditure may be treated as capital only if it fits the definition used by the LA for financial accounting purposes in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) code of practice on LA Accounting.

### **14.2 Respective Responsibilities**

14.2.1 The division of responsibilities between schools and the LA differs for certain types of school. In county and voluntary controlled schools and maintained special schools, the LA owns the property, and has the status of landlord, with the school occupying the premises being the tenant. This previously formed the basis for the divisions of repair and maintenance responsibilities. Under devolved funding the GB is required to finance all revenue repair and maintenance work from the school's budget share.

14.2.2 In the exercise of delegated repairs and maintenance responsibilities, the GB is required to have regard to guidance issued by the LA on the respective responsibilities of the LA and its schools, and to ensuring that the fabric of the school is suitable for the purposes of the school. The GB will be expected to finance from the school's budget share repairs and maintenance work up to the appropriate capital threshold as determined by the LA.

### **14.3 Voluntary Aided Schools**

14.3.1 Voluntary Aided School GBs are eligible for grant from the DfES in respect of their statutory responsibilities and, in addition, will have responsibility for other repair and maintenance items on the same basis as other schools covered by the scheme. Full details of voluntary aided governors' responsibilities are set out in the DfES document "Voluntary Aided and Special Agreement Schools - Determination of Financial Liability".

## **SECTION 15: Community Facilities**

### **15.1 Statutory Framework**

15.1.1 Under s27 (1) of the Education Act 2002, schools that provide community facilities or services will be subject to a range of controls.

15.1.2 In exercising this power, the GB may incur expenditure, enter into arrangements or agreements with any person, co-operate with (or facilitate or co-ordinate the activities of) any person and provide staff, goods, services and accommodation to any person.

Legislation provides that the provision of facilities and services under s27 (1) is excluded from the definition of “the purposes of the school” (s50 of 1998 Act as amended by paragraph 3 of Schedule 3 of the 2002 act). In exercising this power, no expenditure incurred by the GB (either start-up costs or ongoing expenditure) shall be met from the school’s budget share for any financial year. Nor should deficits arising from such activities be met from the school’s budget share. For the purposes of s27 (1) expenditure, the “school’s budget share” includes any surplus balances from previous years.

The GB must ensure that the exercise of this power does not significantly interfere with its duty to promote high standards of educational achievement at the school or other duties under the Education Acts. Nor should the GB undertake any scheme that in the opinion of the LA would prejudice the financial position of the school or the LA, or the welfare or education of pupils at the school. Therefore, before exercising this power, the GB must consult the LA, and in exercising this power the GB must have regard to guidance from the Secretary of State and advice from the LA.

The LA reserves the right to charge a GB for any services requested in developing proposals prior to consultation but will not charge for advice during consultation.

Subject to statutory requirements in respect of charges in connection with education, the GB may charge for any community services or facilities so provided.

## **15.2 Consultation with the LA – Financial Aspects**

Section 28(4) of the Education Act 2002 requires that before exercising its community facilities power, the GB must consult the LA on its proposals, and have regard to any advice subsequently given. In addition, the GB is required to inform the LA of what action has been taken following receipt of this advice.

The GB must formally consult with the LA at least two months (eight weeks) before exercising its community facilities power. This is in line with the minimum period for consultations as set out in the Government Code of Practice for Consultations. The LA must provide advice to the GB within this timescale. No charge will be made to schools for this advice.

This consultation will take the form of the GB providing detailed information relating to the financial viability of the proposal, including details of its internal financial regulations for the operation of its community provision. Information should also be provided of local consultations undertaken with appropriate stakeholders regarding the proposal, in the context of any existing local or strategic plans affected.

To safeguard the financial position of the school and the LA, and to protect pupil welfare or education, as part of the consultation process the GB may be required to submit a detailed financial plan relating to any proposal submitted, for agreement from the LA. In the event of a financial plan not being agreed, (some form of) indemnification of the LA may be required of the GB prior to commencement of the proposal.

Guidance on information required in formal consultation with the LA is included in Appendix 5.



### **15.3 Funding agreements – Local Authority Powers**

In some instances, the provision of community facilities in schools may be dependent on the conclusion of a funding agreement between a GB and a third party (other than the LA). Before concluding any such agreements, the GB is required to submit detailed proposals for consideration by the LA at least eight weeks prior to signing any agreement.

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

### **15.4 Prohibitions, Restrictions and Limitations**

A GB choosing to exercise this power to provide community facilities will be subject to the range of controls set out in the legislation, including the requirement to fully consult the LA on proposals and have regard to advice from the LA.

In addition, the Secretary of State issues guidance to The GB about a range of issues connected with exercise of power, to which they must have regard. Further, regulations made under s28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power.

Other than those controls set out in legislation, the main limitations and restrictions on the exercise of this power will be those contained in a school's own instrument of government and in Waltham Forest's Scheme for Financing Schools.

Schools are therefore subject to prohibitions, restrictions and limitations in Waltham Forest's Scheme for Financing Schools. In addition, the LA may charge a school's community budget for costs which the LA may incur in the circumstances set out in s6 of the approved Scheme.

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

### **15.5 Supply of Financial Information**

A GB is required to maintain separate accounts for activities undertaken as community facilities. In addition, every 6 months a GB is required to provide the LA with a financial summary of the community facilities activity in a form determined by the LA. This summary statement will request information relating to 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.

Where the LA has concern as to the school's management of the financial consequences of the exercise of the community facilities power, on giving due notice the LA may require such financial statements to be supplied every three months.

In circumstances where financial statements received from a GB suggests that the provision of a community facility is moving towards a deficit situation, the GB may be requested to submit a viable recovery plan, for agreement with the LA. In the event of a viable recovery plan not being agreed, (some form of) indemnification of the LA may be required of the GB in order for the provision to continue.

The GB is reminded that mismanagement of funds for community facilities forms a basis for suspension of delegated powers.

### **15.6 Audit**

The GB 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. The GB must ensure that such agreements contain adequate provision for access by the LA to the records and other property of those persons held on the school premises. This will

enable the LA to satisfy itself as to the propriety of expenditure on the facilities in question.

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

A GB is allowed to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the LA or some other person. A GB may carry such retained income over from one financial year to the next and hold it as a separate community facilities surplus.

Cross-subsidisation of community services provision is allowed at the discretion of the GB. Such cross-subsidy cannot be from the school budget share unless provided for in regulations made by the Secretary of State.

The agreement of the LA is required before surpluses derived from community facilities may be added to the school's budget share at the end of each financial year.

Where a school is a community or community special school, and the LA ceases to maintain the school, any accumulated retained income obtained from exercise of the community facilities power reverts to the LA unless otherwise agreed in any formal partnership arrangement.

### **15.8 Health and Safety Matters**

In the management of community facilities and services, a GB is to have due regard to duties placed on the LA in relation to health and safety and to the LA's policy on health and safety.

The GB is responsible for securing Criminal Records Bureau clearance in respect of all staff involved in any community activities taking place during the school day.

### **15.9 Insurance**

It is the responsibility of a GB to make adequate arrangements for insurance against risks arising from the exercise of the community facilities power. Such insurance should not be funded from the school budget share.

When proposing to provide community facilities, as an integral part of its plans a GB should undertake an assessment of the insurance implications and costs, seeking professional advice if necessary. In considering any arrangements for insurance, a GB is required to consult with the LA, to ensure that its insurance arrangements meet the LA's minimum requirements regarding possible third party claims, i.e. public liability, employer liability, etc.

In exceptional circumstances, the LA may undertake its own assessment of the insurance arrangements made by a school in respect of community facilities. In the event of these arrangements proving inadequate, the LA may make arrangements itself and charge the resultant cost to the school (in accordance with Section 6 of this Scheme). Such costs cannot be charged to the school's budget share.

### **15.10 Taxation**

The facility for local authorities to reclaim VAT can be used by schools in spending their budget shares, which by virtue of s49 (5) of the Act are the property of the maintaining LA. This facility also applies to funding given by the LA to schools outside the budget share. However, it cannot apply to expenditure from funds obtained direct by schools from private (or indeed, central government) sources.

A GB may only make use of the LA's VAT reclaim facility for expenditure on community facilities when this is from funds from the maintaining LA and not expenditure from other funds.

Where any member of staff employed by the school or LA in connection with community facilities at the school is paid from funds held in the school's own bank account, the school is likely to be liable for payment of income tax and National Insurance, in line with Inland Revenue rules.

Schools should follow the LA's advice in relation to the Construction Industry Scheme (CITS) where this is relevant to the exercise of the community facilities power.

### **15.11 Banking**

A GB is required to make adequate arrangements for separation of funds to ensure that school budget and other LA funds are accounted for separately from community facilities funds.

The LA's general conditions relating to the operation of external bank accounts (e.g. signing of cheques, the titles of bank accounts, the contents of bank account mandates and similar matters) will apply, as set out elsewhere in this Scheme and in the LA's guidance.

However, in the case of a bank account which is used by the school in connection with the community facilities (whether or not the account also contains funds from the school's budget share), the account mandate should not show the LA as the owner of the community facilities funds in the account except insofar as these funds have been provided by the LA itself.

The GB was reminded that they may not borrow money without the written consent of the Secretary of State. (This requirement does not extend to monies loaned by a school's maintaining LA.)

## **ANNEX 1**

### **FUNDING FRAMEWORK - THE MAIN FEATURES**

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

Under this legislation, local education authorities determine for themselves the size of their schools budget and non-schools education Budget – although the Secretary of State has power to set a minimum Schools Budget for an LA. The categories of expenditure which fall within the two budgets are prescribed under regulations made by the Secretary of State, but included within the two, taken together is all expenditure, direct and indirect, on a LA's maintained schools except for capital and certain miscellaneous items. Local authorities may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under s.45a of the Act. The amounts to be retained centrally are decided by the LA concerned, subject to any limits or conditions prescribed by the Secretary of State. The balance of the Schools Budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools education budget must be retained centrally (although earmarked allocations may be made to schools).

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

acceptable to the LA.–Subject to provisions of the scheme, the GB of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Secretary of State in regulations made under s.50.

A LA may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSAF Act 1998)

Each LA is obliged to publish each year a statement setting out details of its planned Schools Budget and other expenditure on children's services, showing the amounts to be centrally retained, and funding delegated to schools After each financial year the LA must publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.

The detailed publication requirements for financial statements are set out in regulations, but each school must receive a copy of each year's budget and out-turn statements so far as they relate to that school or central expenditure.

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

## **ANNEX 2**

### **BEST VALUE**

1. The requirement for schools to submit a statement of Best value with their budget plan has been removed. The government believes that it is important for schools to achieve value for money, but that this can be demonstrated in other ways than a written statement
2. Best value is a statutory duty to deliver services to clear standards, covering both cost and quality, the most effective, economic and efficient means available. Legislation is to place a duty on local authorities to secure best value in respect of the way in which they exercise their functions. The new duty is not intended to apply to those functions that are exercised by the GB of LA maintained schools. However, schools will be encouraged to adopt the best value performance management framework.
3. In relation to schools and expenditure from delegated budgets, the main features of best value can be summarised as a need for the GB of a school to ensure:
  - a) The existence of a programme of performance review which will aim for continual improvement. Existing mechanisms such as school development plans and post-OFSTED inspection plans can be developed to satisfy the requirements for review. The reviews should include:
    - challenging how and why a service is provided (including consideration of alternative providers);
    - comparison of performance against other schools taking into account the views of parents and pupils;
    - use of benchmarking tools produced by DFE
    - 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 or 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 schools development plans:
    - a summary of objectives and strategy for the future;
    - forward targets on an annual and longer term basis;
    - description of the means by which performance targets will be achieved;
    - A report on current performance.
  - d) That internal and external audit takes place ensuring that performance information is scrutinised. LA oversight of school finances provides external review.
4. The independent inspection and intervention elements of the best value framework will be the responsibility of other bodies and therefore not relevant to demonstration by a GB of adherence to best value principles.

### **ANNEX 3**

#### **SCHOOLS COVERED BY THE SCHEME (March 2021)**

##### **NURSERY**

##### **STATUS**

Acacia Nursery School	Community
Church Hill Nursery School	Community
Low Hall Nursery School	Community

##### **PRIMARY**

Ainslie Wood Primary	Community
Barn Croft Primary School	Community
Chapel End Infant School	Community
Chase Lane Primary School	Community
Chingford C of E Primary School	Voluntary Controlled
Coppermill Primary School	Community
Dawlish Primary School	Community
Downsell Primary	Community
Edinburgh Primary School	Community
George Tomlinson Primary School	Community
Greenleaf Primary School	Community
Gwyn Jones Primary School	Community
Handsworth Primary School	Community
Henry Maynard Primary School	Community
Jenny Hammond Primary School	Community
Mission Grove Primary School	Community
Newport Primary School	Community
Oakhill Primary School	Community
Parkside Primary School	Community
Our Lady and St Georges Primary School	Voluntary Aided
South Grove Primary School	Community
St Joseph's R C Infant School	Voluntary Aided
St Joseph's R C Junior School	Voluntary Aided
St Marys R C Primary School	Voluntary Aided
St Patrick R C Primary School	Voluntary Aided
Stoneydown Park Primary School	Community
Thorpe Hall Primary School	Community
Whitehall Primary School	Community
The Winns Primary School	Community

##### **SECONDARY**

##### **STATUS**

Frederick Bremer Secondary	Community
Heathcote School & Science College	Community
Holy Family College	Voluntary Aided

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Kelmscott Secondary School	Community
Leytonstone Secondary School	Community
Walthamstow Girls Secondary School	Community
Willowfield School	Community

**ALL THROUGH SCHOOLS**

Buxton	Community
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**SPECIAL SCHOOLS**

Belmont Park	Community
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**PUPIL REFERRAL UNITS**

Hawkswood Group	Community
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## ANNEX 4

### USE OF BANKS AND BUILDING SOCIETIES

Whilst it is not envisaged that any major international bank or UK building society will collapse, this situation cannot be completely ignored and all reasonable steps should be taken in order to reduce the impact should it occur. In order to reduce this risk of default it is recommended that the four priorities listed below are followed.

**Priority 1 - Security of funds** – only place funds with high creditworthy institutions which are on the Council's approved list as shown below;

BANKS	BUILDING SOCIETIES
Barclays	Nationwide
H.S.B.C.	Coventry
Santander UK	Leeds
Lloyds	
Royal Bank of Scotland	

**Priority 2 - Spread of funds** – if sizeable amounts of funds are to be maintained i.e. greater than £50,000, where practical, these funds should be placed with more than one counterparty, in order to minimise risk in the event of a default.

**Priority 3 - Cash flow liquidity** – in order to be able to pay for any sudden items of expenditure, a proportion of funds should be held in an account which offers instant access.

**Priority 4 - Rate of return** – whilst this will need to remain a factor it should not be the main reason for placing / holding funds with a particular institution.

#### Type of Accounts

Whilst there are various forms of accounts which can be used, it is suggested that only the following two are used;

Instant access / call account – this type of account enables funds to be accessed immediately without penalty.

Fixed term accounts: these range from 7day notice to longer term and require advance notice to be given in order that funds can be obtained without

incurring any financial penalty – it is recommended that funds should not be placed into accounts requiring notice of repayment greater than 90 days.

### **Dormant Accounts**

Some banks will consider that accounts are dormant after a period of time, as they have been inactive and may be closed. This will normally mean that you will not be able to make transactions on the account until your account has been reactivated. It is recommended that schools check with the banks that they use regarding the period of time that passes before an account is classed as inactive.

### **Disclaimer**

This information has been issued in good faith however the Council cannot be held responsible for any loss or errors arising from every effort to ensure that all the information it provides is accurate and complete, it does not

## **ANNEX 5**

### **POWER TO PROVIDE COMMUNITY SERVICES – CONSULTATION WITH LA**

#### **General**

Many Waltham Forest schools are already involved in providing community services, which often means sharing their premises and facilities for all kinds of activities. In some cases, where these activities are perceived to be “for the conduct of the school”, they are led and managed by the school itself. Up to now, however where the activities involved are not seen as directly for the conduct of the school and as such, not a GB responsibility, they have been run by a “management committee” or “a community association” set up for this purpose. Alternatively, such activities have been managed by voluntary organisations or the private sector working in partnership with the school, often with Transfer of Control Agreements to secure the use of school facilities and premises. The LA has been active in supporting schools in the development of community services/facilities provision, to meet their particular circumstances.

Section 27(1) of the Education Act 2002 provides the GB with a new power to provide any facilities or services which will benefit pupils, their families or people working/living in the locality of the school.

In many schools, the school’s development plan states what role the school hopes to play in the local community.

#### **Development of community provision – LA Support**

For many years the LA has been actively supporting and enabling school/community links, particularly in the development of school sites as a focus for community learning and other activities. For schools considering the development of community facilities proposals, led and managed by the school under their new section 27 (1) powers, practical advice and support can be sought from the LA’s Legal Services Division.

### **Statutory Consultation with LA**

Before exercising the community services power, a GB must consult the LA and have regard to any advice given. The GB must also inform the LA of what action has been taken following receipt of any advice.

The statutory consultation with the LA on Section 27(1) should include the submission by the GB of the following information at least 8 weeks prior to the exercise of the community facilities power:

- (a) the aims, objectives and targets of the proposed provision, set in the context of any “local” or “countrywide” strategic plan relating to the activity concerned and following consultations with local stakeholders,
- (b) A simple business plan, to include income and expenditure relating to both “start-up” and “running costs”. The business plan should also show:
  - evidence of market research
  - session times proposed
  - charges to be levied
  - space and location issues, including any proposed arrangement for leasing and Transfer of Control Agreements
  - likely staffing implications
  - proposed management arrangements
  - proposed financial arrangements including accounting arrangements and any arrangements for cross-subsidy
  - termination arrangements
- (c) Other issues including:
  - health and safety
  - security, insurances
  - CRB searches
  - Disability Discrimination Act

- Monitoring arrangements including any registration requirements and inspection regimes applicable to services/facilities proposed etc.
- (d) Where the proposed community provision involves a formal partnership between the school GB and a party other than the LA, details of the draft partnership agreements should be forwarded for consideration by the LA



## **ANNEX 6**

### **GUIDANCE FOR SCHOOLS FACING FINANCIAL CHALLENGES**

There are detailed procedures for schools to follow should they be facing financial challenges. These procedures are available from the Education Business Effectiveness Service. (Lindsay Jackson 0208 496 6337)

It is recognised that all schools are facing financial challenges but for these purposes it relates to schools which are having significant difficulties in setting a balanced budget in the current or forthcoming year. If schools are using significant reserves to balance a budget then this is deemed to be a school facing financial challenges.

A deficit budget is prescribed as “One where total income for the new (or following) year plus brought forward reserves are insufficient to meet planned expenditure for that year.”

The regulations state that schools cannot plan for a deficit budget. This means that if a potential deficit is identified at any stage of the budget planning or monitoring process the school is responsible for ensuring that appropriate management action is identified and undertaken to achieve a balanced budget.

It is essential that the Head Teacher ensures that the LA and Governors are kept informed from the point a potential deficit is identified through to its resolution.

The LA may intervene if a school refuses to set a balanced budget by initially issuing a Notice of Concern.

Schools must be aware of their actual pupil numbers as per the October Census and the financial implications of the numbers. Education Finance

Team (EFT) can assist with providing financial forecasts if pupil numbers are submitted to them.

If a deficit situation is unavoidable the school must formally notify all governors that the LA is to be approached to discuss a licensed deficit. This notification must be noted in the Governing Body minutes.

On receipt of the notification the Head Teacher and Chair of Governors will be contacted by Education Finance Team (EFT) alongside the Education Business Effectiveness for support to discuss the details and reasons causing the deficit. A formal meeting will be arranged to discuss these matters.

Following this meeting the school may be required to make adjustments to the draft budget and recovery plan and resubmit it prior to a licensed deficit being agreed.

Where a school requires a budget share advance in order not to be overdrawn at their bank, this should be treated as a cash advance and not a loan.

The Budget and Recovery Plan needs to be formally agreed by the Director of Children's Services and the Chief Financial Officer. The approval will limit the extent of the deficit in the financial years covered by the agreement. It also includes various conditions, including monitoring arrangements, with which the school must comply. Confirmation of approval will normally be issued within two weeks of final submission.

During the period covered by the agreement, the school will not be permitted to make any material changes that are not included within the plan, without prior agreement of the SFFC.

The school's progress against the plan will be regularly monitored.

Failure to comply with the agreement could lead to a Notice of Concern being issued.

Ultimately delegation could be suspended from a school if it is clearly not working to the Budget and recovery Plan. Withdrawal of delegation will not normally be initiated as the LA expects to work in partnership with schools. The LA will suspend delegation as a last resort, if a school continues to exceed the agreed deficit limits.

## ANNEX 7

### FORM SBAS

#### SCHOOL BANK ACCOUNT SCHEME

##### DETAILS OF BANK ACCOUNTS AND AUTHORISED SIGNATORIES

Please give details of the bank account(s) to be used for the School Bank Account Scheme:

Bank/Building Society name -

Bank Address -

Bank Sort Code - \_\_\_\_ / \_\_\_\_ / \_\_\_\_

Name of School Account    Waltham Forest  
School

School Account Number(s)

Current Account

Deposit Account

Other Accounts

**All payments will be made to the current account unless otherwise requested**

Please give details of at least 3 people authorised to sign cheques

<u>Number</u>	<u>Name</u>	<u>Status</u>	<u>Specimen</u>
<u>Signature</u>			

1.

2.

3.

4.

Please return this form to Education Finance, London Borough of Waltham Forest Town Hall, Forest Road, Walthamstow, London, E17 4JF.

## **ANNEX 8**

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

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

Section 37 of the 2002 Education Act says:

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

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

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

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

#### *Charge of dismissal/resignation costs to delegated school budget*

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

*Charge of premature retirement costs to LA non-schools budget*

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

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

It is important that the LA discusses its policy with its Schools Forum. Although each case should be considered on its merits, this should be within an agreed framework. It may be reasonable to share costs in some cases. A de-delegated contingency could be provided, if Schools Forum agrees, to support individual schools where "a GB has incurred expenditure which it would be unreasonable to expect them to meet from the school's budget share".

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

(7) Where a local education authority incur costs—

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

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

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

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





## **ANNEX 10**

### **INVOICE DISPUTES ARRANGEMENTS**

Any dispute or difference which arises between the LA and a school regarding an invoice raised shall be addressed initially by the school business manager and an officer from the appropriate LA service.

Schools are not permitted to raise a dispute on the basis that the LA owes it money, which may or not exceed the amount that the school owes the LA.

The school business manager and officer from the appropriate LA service shall meet within 10 Business Days of the dispute or difference arising and endeavour to resolve the matter in dispute.

If the school business manager and officer from the appropriate LA service are unable to resolve the dispute or difference as a result of the meeting either or both of them shall submit the dispute to senior officers of both parties, to be agreed at the time, to assist in resolving the dispute. The senior officers will, acting reasonably, seek to resolve the dispute on behalf of the LA and the school.

If the dispute is not resolved by those senior officers, it will be referred to the LA Chief Finance Officer for a final decision.

**ANNEX 11****PROCUREMENT THRESHOLDS  
CONTRACTS EXPLANATORY NOTE**

The following process is required to be applied by the School to demonstrate value for money, fraud prevention and probity. For Contracts over a term of years, the value of the Contract is the total value over the whole Contract including any potential extensions, not its annual value. It is not permissible to disaggregate a Contract in order to circumvent the requirements of these Rules that relate to competitive tendering. The School is responsible for complying with the requirement set out.

Table of Procurement Thresholds

<b>Estimated Contract Value</b>	<b>Procurement Requirements</b>	<b><u>Method of completion of contract</u></b>
Up to £10,000	At least one written quotation must be received. Where practicable an eligible quotation from a local supplier must be sought. Best value must be obtained and framework and other corporate agreements, where they exist, are used. (Managers must retain sufficient evidence to demonstrate compliance).  For under £1,000 written evidence of expenditure must be retained e.g. invoice receipt etc.	Use of Purchase Order.
Contracts from £10,001 to £50,000	At least two written quotations must be received. A quotation from a local supplier must be sought. Where this is not possible the reasons must be recorded. Best value must be obtained and framework and other corporate agreements, where they exist, are used (Business Manager must retain sufficient evidence to demonstrate compliance and best value, e.g. oral quotations are not acceptable). The decision must be recorded in writing and all documentation supporting the decision retained.	Use of Purchase Order or Standard Contract for more complex requirements
Contracts from £50,001 to £100,000	At least three written quotations must be received. A quotation from	Use of Purchase Order or Standard Contract for more

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(for supplies and services) or £500,000 (for works):	a local supplier must be sought. Where this is not possible the reasons must be recorded. Best value must be obtained and framework and other corporate agreements, where they exist, are used (Officer in accordance with Scheme of Delegation must retain sufficient evidence to demonstrate compliance and best value, e.g. oral quotations are not acceptable). If less than three quotes are received than the Officer as set out in the Scheme of Delegation must complete a waiver form to be approved by the Governing Body. The decision must be recorded in writing and all documentation supporting the decision retained.	complex requirements (refer to 13.4 for requirements for sealing)
Contracts above £100,000 thresholds (for supplies and services) or £500,000 (for works)	<p>At least five written quotations must be received. At least two quotations from a local supplier must be sought. Where this is not possible the reasons must be recorded. Best value must be obtained and where framework services are available from the LA the school should consider their merits as part of the contract award process. (Officers as set out in the Scheme of Delegation must retain sufficient evidence to demonstrate compliance and best value, e.g. by confirmation of oral quotations in writing). If less than five quotes are received then the waiver form needs to be completed for the Governing Body to approve. The decision must be recorded in writing and all documentation supporting the decision retained.</p> <p>In all cases at least 5 Contractors should be invited to Quote (for works) or Tender, unless there is an overriding business or legal justification that this is not required.</p>	<p>Up to £100,000:</p> <p>Signature on Standard Contract or sealed by Legal Services if required</p> <p>Over £100,000:</p> <p>Sealed by Legal services</p>

Where it is not possible for any reason to adhere to the requirements for any of the above thresholds a waiver form has to be completed.

Contracts above the current thresholds must be procured in accordance with the Public Contracts Regulations 2015. If the school requires assistance in this or any other procurement matter then the LA's procurement function PS Procure may be able to provide a service (chargeable) to support them.