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To: Members of the  
**SCHOOLS' FORUM**

David Dilling (Chairman)	Primary Academy Governor (Charles Darwin Academy Trust)
David Bridger (Vice-Chairman)	Non-School Representative (Church of England)(Aquinas Trust)
Tracey Davies	Non-Schools Representative(14-19 Partnership)(Bromley Academy Trust)
Patrick Foley	Primary Maintained Head Teacher (Southborough Primary School)
Clare Grainger	Non-Schools' Representative (Joint Teacher Liaison Committee)(Connect Multi Academy Trust)
Izabela Lecybyl	Non-School Representative (Catholic Church)
Neil Miller	PRU Head Teacher/Governor Academy (Bromley Trust Academy)
Karen Raven	Secondary Academy Head Teacher (Chislehurst School for Girls)
Andrew Rees	Secondary Maintained School Head Teacher (St Olaves Grammar School)
Katie Scott	Secondary Academy Head Teacher (Langley Park Trust)
Brid Stenson	Non-School Representative (Early Years)
Ian Travis	Special Head Teacher/Governor Academy (Glebe School)
1 x vacancy	Secondary Academy Governor
2 x vacancy	Primary Academy Head Teacher
1 x vacancy	Special Head/Governor Maintained
1 x vacancy	Primary Academy Governor
Gareth Walters	Primary Academy Governor (Compass Academy Trust)
David Wilcox	Secondary Academy Governor (Darrick Wood School)

A meeting of the Children, Education and Families PDS Committee will be held on **THURSDAY 17 SEPTEMBER 2020 AT 4.30 PM**

**PLEASE NOTE: This is a 'virtual meeting' and members of the press and public can see and hear the Sub-Committee by visiting the following page on the Council's website: –**

<https://www.bromley.gov.uk/councilmeetingslive>

**Live streaming will commence shortly before the meeting starts.**

MARK BOWEN  
Director of Corporate Services

## A G E N D A

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  - 2 CONFIRMATION OF CHAIRMAN**
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  - 12 DATE OF NEXT MEETING**  
6<sup>th</sup> November 2020
-

# Agenda Item 3

## SCHOOLS' FORUM

Minutes of the meeting held at 4.30 pm on 16 January 2020

### Present:

David Dilling (Chairman)	Primary Academy Governor (Charles Darwin Academy Trust)
David Bridger (Vice-Chairman)	Non-School Representative (Church of England)(Aquinias Trust)
Tracey Davies	Non-Schools Representative(14-19 Partnership)(Bromley Academy Trust)
Patrick Foley	Primary Maintained Head Teacher (Southborough Primary School)
Izabela Lecybyl	Non-School Representative (Catholic Church)
Angela Leeves	Non-School Representative (Early Years)
Neil Miller	PRU Head Teacher/Governor Academy (Bromley Trust Academy)
Andrew Rees	Secondary Maintained School Head Teacher (St Olaves Grammar School)
Katie Scott	Secondary Academy Head Teacher (Langley Park Trust)
Ian Travis	Special Head Teacher/Governor Academy (Glebe School)
Gareth Walters	Primary Academy Governor (Compass Academy Trust)

### Also Present:

Philippa Gibbs	Democratic Services Officer
David Bradshaw	Head of Education and Children's Services
Jared Nehra	Finance
Amanda Russell	Director of Education
Julie Crewe	Head of Schools Finance Support
	Schools Finance Support Team

### 19 APOLOGIES FOR ABSENCE

Apologies for absence were received from Karen Raven and David Wilcox.

The Chairman reported that Richard Edmunds was no longer a member of the Schools' Forum having left his post of Head Teacher at Warren Road Primary School in December 2019.

The Chairman also welcomed Julie Crew, the new Head of School Finance Support, to the meeting and introductions took place. It was noted that Julie Crew would be taking over from Amanda Russell at the end of the month and was attending as an observer at the meeting.

**20 MINUTES OF THE MEETING HELD ON 7 NOVEMBER 2019**

The minutes of the meeting held on 7 November 2019, were approved and signed as a correct record.

**21 2020/21 DEDICATED SCHOOLS GRANT  
Report ED18085**

The report provided an outline of the final Dedicated Schools Grant (DSG) allocation for 2020/21 and an overview of how funding would be spent.

The expected income from the DSG, divided into the four blocks, was

2020/21 Dedicated Schools Grant					
	High Needs Block	Early Years Block	Schools Block	Schools Central Block	Total
Gross Grant Funding	£53,540,004	£22,530,224	£218,400,750	£1,919,714	£296,390,692
Recoupment adjustment	-£8,878,000				-£8,878,000
Net Grant Allocation	£44,662,004	£22,530,224	£218,400,750	£1,919,714	£287,512,692

Each of the four blocks had been reviewed and the related expenditure for 2020/21 forecasted based on information currently available. Full details of the projected grant income and expenditure were included at Appendix 1 of the report. In summary, the Schools Central Block was showing a £360k overspend, which was proposed to be met by a contribution from the Council to offset the deficit. The Early Years block remained balanced, despite a slight decrease in income, the Schools Block remained balanced, and the High Needs Block was showing a £1,100,000 underspend which would be carried forward to offset funding pressures in future years.

The outgoing Head of School Finance Support introduced the report and provided an explanation of each of the four blocks within the DSG, noting that on the whole there had been a good settlement for Bromley this year.

Schools Central Block

The Schools' Forum noted that much of the expenditure in this block was fixed (such as the licenses for all schools) and consequently there was limited scope for savings to be made. This block had been balanced by an expected contribution from the Local Authority (LA) of £360,000.

### Early Years Block

The Head of School Finance Support circulated a document detailing the agreed increases in Bromley Early Years funding. The Forum also noted that there was a £500,000 contribution to the High Needs Block to support Early Years children with Special Educational Needs and Disabilities (SEND). The Early Years representative confirmed that the funding for 2020/21 would be well received by the Early Years Settings.

In response to a question from the Vice-Chairman, the Head of School Finance Support explained that she did not know whether the new funding rates took account of the London Living Wage. However, it would be down to the settings to manage the funding they received and it was hoped that in allocating funding the Government had taken account of the London Living Wage. The Head of Education and Children's Services Finance confirmed that if the London Living Wage became a particular issue there would be a need for the Government to make in-year adjustments.

### Schools' Block

The Head of Schools Finance Support provided a detailed explanation of the calculations for the block. Based on the published figures the Primary unit of funding had increased from £4200 to £4282 (an increase of around 1.95%). The Secondary unit of funding had increased from £5183 to £5408 (an increase of around 4.34%). The funding for each school was calculated using the National Funding Formula (NFF) with additional funding added for premises and growth. The Head of Schools Finance Support emphasised that it did appear to be a good settlement with real increases in funding for schools. However, schools had to be mindful that there may be changes around factors such as pupil numbers which would affect their bottom line.

The report set out the main changes to the NFF in 2020/21, and the Head of Schools Finance Support highlighted in particular that unit values had typically been increased by around 4%, with the exception of Free School Meal Funding which had been increased in line with inflation.

In response to a question concerning whether the cost of Free School Meal provision was likely increase as a result of increased staffing costs resulting from the London Living Wage, the Head of Schools Finance Support explained that if it became an issue nationally it would be addressed by the Government outside of the settlement. The Director of Education noted that typically catering contracts were negotiated for a number of years and included an inbuilt inflationary increase. This meant that it was less likely for schools to face an immediate increase in costs as a result of the London Living Wage. The issue for schools may arise at the point they were required to renegotiate their catering contracts.

The Head of Schools Finance Support also highlighted that minimum per pupil funding levels were now compulsory and had been set at £3750 for primary schools and £5000 for secondary schools with the primary level set to increase to £4000 in 2021/22.

Turning to the Minimum Funding Guarantee (MFG), the Head of Education and Children's Services Finance confirmed that the LA continued to lobby around the Free School issue. So far there had been no changes around the position in terms of lagged funding but, as Bromley found itself in a unique position, the LA would continue to push for a change in funding. The Chairman noted that Karen Raven had submitted some questions and it was agreed that an update on the impact of Free Schools upon overall schools' funding and per school impact would be provided at the next meeting.

It was also noted that Karen Raven had raised a second issue: for the drop in primary numbers to be projected through to Secondary schools , based upon current 'feeder' patterns, so that areas were able to plan the longer term impact and the LA could plan the 'falling rolls' support well in advance. The Chairman noted that this was not in the direct remit of the Schools' Forum but the Head of Education and Children's Services Finance would be asked to refer the matter to the most appropriate Officer. The Director of Education explained that GLA projections did not indicate a likelihood of significant surplus capacity in the next 4 years and if anything more places would be required to meet demand in the immediate future.

### High Needs Block

The Forum recognised that there was significant pressure on the High Needs Block and the block was far more volatile and harder to predict than the other blocks within the DSG.

The Forum noted that in August 2019 the Government allocated £700 million extra nationally for children with SEND in 2020 to 2021, with the intention that every pupil could access the education that was right for them, and none were held back from reaching their potential. This represented an additional £4.3m for Bromley meaning that the £1.9m of Council funds which had been supporting High Needs expenditure would not be required in 2020/21. It was however predicted that levels of growth would outstrip the current funding levels over the next four years. Moreover funding for the High Needs Block had not been confirmed beyond 2020/21 and it had therefore been assumed that Bromley would continue to receive £4.3m in subsequent years, with no additional increase in funding. It was proposed to carry forward £1.1m of this additional funding into 2021/22 in order to smooth the deficit over the next four financial years and to, as far as possible, avoid spikes in funding deficits.

In relation to the proposed 1% increase to levels of top up funding for special schools, AP provision, Additional Resourced Provisions and children with EHC plans in mainstream schools, a Member noted that previously the funding had been cut by 1.5% and, bearing in mind that mainstream provisions were receiving a 4% increase, it seemed a little unfair that the top up funding was increasing by only 1%. In response, the Head of Education and Children's Services explained that Officers were having to work within tighter funding envelopes and a result of this was that certain difficult decisions had to be made. The Director of Education noted that the resolution of the Schools' Forum at its last meeting had been to

propose a 0.84% increase therefore the 1% now proposed represented a further increase. Once there was a level of certainty in terms of High Needs funding the position could change and a multi-year settlement could be taken forward however, for the time being prudence was advised. The Director of Education emphasised that top up funding was only one of the elements of funding and further work could be done around options for future years.

Neil Miller proposed that a recommendation should be made to the LA that levels of top up funding for special schools, AP provision, Additional Resourced Provisions and children with EHC plans in mainstream schools be increased by 1.5%. The motion was seconded by Patrick Foley.

The motion was put to a vote. It was noted that only School representatives on the Schools' Forum were eligible to vote.

In favour: 7

Against: 1

Abstain: 0

The motion was therefore CARRIED.

The Schools' Forum noted that the recommendation would be put to the Children, Education and Families PDS Committee on 30 January 2020.

#### Falling Rolls Fund

The Head of Schools' Finance Support explained that at the request of the Schools' Forum the Falling Rolls Fund had been introduced for 2019/20 for one year.

Opening the debate, a Primary Head Teacher suggested that support for the Falling Rolls Fund should be withdrawn on the basis that the majority of schools benefitting from the fund had a historic deficit in numbers and were not experiencing a short term fall in numbers. Whilst largely agreeing with comments that had been made another Member suggested that where schools required ongoing funding there should be a gradual reduction in the funding received (e.g. 50% in the second year and no further funding in subsequent years).

The Director of Education noted that for some schools the funding they received was not based on falling rolls but on funding vacancies in reception. The Director further noted that some schools on the list had taken the decision to increase their PAN (published admissions number) and this decision had resulted in them benefitting from funding.

The Head of Schools' Finance Support confirmed that the funding had been earmarked in the budget and there was strict criteria in place with schools needing to provide clear evidence that they met the criteria before any funding was released.

The Chairman proposed that the Falling Rolls fund continue for a further year

In favour: 3  
Against: 1  
Abstentions: 4

The motion was CARRIED.

The Vice-Chairman suggested that Officers should be asked to develop alternative proposals for the Falling Rolls Fund in future years. The Head of Schools' Finance Support emphasised that the current Falling Rolls Fund was based on clear DfE guidance. If the Schools' Forum were to decide that they wished to move away from the current fund Members of the Schools Forum would have to provide Officers with a clear set of parameters within which further options could be developed.

**RESOLVED:** That

1. An update on the impact of Free Schools upon overall schools' funding and per school impact be provided at the next meeting.
2. A recommendation be made to the LA that levels of top up funding for special schools, AP provision, Additional Resourced Provisions and children with EHC plans in mainstream schools be increased by 1.5%.
3. The Falling Rolls Fund continue for a further year.

**22 ANY OTHER BUSINESS**

In bringing the meeting to a close, the Chairman noted that this was Amanda (Mandy) Russell's last Schools' Forum meeting. Mandy had been instrumental in setting up the Schools' Forum and had supported it from the start. The Chairman noted that Mandy would be a big loss to the Schools' Forum and the Forum wished her well in retirement and thanked her for everything she had done.

**23 DATE OF NEXT MEETING**

Provisional dates for the 2020/21 municipal year were

11 June 2020  
17 September 2020  
5 November 2020  
21 January 2021

The provisional dates were subject to change and would be confirmed in May 2020.

The Meeting ended at 6.25 pm

Chairman

## Agenda Item 4

**Report No.**  
**CEF20014**

# **London Borough of Bromley**

## PART ONE - PUBLIC

**Decision Maker: CHILDREN, EDUCATION AND FAMILIES POLICY  
DEVELOPMENT AND SCRUTINY COMMITTEE**

**Date:** 18<sup>th</sup> June 2020

**Decision Type:** Non-Urgent      Executive      Non-Key

# Title: PROVISIONAL OUTTURN REPORT 2019/20

**Contact Officer:** David Bradshaw, Head of Finance, Children, Education and Families  
Tel: 020 8313 4807 E-mail: [David.Bradshaw@bromley.gov.uk](mailto:David.Bradshaw@bromley.gov.uk)

**Chief Officer:** Director, Children, Education and Families

**Ward:** (All Wards);

**1. Reason for report**

1.1 This report provides the provisional outturn position for 2019/20.

## **2. RECOMMENDATION(S)**

**2.1 The Children, Education and Families Policy Development and Scrutiny Committee are invited to:**

- (i) Note that the latest projected overspend of £1,348,000 on controllable expenditure at the end of 2019/20 and consider any issues arising from it; and,
  - (ii) Note that the Leader on the 27<sup>th</sup> May 2020 has agreed the net carry forwards as detailed in Appendix 2;

## **2.2 The Portfolio Holder is asked to:**

- (i) Endorse the 2019/20 provisional outturn position for the Children, Education and Families Portfolio.

## Corporate Policy

1. Policy Status: Not Applicable
  2. BBB Priority: Health and Integration
- 

## Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: ECF Portfolio
  4. Total current budget for this head: £62.145m
  5. Source of funding: CEF approved budget
- 

## Staff

1. Number of staff (current and additional): 1,138 Full time equivalent
  2. If from existing staff resources, number of staff hours: N/A
- 

## Legal

1. Legal Requirement: Statutory Requirement
  2. Call-in: Applicable
- 

## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): The 2019/20 budget reflects the financial impact of the Council's strategies, service plans etc. which impact on all of the Council's customers (including council tax payers) and users of the services
- 

## Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

### **3. COMMENTARY**

- 3.1 This report provides the provisional outturn position for the Children, Education and Families Committee, which is broken down in detail in Appendix 1, along with explanatory notes.
- 3.2 The provisional outturn for the “controllable” element of the Children, Education and Families Committee budget in 2019/20 is an overspend of £1,348k compared to the last reported figure of an overspend of £1,319k which was based on activity at the end of December 2019.
- 3.3 Senior officers meet on a regular basis to scrutinise and challenge the expenditure position and formulate management action to address any issues.

### **FINAL POSITION**

- 3.4 The £1,348k overspend is summarised in the table below. All of the pressures and savings are further detailed and broken down in Appendix 1B.

<b><u>DIVISION</u></b>	<b><u>£'000</u></b>
Adult Education - Under collection of course fees, overspend on staffing, offset by an underspend on running expenses	34
Schools, Early Years Commissioning and QA - In house nursery income shortfall offset by staffing and additional income elsewhere within the division	-147
SEN and Inclusion - Additional transport costs, use of agency staff and additional costs of EHCP's	332
Strategic Place Planning - staff vacancies	-25
Workforce Development and Governor Services - Running cost overspend plus under collection of income	38
Access and Inclusion - Under collection of income in the EWO service offset by staffing and running expense underspends	-118
Central Schools Budgets - Recharge overspend offset by corresponding amount in non controllable expenditure	30
Other strategic Functions - Running costs underspend	-13
Bromley youth Support - Staffing underspends and additional income received from Health	-95
Early Intervention and Family Support - Salary and contract cost underspends	-236
CLA and Care leavers - Additional costs of accommodation relating to 'Staying Put', increased placement support costs and an increase in the bad debt provision.	306
Fostering, Adoption and Resources - underspend in residential placements and staffing partially offset by an overspend in contract costs for the RAA	-99
Referral and Assessment - staffing costs and the use of agency staff	170
Safeguarding and Care Planning East - staffing costs and the use of agency staff offset by Public Law Outline costs which were lower than expected	86
Safeguarding and Care Planning West - Overspend on Children with Disabilities, particularly around direct payments, partially offset by other contract savings	566
Safeguarding and Quality Improvement - staffing costs and the use of agency staff	519

**1,348**

## **DSG GRANT POSITION**

- 3.5 An element of the Education budget within the Portfolio is classed as Schools' budget and is funded through the Dedicated schools Grant (DSG). Grant conditions requires that any over or underspend should be carried forward to the next financial year.
- 3.6 The DSG overspent by £1,353k in 2019/20. This will be taken from the £2,495k carried forward from 2018/19. It was agreed to use £278k of the brought forward balance to support the services in-year. The carry forward figure has also been adjusted for the Early Year adjustment for 2018/19 of £869k. This gives us an DSG balance to carry forward of £1,733k in to the new financial year. It should be noted that the DSG can fluctuate due to pupils requiring additional services or being placed in expensive placements. The Council has contributed £1.9m of core funding to DSG services in 2019/20.
- 3.7 A summary of the main variations is provided in the table below, and further details and variations can be found in Appendix 2.

	<b>Variations</b>
	<b>£'000</b>
Bulge Classes	-69
Classroom Hire	182
Free Early Education - 2 year olds	-120
Free Early Education - 3 & 4 year olds (Inc. extra 15 hours)	-1,110
Early Year Support	-12
DAF	-15
Home & Hospital	443
Education Welfare Officers	-39
Access & Admissions	45
School Balance Returned	-47
6th Form Grant Allocation Changes	373
Special Education Needs	1,715
Other Small Balances	7
Total	<b>1,353</b>

## **CARRY FORWARDS**

- 3.8 On the 27<sup>th</sup> May 2020 the Leader was asked to approve a number of carry forward requests relating to either unspent grant income, or delays in expenditure where cost pressures will follow through into 2020/21. Appendix 2 provides a detailed breakdown of all of the carry forward requests. As you will see from Appendix 2 the carry forwards included in section 1 will have repayment implications if not approved, those in section 2 relate to grants which will not have to be repaid if not agreed but will impact on service delivery in 2020/21. Section 3 are carry forward requests with no grant attached. Future reports to the Portfolio Holder will be required to approve their release.

## **FULL YEAR EFFECT GOING INTO 2020/21**

- 3.9 Appendix 3 provides a breakdown of any full year implications arising from the final 2019/20 outturn. Overall there are £1,820k of full year effect pressures in 2020/21. All of these are in the Children's Social Care area. As part of the budget setting process the vast majority of these full year effects have been dealt with and additional funding has been added to the budgets for 2020/21. There are still some management actions that were assumed to be taken that have not delivered in 2019/20. They are mainly around the review of Agency Staff levels and the costs. If these are not addressed in 2020/21 then there will be an additional pressure on the budget.

	<u>£'000</u>
Residential/Fostering/Adoption placements	587
Children with Disabilities - Direct Payments	400
Agency staff costs	833
	<b>1,820</b>

- 3.10 Appendix 4 provides a detailed reconciliation of the original 2019/20 budget to the latest approved 2019/0 budget

#### **DIRECTOR OF CHILDRENS SERVICES COMMENTS**

- 3.11 The Children, Education and Families Portfolio has an overspend of £1,348,000 for the year
- 3.12 The Education Division has an overspend of £131k, mainly due to SEN Transport and staffing pressures in some areas of the division.
- 3.13 There is a current projected overspend in DSG of £1,353k. This will be taken from the £2,495k carried forward from 2018/19. It was agreed that £278k of the brought forward balance could be used to support services in-year. The carry forward figure will need to be adjusted for the Early Year adjustment for 2018/19 of an additional £869k of grant. This gives us an estimated DSG balance of £1,733k at the end of the financial year. It should be noted that the DSG can fluctuate due to pupils requiring additional services or being placed in expensive placements. The Council are contributing £1.9m of core funding to DSG services in 2019/20.
- 3.14 In Children's Social Care (CSC) the overspend of £1,217k is due to the following:-
- Staffing within Childrens Social Care (CSC)**
- 3.15 This continues to be an ongoing challenge and we are currently standing at around 79% of permanent staff. We have converted some staff to permanency roles but the challenge is becoming greater in relation to the remaining increase partly because of competing increase in salaries in adjoining boroughs and the lure of agency work via some of our social care agencies – I am pleased to say that following the appointment of David Dare as Assistant Director we seconded an agency member of staff who has now become permanent with us and has taken the role of HOS Safeguarding West.
- 3.16 There are still requirements from authorities who are inadequate to attract skilled and experienced staff and because of the current C19 issue those authorities will have more time to improve and therefore offering agency rates for longer periods of time.
- 3.17 We continue to recruit ASYE's (Assessed and Supported Year in Employment). We are currently in the process of interviewing 8 potential ASYE's for the September cohort and again when these workers are recruited we will reduce the number of agency staff. The number of staff being interviewed is reflective of the full permanency rates in Permanency, Children with Disabilities, Children Looked After and Leaving Care. It is the front line safeguarding service that is the challenge for securing social workers.
- 3.18 If the current overspend was to be reduced instantly this would equate to approximately 15 + social work posts being axed and 225 children without an allocated social worker. In addition to the current climate of C19 this would add significant pressure in supporting and safeguarding children. This would breach the vision and values of the Local Authority (LA) and the assurance given to Ofsted of a caseload and small social work pods. In any event this would likely cause the current solid permanent workforce to leave the authority because whilst we might not be

competing on a level playing field with salary as we are with the caseload promise, excellent management oversight and training.

- 3.19 Such action would place children at risk. Any improvement journey is seen to be between 3 and 5 years. We are currently in year 3 of this journey and although Bromley have exceeded the time limit by turning the authority around within 19 months but we need to be mindful that the remainder of the journey is to ensure that we appoint and then retain good quality staff who can meet the needs of our children.

### Placements

- 3.20 We continue to work hard to reduce the placement spend and this has outturned as an underspend of £99k, an increase from the reported underspend of £2k in December mainly due to minor movements and projections for client numbers.
- 3.21 Currently we have no children who are in secure settings and this is due to the work of the staying together team in supporting families of children aged 14 and above where the cost of placements should they be accommodated is very high and often escalates behaviour to reach a secure threshold.
- 3.22 We have worked hard to extend some of our experienced foster carers to take our children from expensive step down residential placements. These are some of our most complex children and we have 4 carers who have received intense training and are supported by a psychologist. We have used 3 of the four placements for children which has saved the LA between £600 - £3,800 per week per respective placement. Over the course of 1 year these combined placements could alleviate future pressures by approximately £400,000. More importantly this means that a young person has the experience and support of a family life. We have a fourth placement being planned at the current time.
- 3.23 We have 12 children who will move out of the care system with a care plan of adoption and a further 8 children currently in care proceedings which will result in SGO – the net result of this would mean better outcomes for children but reduce the numbers of CLA and reduce the spend both in terms of actual cost and hidden cost of social worker and Independent Reviewing Officer (IRO) time.
- 3.24 In addition our CLA numbers are reducing with around 62 children moving out of the system by March – September 2020. Our Staying Together service since their inception in November 2018 has worked with over 100 children and only 4 young people have come into care. Had even a greater percentage of these young people come into care they would have qualified for leaving care services up to the age of the 25. This would have been a cost to the LA but also prevented them living within their birth families.
- 3.25 We have 10 Unaccompanied Asylum Seeking Children (UASC) who have reached 18 between January and March 2020 - these young people will move from the CLA cohort to leaving care which is not covered by the grant.
- 3.26 We know that whilst the Government have increased the funding from £91 to £114 per day for UASC there is a shortfall in the funding for the leaving care cohort. All LA's through various groups are pressurising the Minister to consider this position. These are traumatised young people whose needs do not diminish at 18 and with the Social Work Act we are responsible for their leaving care duty until 25.

### Fostering and adoption

- 3.27 We have continued to improve our numbers of foster carers and at the current time we have 25 fostering households being assessed which would equate to 50 carers for our children. This will

further reduce our reliance on Independent Foster Agencies (IFA's). On the 18th May we have launched fostering fortnight and anticipate that we will receive further interest. During March – which incidentally coincided with the C19 lockdown the service received 20 enquiries and are following these up to ensure that where appropriate we pursue potential carers.

- 3.28 In November 2019 we established a group of foster carers who now take emergency placements during out of hours, weekends and will receive children who are in police custody or need immediate protection. The purpose of this group is to prevent children moving to IFA's in the first instance and this in time will reduce the dependency on these providers. To date we have three sets of carers who between them have accepted 7 children into their care in an emergency. This allows for children to be placed in Bromley rather than potentially be placed further away and allows for our foster carers to work with us whilst plans are made for a longer term placement, again wherever possible with Bromley foster carers. The foster carer receives £258 per week, whereas an IFA placement in an emergency could cost £800-£1,100 and residential placement upwards of £4,000.
- 3.29 We have now joined the West London Alliance framework at the end of January 2020 and will be monitoring the savings a choice of placements over the coming months. This work has been somewhat slowed due to the current pandemic.

### Transitions

- 3.30 We have identified 4 young people between now and November who will be reaching 18 and will require a high level of adult care – whilst this reduces the CSC budget this will be a burden on Adult Social Care (ASC).

### Children with Disabilities (CWD)

- 3.31 There has been an increase in Direct Payments (DP) - this has increased primarily with 4 families where their children have complex needs and whilst the increase is significant in terms of DP the cost should these children be in residential care would be far greater. However we are scrutinising the way we take contributions from the Bromley Clinical Commissioning Groups (BCCG). We have achieved this well in our placement budget with the BCCG contributing to £1.9m in placements up front. There has been a further increase in the direct payments budget due to the current crisis and where families who might ordinarily be offered a short break in Hollybank the staff from the health service have been redeployed. This has had a direct impact on CSC increase in support of families.

- 3.32 The risks in the Education, Children & Families Portfolio are:-

- i) Recruitment and retention of permanent staff/ ability to recruit skilled staff for the posts vacant.
- ii) Limited supply and increasing costs of residential placements – including the specialist placements for very complex young people.
- iii) Increase in the Looked After Population – particularly in our Looked After Unaccompanied Minors population.
- iv) Increased complexity of children (SEND).
- v) Impact of Social Work Act 2017 implementation.
- vi) Income from partners reducing.
- vii) Shortage of local school places.

viii) Increasing High Needs Block expenditure not matched by a commensurate increase in Government Grant.

ix) Continuing impact of 2014 Children and Families Act extending the age range to 25 for Education, Health and Care Plans.

#### **4. POLICY IMPLICATIONS**

- 4.1 The Resources Portfolio Plan includes the aim of effective monitoring and control of expenditure within budget and includes the target that each service department will spend within its own budget.
- 4.2 Bromley's Best Value Performance Plan "Making a Difference" refers to the Council's intention to remain amongst the lowest Council Tax levels in outer London and the importance of greater focus on priorities.
- 4.3 The four year financial forecast report highlights the financial pressures facing the Council. It remains imperative that strict budgetary control continues to be exercised in 2020/21 to minimise the risk of compounding financial pressures in future years.
- 4.4 Chief Officers and Departmental Heads of Finance are continuing to place emphasis on the need for strict compliance with the Council's budgetary control and monitoring arrangements.

#### **5. FINANCIAL IMPLICATIONS**

- 5.1 The financial implications are in the body of the report. A detailed breakdown of the projected outturn by service area is shown in appendix 1(a) with explanatory notes in appendix 1(b). Appendix 2 outlines the requested carry forwards to 2019/20. Appendix 3 shows the latest full year effects and Appendix 4 gives the analysis of the latest approved budget.
- 5.2 Overall the current overspend position stands at £1,348k (£1,820k overspend full year effect). The full year effect will be need to be addressed in 2020/21 in due course.

<b>Non-Applicable Sections:</b>	Legal Implications Personnel Implications Customer Implications
Background Documents: (Access via Contact Officer)	2019/20 Budget Monitoring files in ECHS Finance Section

## Children, Education and Families Portfolio Budget Monitoring Summary

2018/19 Actuals £'000	Service Areas	2019/20 Original Budget £'000	2019/20 Final Approved £'000	2019/20 Provisional Outturn £'000	Variation £'000	Notes	Variation Last Reported £'000	Full Year Effect £'000
Cr 436	<b>PEOPLE DEPARTMENT</b>	Cr 409	Cr 384	Cr 350	34	1	Cr 34	0
385	Education Division	Cr 676	Cr 690	Cr 543	2	Cr 91	0	0
6,586	Adult Education Centres	7,829	7,874	8,206	3	Cr 199	0	0
73	Schools and Early Years Commissioning & QA	98	99	74	4	Cr 0	0	0
Cr 6	SEN and Inclusion	Cr 30	Cr 30	Cr 25	5	Cr 6	0	0
430	Strategic Place Planning	527	474	356	6	Cr 14	0	0
Cr 1,340	Workforce Development & Governor Services	Cr 1,264	Cr 1,273	Cr 1,243	7	Cr 0	0	0
71	Access & Inclusion	28	23	10	Cr 13	0	0	0
<b>5,763</b>	Schools Budgets	<b>7,455</b>	<b>7,473</b>	<b>7,604</b>	<b>131</b>		<b>150</b>	<b>0</b>
	Other Strategic Functions							
	<b>Children's Social Care</b>							
1,418	Bromley Youth Support Programme	1,518	1,522	1,427	Cr 95	41	0	0
879	Early Intervention and Family Support	1,156	1,156	920	Cr 236	Cr 122	0	0
5,706	CLA and Care Leavers	6,165	6,274	6,580	306	Cr 142	0	0
17,933	Fostering, Adoption and Resources	16,908	16,945	16,846	Cr 99	Cr 2	587	587
Cr 800	Management action	0	0	0	8	0	0	0
3,411	Referral and Assessment Service	3,407	3,411	3,581	170	239	199	199
2,743	Safeguarding and Care Planning East	2,912	2,857	2,943	86	45	96	96
4,470	Safeguarding and Care Planning West	4,575	4,597	5,163	566	864	559	559
2,280	Safeguarding and Quality Improvement	582	552	1,071	519	259	379	379
<b>38,040</b>		<b>37,223</b>	<b>37,314</b>	<b>38,531</b>	<b>1,217</b>		<b>1,182</b>	<b>1,820</b>
<b>43,803</b>	<b>TOTAL CONTROLLABLE FOR EDUCATION, CHILDREN &amp; FAMILIES</b>	<b>44,678</b>	<b>44,787</b>	<b>46,135</b>	<b>1,348</b>		<b>1,332</b>	<b>1,820</b>
5,332	Total Non-Controllable	1,819	8,817	8,817	0	Cr 13	0	0
8,391	Total Excluded Recharges	8,678	8,541	8,541	0	Cr 0	0	0
<b>57,526</b>	<b>TOTAL EDUCATION, CHILDREN &amp; FAMILIES PORTFOLIO</b>	<b>55,175</b>	<b>62,145</b>	<b>63,493</b>	<b>1,348</b>		<b>1,319</b>	<b>1,820</b>
	<b>Memorandum Item</b>							
	<b>Sold Services</b>							
Cr 85	Education Psychology Service (RSG Funded)	Cr 116	Cr 116	37	153	9	108	0
8	Education Welfare Service (RSG Funded)	Cr 29	Cr 26	43	69		47	0
Cr 6	Workforce Development (DSG/RSG Funded)	Cr 34	Cr 32	8	40		6	0
52	Community Vision Nursery (RSG Funded)	62	62	27	Cr 35		29	0
93	Blenheim Nursery (RSG Funded)	86	86	47	Cr 39		27	0
<b>62</b>	<b>Total Sold Services</b>	<b>Cr 31</b>	<b>Cr 26</b>	<b>162</b>	<b>188</b>		<b>93</b>	<b>0</b>

## **REASONS FOR VARIATIONS**

### **1. Adult Education - Dr £34k**

The is an overspend in Adult Education, and this is due to an estimated under collection of course fees and other income of £90k and an overspend on staffing costs (£21k). This is offset by an underspend of £77k on running costs.

The collection of the income has been effected by the COVID-19 virus lockdown. This has resulted in the education setting ceasing all on-site delivery. This will lead to some of the fee income already collected being returned to the learner in the new financial year. The service is providing online services where the subjects being taught and tutor IT equipment and broadband connections permit. However not all planned provision can be delivered on line and some students do not have access to the resources necessary to engage with online learning.

### **2. Schools and Early Years Commissioning & QA - Cr £147k**

The Nurseries underspent by £74k. This is broken down to underspend on staffing (£80k), running costs and Provisions (£54k). These are then offset by an any under collection of £60k on income. These variance would be expected at the nurseries as they have not been running at full capacity during the year.

Early Years has underspent by £48k. This is due to staff vacancies (£33k) and a small underspend on running costs (£15k).

The remaining difference relates to running costs in this area that is an underspend of £25k.

### **3. SEN and Inclusion - Dr £332k**

The SEN Transport has overspent by £57k. This is split between staffing (£23k underspent) and additional income (£161k) from services provided to other organisations. There is then an overspend of £220k for providing the transport service. Additionally there is a pressure of £21k relating to specialist legal advice the service required to resolve a supplier issue.

The Education Psychologists are currently in the process of recruiting to the vacant posts in their team. This has causing the statutory service they are required to provide to be underspent by £59k and the Trading Service they offer to the Schools to be overspent by £153k. This is due to the use of expensive agency staff to provide the service. This is a net overspend of £94k.

The costs for running the SEN service (included working on the EHCP's) has caused an overspend of £181k. This made up of an overspend on staffing (£126k), and a £92k overspend on running costs. This is being offset by additional income of £37k.

### **4. Strategic Place Planning - Cr £25k**

There is an underspend of £25k due to vacancies during the year (£90k) that are partly offset by recharges to capital to give a gross underspend of (£64k). The remaining central departmental running expenses were underspent by £1k.

### **5. Workforce Development & Governor Services - Dr £38k**

There is any overspend of £38k that is due to an overspend in running costs of £31k and an under collection of income (£15k). These are offset by an underspend on the staffing budgets of £8k.

### **6. Access & Inclusion - Cr £118k**

There has been an overspend of £70k in the Education Welfare Trading account due mainly to the under collection of income (£61k) and a small overspend in the running costs of £12k. This is slightly offset by the underspend on staffing (£3k)

Due to the delay in recruitment of staff within this area, there is an underspend of £43k.

Across the division there is £145k underspend on running costs.

### **7. Schools Budgets (Dr £30k)**

There is an overall small variance on the Schools Budgets this year on controllable expenditure. This is offset by an overspend on non-controllable expenditure due to more overheads being charged to the DSG budgets. The overall bottom line is balanced and the effect on the General Fund is zero.

Expenditure on Schools is funded through the Dedicated Schools Grant (DSG) provided by the Department for Education (DfE). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget. Any overspend or underspend must be carried forward to the following years Schools Budget.

The DSG overspent by £1,353k. This will be taken from the £2,495k carried forward from 2018/19. It was agreed to use £278k of the brought forward balance to support the services in-year. The carry forward figure has also been adjusted for the Early Year adjustment for 2018/19 of £869k. This gives us a DSG balance to carry forward of £1,733k in to the new financial year. It should be noted that the DSG can fluctuate due to pupils requiring additional services or being placed in expensive placements. The Council has contributed £1.9m of core funding to DSG services in 2019/20.

The in-year overspend is broken down as follows:-

There was a overspend of £182k on modular classroom rentals during the year and a underspend of £69k on what was budgeted to be spent at the start of the year for bulge classes.

The budget for the 2 year old children is expected to underspend by £120k and along with a underspend of £1,110k for 3 & 4 years old children (both normal 15 and the new additional 15 hours). Additionally there is a £12k underspend on the staffing budget that supports these payments and a £15k underspend on the DAF related spend. This is resulting in a net underspend of £1,257k.

The Home and Hospital service has overspent by £443k, mostly of staff and agency spend due to demand led pressures in the service. This continues to be an issue going forward.

The Education Welfare service has underspend of £39k due to higher than expected income collection (£35k) and a small underspend of £4k in running costs.

The Access & Admissions team has overspent by £45k and this is due to an overspend on staffing of £61k and an underspend on running costs and income of £16k.

During the year one of the Bromley Maintained schools closed, and after all payments were paid relating to the school there was £47k credit that has been returned to the DSG.

Following changes to the 6th Form Grant Allocation for the 2019/20 academic year there is a pressure of £373k on this budget.

SEN placements are projected to overspend by a total of £164k. There are underspends being caused by boarding placements (£1,002k). These underspends are then offset by overspends on day placements (£100k), Nursery Places (£57k) and SEN School Places (£395k), Alternative Provisions (£606k) and various small overspends of £8k.

Additional to the SEN Placements there is a £812k overspend on the Matrix Funding and Top Up Funding to mainstream schools.

The support we provide to SEN pupils in further education has overspent by £865k during the year.

The DSG funded element of SEN Transport has overspent by £144k due to new routes that were established in the last year. Due to the current funding regulations LBB are not permitted to increase this budget from the previous year.

The High Needs Pre-school Service is underspent by £340k for the year. £320k of this relates to backdated rent that we have been estimating (at a higher amount) for a number of years now being paid. The remaining £20k relates to small underspends in staffing (3k), running costs (£8k) and £9k of extra income.

The SIPS and Pupil Support Service are all currently projected to underspend. Most of the underspend relates to lower than expected staffing costs, but there is also a small amount that relates to running costs that are not expected to be incurred during the year. These are then offset by overspends at the Complex Needs Team and other areas across within SEN. The net effect of these cost centres is a £72k overspend.

There is also a total small balance of overspends of £5k.

	Variations £'000	High Needs £'000	Schools £'000	Early Years £'000	Central £'000
Bulge Classes	-69		-69		
Classroom Hire	182		182		
Free Early Education - 2 year olds	-120			-120	
Free Early Education - 3 & 4 year olds (Inc. extra	-1,110			-1,110	
Early Year Support	-12			-12	
DAF	-15			-15	
Home & Hospital	443	443			
Education Welfare Officers	-39				-39
Access & Admissions	45				45
School Balance Returned	-47				-47
6th Form Grant Allocation Changes	373	373			
Other Small Balances	7	15			-8
SEN:					
- Placements & Alternative Programmes	164	164			
- Matrix Funding	812	812			
- Support in FE Colleges	865	865			
- Transport	144	144			
- High Needs Pre-school Service	-340	-340			
- Sensory Support	-11	-11			
- SEN Inclusion Fund (SENIF)	-34				-34
- Complex Needs Team	16	16			
- SEN Staff	101	101			
- Other Small SEN Balances	-2	-2			
Total	1,353	2,580	113	-1,291	-49

There will continue to be pressures in the DSG from 2020/21 onwards, especially in the High Needs Block area. More children are coming through the system which will put pressure on DSG resources.

#### **8. Children's Social Care - Dr £1,217k**

The current budget variation for the Children and Families Division is projected to be an overspend of £1,217k. This is an increase of £35k in the overspend reported in December which was £1,182k. Despite additional funding being secured in the 2019/20 budget, increases in the number of children being looked after together with the high cost of some placements has continued to put considerable strain on the budget.

Bromley Youth Support Programme (BYSP) - Cr £95k

This variation relates to staffing budgets within the service with a projected overspend of £7k on BYSP Delivery and an underspend of £102k on the Youth Offending Service due to increased income.

#### Early Intervention and Family Support - Cr £236k

The projected underspend is made up of:

- Staffing Cr £149k
- Contract costs Cr £82k
- Running costs Cr £5k

#### CLA and Care Leavers - Dr £306k

The projected variation in this area relates to overspends on accommodation costs in relation to the Staying Put scheme of £15k, Children Looked After placement support costs of £406k, and an increase of £102k in the Bad Debt Provision for children the council has placed in accommodation. This is offset by an underspend in staffing costs of £27k and additional grant of £190k.

#### Fostering, Adoption and Resources - Cr £99k

The final position for this area is a underspend of £99k. This is due to an underspend in staffing of £37k and a net underspend of £214k across all of the various Residential, Fostering and Adoption Placements. The provision of Adoption Services has moved to the new Regional Adoption Agency, with most services now being undertaken by Coram rather than the council. The new contract started on 11th July 2019, with an annual value of £435k, and is expected to be overspent by £152k which partially offsets the underspends above.

The budget for children's placements (Residential, Fostering and Adoption Placements) is underspent this year, with the underspend increasing from December due to minor movements and projections for client numbers. The analysis of this over the various placement types is shown below, with the December position shown in brackets.

- Community Home's / Community Home's with Education - Cr £731k (Cr £913k)
- Boarding Schools - Dr £78k (Dr £44k)
- Placement Support services - Dr £435k (Dr £169k)
- Secure Accommodation - Cr £431k (Cr £501k)
- Youth on Remand - Cr £402k (Cr £429k)
- Fostering services (IFA's) - Dr £1,217k (Dr £1,627k)
- Fostering services (In-house, including SGO's and Kinship) - Cr £251k (Cr £145k)
- Transport - Cr £124k (Cr £0k)
- Adoption placements - Cr £5k (Cr £7k)

Also included in the variations above are (1) Bromley CCG have continued to contribute £1m this year towards the continuing care costs of placements and have committed to a further £900k in 2019/20. (2) additional funding for Unaccompanied Asylum Seeking Children due to the 2019-20 change in daily allowance from £91 to £114/day. this equates to an additional £8,400 per annum for each UASC child, assuming they are in all the financial year.

The main pressure area continues to be the number of placements being made into Independent Fostering agencies (IFA) which on average cost £20k to £30k more than an in-house fostering placement and are 12fpe places above the budgeted provision of 67 fte places. Costs of IFA's are more expensive on average per placement than budgeted for which has also led to increases in costs

#### Referral and Assessment Service - Dr £170k

The overspend in this area relates to staffing costs which is £264k overspent as a result of the use of agency staff. This is offset by an underspend on the No Recourse to Public Funds budget of £94k, with actual numbers continuing to remain under budget.

#### Safeguarding and Care Planning East - Dr £86k

The overspend in this area relates to staffing costs which is £161k overspent as a result of the use of agency staff and various running costs that have overspent by £48k. This is offset by an underspend on Public Law Outline costs that has underspent by £123k, as the call on this budget has reduced.

#### Safeguarding and Care Planning West- Dr £566k

The overspend in this area is £566k that relates to staffing costs (£246k) and arises as a result of the use of agency staff which cost more than a permanent member of staff and various running costs that have overspent by £59k. There is also an overspend on direct payments for children with disabilities (£103k), Care Support Initiatives (£183k) and support for the placements (£77k). This is offset by an underspend on short breaks of £102k.

#### Safeguarding and Quality Improvement - Dr £519k

The overspend in this area of £519k relates to staffing costs (£470k) and arises as a result of the use of agency staff which cost more than a permanent member of staff. This includes the costs of recruiting from overseas workers and payments to recruitment agencies. There have also been some additional costs for pre inspection work for the Youth Offending Service and some other small overspends totalling £49k

#### 9. Sold Services (net budgets)

Services sold to schools are separately identified in this report to provide clarity in terms of what is being provided. These accounts are shown as memorandum items as the figures are included in the appropriate Service Area in the main report.

#### Waiver of Financial Regulations

The Council's Contract Procedure Rules state that where the value of a contract exceeds £50k and is to be exempt from the normal requirement to obtain competitive quotations the Chief Officer has to obtain the agreement of the Director of Corporate Services, the Director of Finance and the Director of Commissioning and (where over £100,000) approval of the Portfolio Holder and report use of this exemption to Audit Sub-Committee bi-annually. Since the last report to the Executive, there has been no waiver in the Education area. In Children's Social Care there were 8 waivers agreed for placements of between £50k and £100k and 10 for more than £100k.

**Virements Approved to date under Director's Delegated Powers**

Details of virements actioned by Chief Officers under delegated authority under the Financial Regulations "Scheme of Virement" will be included in financial monitoring reports to the Portfolio Holder. Since the last report to Executive, there have been no virements

**Carry Forwards from 2019/20 to 2020/21****MEMBERS' APPROVAL REQUIRED****Section 1 - Grants with Explicit Right of Repayment****CHILDREN EDUCATION & FAMILIES PORTFOLIO**

<b>3 Extension of Virtual Heads</b>	34,365
<b>4 Reducing Parental Conflict</b>	40,100

The Department of Work and Pensions has provided funding totalling £40,100 to address local issues relating to the reduction in parental conflict. The purpose of the funding is to support the development of strategies and to purchase frontline practitioner training.

<b>Childrens, Education and Families Portfolio</b>	74,465
<b>Total Grant Income</b>	<b>-74,465</b>

**Section 2 - Grants with no Explicit Right of Repayment****CHILDREN EDUCATION & FAMILIES PORTFOLIO**

<b>9 Delivery Support Fund</b>	18,074
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"The Delivery Support Fund was a capital grant awarded by the DfE for the implementation of 30 hours of funded childcare for working parents for which Bromley received £69,100.

A total of £42,326 was spent on a range of projects to increase capacity within the local sector. In an email dated 24/08/2018 the DfE advised LA's that any unspent money from the fund needs to be spent on aims that benefit 30 hours delivery or to implement necessary requirements in the IT system. The Early Years' service has recently purchased an IT system to support the flexibility and complexities involved in managing the 30 hours funding alongside all the existing funding streams. Bromley Early Years are now working with the service provider to develop their existing off the shelf product into a comprehensive funding support and delivery product. To date £51,700 has been spent on the procurement, initial installation, training and licencing of the product. These costs have been met through the capital grant 30 Hours Funded Childcare IT Solution Scheme (£43k) with an additional £8,700 from the Delivery Support Fund.

It is therefore requested that the remainder of this grant, £18,074 is carried forward into the next financial year to contribute to the remaining costs for the next phase of development of the system, estimated to be £34k. This work has commenced and will be completed during the 2020/21 financial year

<b>10 Troubled Families Grant</b>	542,798
This grant is to fund the development of an ongoing programme to support families who have multi-faceted problems including involvement in crime and anti-social behaviour with children not in education, training or employment. This support is delivered through a number of work streams cross cutting across council departments and agencies. This sum represents the underspend in 2019-20.	

<b>11 Investing in Practise Grant</b>	104,300
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The new programme, Supporting Families; Investing in Practice, will help families work on issues together, including those impacted by domestic violence, substance misuse or addiction, in order to help create stability in the home for young people and prevent them being taken into care, where that is in their best interests. This is part of wider Government work to improve outcomes for children in need of support of a social worker, by creating home and school environments in which they can thrive. This grant was received late in the financial year and will be used to extend Family Group Conferencing in 2020/21 and other relevant projects.

**Childrens, Education and Families Portfolio**


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 665,172

**Total Grant Income**

-665,172

**Section 3 - OTHER CARRY FORWARD REQUESTS**
**CHILDREN EDUCATION & FAMILIES PORTFOLIO**
**28 North Lodge**

79,000

On the 1st April 2020, the Executive approved the drawdown of £79k to refurbish the North Lodge in order to provide a Care Leavers Hub, improving services for young people. The house will allow the service to meet and engage with young people in a less formal environment. Additional group work events are planned for young people who are NEET (not in education employment or training) as well as group sessions for young mothers and young people preparing to leave care. The group work programme will offer important life skills as well as create new relationships and benefit from support from staff. The active involvement team also run the Living in Care Council (LinCC) and the Change for Care Leavers Forum (CFCL) which operate fortnightly. Both groups offer social opportunities for young people to meet other care experienced young people but those involved also work with officers to inform thinking around how practice is delivered to ensure we are responding to their needs. Work on the house will progress in the new financial year and therefore a request to carry forward the funding is requested.

**29 Adult Education Match Funding**

25,000

In March 2020 Adult Education were successful with a small capital bid to the GLA for £25k to be used for upgrading the IT equipment across the teaching rooms at both of Bromley's adult education sites. Under the terms of the bid the LA were required to guarantee to match fund the bid so that the full costs of the project were shared 50/50 between the GLA and the bidding organisation. Confirmation of the award was not received until March 2020, therefore all expenditure for this project will need to be carried forward into the 2020/21 financial year. The capital grant funds have not yet been received by the LA as adult education are currently revising the project plan timescales to the current lockdown situation. Approval to carry forward the £25k of match funding into the 2020/21 financial year is sought so that it is available when required to undertake the project and ensure continued compliance with the conditions of the grant.

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 104,000

**Total Other**


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 104,000

**TOTAL CARRY FORWARD TO 2020/21**


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 104,000

Description	2019/20 Final Approved Budget £'000	Variation To 2019/20 Budget £'000	Potential Impact in 2020/21
Children's Social Care	37,314	1,217	The overall full year effect of the Children's Social Care overspend is a net £1,820k, analysed as Residential Care, Fostering and Adoption Dr £587k , Children with Disabilities direct payments £400k and staffing costs of £833k.

<b>Reconciliation of Latest Approved Budget</b>	<b>£'000</b>
<b>Original Budget 2019/20</b>	<b>55,175</b>

**Carry forwards:**

SEN Reforms Grant			
- expenditure		55	
- income	Cr	55	
SEN Pathfinder Grant			
- expenditure		8	
- income	Cr	8	
Early Years Grant			
- expenditure		15	
- income	Cr	15	
Delivery Support Fund			
- expenditure		27	
- income	Cr	27	
Step up to Social Work Cohort 6			
- expenditure		48	
- income	Cr	48	
Reducing Parental Conflict			
- expenditure		40	
- income	Cr	40	
FGM Focussed Outreach Grant			
- expenditure		10	
- income	Cr	10	
Tackling Troubled Families			
- expenditure		511	
- income	Cr	511	
Family Group Conferences			
- expenditure		52	
- income	Cr	52	

**Other:**

MOPAC YOS Grant			
- expenditure		20	
- income	Cr	20	
Tackling Troubled Families			
- expenditure		365	
- income	Cr	365	
Additional MOPAC expenditure 19/20		50	
Additional MOPAC Grant recharged to Children's Services	Cr	50	
Expenditure on North Lodge		79	
Contributions to creation of Local Offer Development Officer	Cr	21	
Family Group Conferences			
- expenditure		52	
- income	Cr	52	
Merit awards		26	
Adult Education Match Funding		25	

**Memorandum Items:**

Capital Charges	3,132	
Insurance	217	
Repairs & Maintenance	Cr	99
IAS19 (FRS17)		3,763
Excluded Recharges	Cr	138

Rent Income	Cr 14
<b>Latest Approved Budget for 2019/20</b>	<b><u>62,145</u></b>

# Agenda Item 5

Report No.  
CEF20015

London Borough of Bromley

## PART ONE - PUBLIC

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Decision Maker: **Children, Education and Families Policy Development and Scrutiny Committee**

Date: **10<sup>th</sup> November 2020**

Decision Type: Non-Urgent                    Non-Executive                    Non-Key

**TITLE:** **SPENDING BY PRIMARY, SECONDARY AND SPECIAL MAINTAINED SCHOOLS IN 2019/20**

Contact Officer: Julie Crew, Schools Funding Manager  
Tel: 020 8603 3573 E-mail: Julie.Crew@liberata.com

Chief Officer: Jared Nehra, Director of Education

Ward: Boroughwide

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### 1. Reason for report

1.1 This report provides information on all revenue and capital balances held by Primary, Secondary and Special Maintained Schools as at 31 March 2020, and also provides a comparison to the balances held at the same time in the previous year.

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### 2. RECOMMENDATION(S)

- 2.1 **The Committee is invited to consider the financial position of Primary, Secondary and Special Maintained Schools at the end of the 2019/20 financial year and to identify any matters for specific comment and referral to the Portfolio Holder.**
- 2.2 **The Schools' Forum is asked to note the balances for information.**

## Corporate Policy

1. Policy Status: N/A
  2. BBB Priority: Children and Young People
- 

## Financial

1. Cost of proposal: N/A
  2. Ongoing costs: N/A
  3. Budget head/performance centre: Dedicated Schools Grant 2019/20
  4. Total current budget for this head:
  5. Source of funding: Dedicated Schools Grant
- 

## Staff

1. Number of staff (current and additional) – N/A
  2. If from existing staff resources, number of staff hours – N/A
- 

## Legal

1. Legal Requirement: Non-statutory - Government guidance:
  2. Call in: Applicable
- 

## Customer Impact

1. Estimated number of users/beneficiaries (current and projected) - N/A
- 

## Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments:

### **3. COMMENTARY**

- 3.1 This report highlights the financial position of Primary, Secondary and Special Maintained Schools as at 31 March 2020 the end of the 2019/20 financial year.
- 3.2 Balances are reported in accordance with the DfE Consistent Financial Reporting (CFR) Regulations. This is the framework for reporting income and expenditure and balances. It provides schools with a benchmarking facility for comparison between similar schools to promote self-management and value for money. A CFR return is produced for all schools maintained by the Local Authority as at 31 March 2020
- 3.3 The CFR framework consists of five balances, which provide an overall picture of a school's resources available from one year to the next, and gives information on balances carried forward. The balances are categorised as follows:
- BO1 Committed Revenue Balances  
BO2 Uncommitted Revenue Balances  
BO3 Devolved Formula Capital Balances  
BO5 Other Capital Balances  
BO6 Community Focused Extended Schools Balances
- Nb BO4 Other Standard Fund Capital Balances has been deleted as it related to standards funds which no longer exist.
- 3.4 The average level of revenue balances (BO1 and BO2) both committed and uncommitted for Maintained Primary School stands at 12% of School Budget Shares which represents an increase of 1% to the end of 2019/20. Secondary school balances have increased from 0% to 5%. Special School balances have decreased 1% to 7%.
- 3.5 There are seven Maintained schools remaining. These can be further split into 3 separate groups:-
- (i) There is one Community school. This is maintained by the Local Authority, but they have their own budgets and manage their own affairs. Religious education and worship is non-denominational and in accordance with an agreed syllabus.
  - (ii) There is one Voluntary Aided (VA) school. These were originally provided within the borough by voluntary bodies such as the Church of England and the Roman Catholic Church. These are now maintained by the Local Authority, but manage their own budgets and affairs. Religious education will conform to the agreed syllabus and to the school's trust deed. Voluntary Aided Schools set up by voluntary bodies continue to accept most of the costs of maintaining the school, and manage their own affairs. The Governors of the school exercise control over religious education and it will follow the teachings of the denomination set up within the school.
  - (iii) There are five Foundation schools. These have opted out of Local Authority control and the Governors have accepted full responsibility for running the school. Their funding comes via the Local Authority
- 3.6 A comparison of the levels of school balances as at 31 March 2020 compared to the previous year is shown in the table below.

	Primary Schools £000	Secondary Schools £000	Special Schools £000
<b>Revenue balances only as at: 31.03.20</b>			
Committed Revenue Balances (BO1)	165 (3%)	0	140 (1%)
Uncommitted Revenue Balances (BO2)	570 (9%)	248 (5%)	552 (6%)
	735 (12%)	248 (5%)	692 (7%)
<b>Revenue balances only as at: 31.03.19</b>			
Committed Revenue Balances (BO1)	48 (1%)	0 (0%)	171 (2%)
Uncommitted Revenue Balances (BO2)	681 (10%)	3 (0%)	557 (6%)
	729 (11%)	3 (0%)	728 (8%)

3.7 Full details of schools balances can be seen at **Appendix 1**

- 3.8 All schools with balances in excess of 8% have been asked to complete a proforma detailing the reason for holding a high balance and their plans for reducing the balance in year.
- 3.7 The DFE also require further analysis to be undertaken in relation to this data. LAs are required to provide information on how they are proposing to address the issue if an:
  - A:** LA has overspent its Dedicated Schools Grant by 2% or more (i.e. it is 2% or more in deficit)
  - B:** LA has underspent its Dedicated Schools Grant by 5% or more (i.e. it is 5% or more in surplus)
  - C:** LA has 2.5% of its schools that have been in deficit of 2.5% or more for the last 4 years and their individual deficit must have been at least £10,000 each year. We will only ask LAs for more information where at least three schools in the LA meet the criteria
  - D:** LA has 5% of schools that have had a surplus of 15% or more for the last 5 years and their individual surplus must have been at least £10,000 each year. LAs will only be asked for more information where at least three schools in the LA meet the criteria.

Schools that would fall into these categories have been highlighted on the table at **Appendix 2** – for 2019/20 none of the schools fall into this category.

- 3.9 This report also provides information on those schools with a deficit revenue balance. As at 31 March 2020, there were no schools with a deficit balance.
- 3.10 In accordance with DfE requirements the SFT will work with schools with high balances to ensure that they are being used effectively. Schools are advised that revenue funding is allocated on an annual basis to support the cost of education for their current pupils and therefore it is not acceptable for schools to retain high levels of revenue funding to protect against possible funding reductions in future years.
- 3.11 Those schools with high balances have been requested to provide evidence of future expenditure to justify the high balances.

#### 4. FINANCIAL IMPLICATIONS

- 4.1 Whilst this report provides details of school balances, there are no financial implications to be considered.

<b>Non-Applicable Sections:</b>	Policy, Legal and Personnel Implications
Background Documents: (Access via Contact Officer)	

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	2019-2020								2018-19															
	BO1 Committed Revenue Balances		BO2 Uncommitted Revenue Bal 31/03/2020		BO1 & BO2 Rev Bal as % of 2020/21 SBS		School Budget Share 2019-20		BO3 Devolved Formula Cap Balances		BO5 Other Capital Balances		BO6 Community Focussed Ext Schools		Total Balance C/fwd as at 31/03/2020		BO1 Committed Revenue Balances		BO2 Uncommitted Revenue Bal 31/03/2019		BO2 Rev Bal as % of 2019/20 SBS		BO1 & BO2 Rev Bal as % of 2019/20 SBS	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£			
<b>Primary Schools</b>																								
Bickley Primary	0	0	0	0%	0%	0%	0	0	0	0	0	0	0	0	0	0	18,041	73,808	4%	6%				
Downe Primary	0	80,515	80,515	16%	16%	16%	504,312	0	0	9,010	0	0	0	0	0	0	0	53,290	11%	11%				
Edgebury Primary	0	205,265	205,265	14%	14%	14%	1,468,803	14,464	0	0	0	0	0	0	0	0	0	185,736	15%	15%				
Poverest Primary	158,368	107,647	107,647	4%	11%	11%	2,404,233	0	0	0	0	0	0	0	0	0	23,505	211,844	12%	14%				
Southborough Primary	7,158	176,526	176,526	9%	9%	9%	1,957,425	0	10,309	0	0	0	0	0	0	0	6,616	156,647	9%	9%				
<b>Sub-total</b>	<b>165,526</b>	<b>569,953</b>		<b>9%</b>	<b>12%</b>	<b>6,334,773</b>	<b>14,464.00</b>	<b>19,319</b>		<b>0</b>	<b>769,262</b>				<b>48,161</b>	<b>681,325</b>	<b>10%</b>	<b>11%</b>						
<b>Secondary Schools</b>																								
St. Olaves	0	247,820	247,820	5%	5%	5%	5,416,161	2,180	0	0	0	250,000	0	0	0	0	3,267	0%	0%	0%				
<b>Sub-total</b>	<b>0</b>	<b>247,820</b>		<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>5,416,161</b>	<b>2,179.56</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>250,000</b>		<b>0</b>	<b>0</b>	<b>3,267</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>					
<b>Special Schools</b>																								
Marjorie McClure	139,980	128,649	128,649	5%	10%	10%	2,683,897	12,341	0	0	0	280,970	131,553	95,419	4%	9%	0	0	0	0				
Riverside		422,988	422,988	6%	6%	6%	6,538,251	38,082	-20,369	0	0	440,701	39,509	461,657	7%	8%								
<b>Sub-total</b>	<b>139,980</b>	<b>551,637</b>		<b>6%</b>	<b>7%</b>	<b>9,222,148</b>	<b>50,423</b>	<b>-20,369</b>		<b>0</b>	<b>721,670</b>			<b>171,062</b>	<b>557,076</b>	<b>6%</b>	<b>8%</b>							
<b>TOTAL</b>	<b>305,506</b>	<b>1,369,410</b>		<b>7%</b>	<b>8%</b>	<b>20,973,082</b>	<b>67,067</b>	<b>-1,050</b>		<b>0</b>	<b>1,740,932</b>			<b>219,223</b>	<b>1,241,667</b>	<b>6%</b>	<b>7%</b>							

	<b>2019-20</b> BO1 & B02 Combined Rev Bal	<b>2018-19</b> BO1 & B02 Combined Rev Bal	<b>2017-18</b> BO1 & B02 Combined Rev Bal	<b>2016/17</b> BO1 & B02 Combined Rev Bal	<b>2015/16</b> BO1 & B02 Combined Rev Bal	<b>2014/15</b> BO1 & B02 Combined Rev Bal
	Rev Bal as % of 2020/21 SBS	Rev Bal as % of 2019/20 SBS	Rev Bal as % of 2018/19 SBS	Rev Bal as % of 2017/18 SBS	Rev Bal as % of 2016/17 SBS	Rev Bal as % of 2015/16 SBS
<b>Primary Schools</b>						
Bickley Primary	£0	0%	£91,848	6%	£112,840	7%
Downe Primary	£80,515	16%	£53,290	11%	£28,224	6%
Edgebury Primary	£205,265	14%	£185,736	15%	£76,655	7%
Poverest Primary	£266,015	11%	£235,349	14%	£204,820	13%
Southborough Primary	£183,684	9%	£163,263	9%	£144,077	8%
<b>Secondary Schools</b>						
St. Olaves	£247,820	5%	£3,267	0%	£361,248	7%
<b>Special Schools</b>						
Marjorie McClure	£268,629	10%	£226,972	9%	£201,536	8%
Riverside	£422,988	6%	£501,166	8%	£564,502	9%

## Agenda Item 6

# Report No. CEF20024

# **London Borough of Bromley**

## PART ONE - PUBLIC

**Decision Maker:** SCHOOLS FORUM

**Date:** 17<sup>th</sup> September 2020

**Decision Type:** Non-Urgent      Executive      Non-Key

## **Title: FINANCIAL REGULATIONS FOR SCHOOLS 2020**

**Contact Officer:** David Bradshaw, Head of Finance  
Tel: 020 8603 3573 E-mail: david.bradshaw@bromley.gov.uk

**Chief Officer:** Peter Turner, Director of Finance

**Ward:** (All Wards);

## 1. Reason for report

- 1.1 This report provides an update to the Financial Regulations for Schools.

## **2. RECOMMENDATION(S)**

## **2.1 The Schools Forum are requested to:**

- (i) Comment on the regulations which can be fed back to Audit Sub Committee scheduled for November 2020.

## Corporate Policy

1. Policy Status: Not Applicable
  2. BBB Priority: Health and Integration
- 

## Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: Not applicable
  4. Total current budget for this head: n/a
  5. Source of funding: Not applicable
- 

## Staff

1. Number of staff (current and additional): N/A
  2. If from existing staff resources, number of staff hours: N/A
- 

## Legal

1. Legal Requirement: Statutory Requirement
  2. Call-in: Applicable
- 

## Customer Impact

1. N/A
- 

## Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

### **3. COMMENTARY**

- 3.1 An interim update to the Financial Regulations for Schools 2010 was issued to our Bromley maintained schools on the 27/2/20. At this time schools were advised that the changes were relatively minor; job titles, contact names and to remove out of date information. Schools were also advised that the revised Financial Regulations for Schools would be formally issued later in the year.
- 3.2 Internal Audit have now consulted with colleagues in Procurement, Finance and IT to update the Financial Regulations for Schools and the Corporate Financial Regulations. The Director of Finance has requested that both documents be presented to the next Audit Sub Committee which is scheduled for the 3/11/2020. Audit Sub Committee Members will be informed that the Regulations for Schools have been discussed at the Schools Forum.
- 3.3 The Regulations for Schools 2020 refer schools to the Council's Contract Procedure Rules and Whistleblowing Policy; documents which will be sent with the Regulations.
- 3.4 Appendix one summarises the main changes to the document from the previous version. Appendix two is a complete copy of the revised regulations.

<b>Non-Applicable Sections:</b>	Financial Implications Legal Implications Policy Implications Personnel Implications Customer Implications
Background Documents: (Access via Contact Officer)	Documents held with Internal Audit

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## **Appendix 1**

### **Summary of the Main Changes - Financial Regulations for Schools 2020**

A revised version of the 2010 Regulations was issued to all Bromley Maintained Schools on the 27/2/2020 as an interim measure, updating contact names, change in job titles, EU financial thresholds and notice periods and to remove and replace out of date information.

The Financial Regulations for Schools 2010 have now been reviewed in line with the Corporate Financial Regulations and were formally considered by Members of the Audit Sub Committee on the 10/6/2020

The main changes can be summarised as follows:-

#### **Section 3.7 Raising Concerns in Schools**

This section had previously referred to Appendix 2 "Procedures for Raising Concerns in Schools". This appendix has been removed and section 3.7 now refers to the Corporate Raising Concerns (Whistleblowing) Policy, a hard copy has been issued with these Regulations. The Director of Education and the Liberata Schools Team would be the first point of contact for guidance and the Council's Human Resources Division would also be able to offer advice.

#### **Section 5 - Orders for Goods, Works and Services**

The procedure to be followed will be determined by the estimate of the cost of the required goods or services. The procedures are now in line with the Corporate Contract Procedure Rules. The main change for the schools will be that tendering is now required for expenditure over £100K and three written quotes are required for expenditure between £5K and £100K.

#### **Section 6 - Contracts**

This section has been replaced by the Corporate Contract Procedure Rules that will be issued with these Regulations. It should be noted that the Council's Procurement Team will be the point of contact to offer advice and guidance but the responsibility for all procurement will be with the school.

#### **Section 7.6.1 Purchasing on the Internet with Approved Cards**

The Regulations now specifies that the Royal Bank of Scotland is the approved provider.

#### **Section 21 Retention of Documents**

This section was supported by appendix 11, this has been removed. The Director has determined that the Financial, Payroll and Pension records should be kept in line with the Information and Records Management Society of the UK "School's Toolkit".

#### **Appendices**

Appendices 4, 8, 12,13 and 14 were removed from the Regulations issued in February, appendices 2 (Raising Concerns in Schools) and 11(Retention of Documents) have also been removed.

The remaining 7 appendices have been renumbered in the document and updated. All sections and appendices detailed on the contents page are hyperlinked to the relevant page.

# **Financial Regulations for Schools**

## **2020**

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## **1 INTRODUCTION**

### **1.1 Background**

- 1.1.1 Every Local Authority (LA) needs a financial framework which provides the necessary control on financial matters whilst at the same time encouraging “best value” and promoting local accountability for schools.
- 1.1.2 These Regulations outline the approved system of financial control to secure the proper administration of the school s’ financial affairs, as required by Section 151 of the Local Government Act 1972. The Director of Finance shall be responsible for ensuring the school s’ continuing compliance.

### **1.2 Financial Regulations and the Management Style**

- 1.2.1 It may seem that the Director of Finance’ legal responsibilities clash with the Council’s management style, with its emphasis on devolving responsibility and decision taking. They need not.
- 1.2.2 Accordingly, Financial Regulations are not intended to keep an oppressive grip, but to provide a clear and helpful framework within which employees at schools can act in confidence, without fear that the financial appropriateness of their actions might be open to question. In this sense the Regulations are intended to enable, not to restrict.
- 1.2.3 Sound financial management and controls are essential to schools because they provide an effective framework for financial planning and accountability and safeguard the use of public funds.
- 1.2.4 It is good practice to align financial and management responsibilities whenever possible, otherwise financial decisions may be made regardless of the effect on services and services may be managed without regard to finance. Financial Regulations are intended to facilitate this by advising schools of how to approach budget setting, virement, ordering, certification of payments etc. The basic framework can readily be supplemented by advice from the contacts shown. Advice rather than instruction is the preferred style throughout the Regulations. At times the delegation to schools and ‘recognition of the risks’ may lead such advice to be questioned. This is accepted, but there are also times when, in view of the Director of Finance’s statutory responsibilities, his advice must be followed.
- 1.2.5 These Regulations should be seen, then, as part of the Director of Finance’s service to schools. Their main aim is to facilitate good financial administration. If they do not, the Director of Finance is only too keen to know why so that changes can be considered. Comments from users should be addressed to Internal Audit.

### **1.3 Supporting Legislation and Documents**

1.3.1 Financial Regulations are one of a set of management documents which collectively control and co-ordinate the affairs of the LA. Whilst intended to be self-contained, they should therefore be read in the wider context of:

- Consistent Financial Reporting framework
- Bromley Scheme for Financing Schools ‘
- Bromley’s Corporate Financial Regulations
- School Standards and Framework Act 1998
- Schedule 14 to the Act
- Statutory Instruments including the School and Early Years Finance (England) Regulations
- Schemes for financing Local Authority maintained schools – statutory guidance
- Schools Financial Value Standard
- Accounts and Audit Regulations 2015

### **1.4 School Financial Value Standard (SFVS)**

1.4.1 Local Authority maintained schools must submit the SFVS annually to their Local Authority. Local Authorities use this information to inform their programme of financial assessment and audit.

1.4.2 The standard consists of a checklist and a dashboard.

1.4.3 The checklist asks questions of governing bodies in 6 areas of resource management. It provides clarification for each question, examples of good practice and details of further support available to assist schools in addressing specific issues.

1.4.4 The dashboard shows how a school’s data compares to thresholds on a range of statistics identified by the Department for Education (DfE) as indicators of good resource management and outcomes. It provides explanations of each of the indicators and helps schools to fill in their data and understand the results.

### **1.5 Aims of the Regulations**

These Financial Regulations provide a framework through which the Director of Finance can satisfy himself that proper financial administration is being achieved.

1.5.1 These Regulations aim to:

- Help ensure that high standards of propriety and best value are achieved
- Provide schools with an effective framework of financial control, management, monitoring and reporting.
- Provide a framework within which all school staff and governing body members can carry out their responsibilities in an open and consistent manner.

1.5.2 These Regulations aim to promote and maintain high standards by:

- Placing clear authority and accountability with staff and governing body members

- Establishing key principles and processes which should be followed
  - Enabling continuous internal audit to ensure compliance with the approved standards and procedures.
- 1.5.3 All governors and staff have a duty to promote these aims, not just by following Financial Regulations but in their general approach. Concern with propriety and best value is as much an attitude of mind as a matter of following regulations.

## **1.6 Breaches of the Regulations**

- 1.6.1 Substantial breaches of Financial Regulations shall be reported to the governing body and Director of Finance by the relevant Head Teacher and may be treated by the governing body as disciplinary offences. Where the Director of Finance considers it appropriate he will report any substantial breach of these Regulations to the next meeting of the Audit Sub-Committee.

## **1.7 Compliance**

- 1.7.1 The Regulations shall not override any statutory provisions that apply. In addition, with the agreement of the Director of Finance (or his delegated representative), the full governing body may waive compliance with any of these Regulations in a particular case or in any particular class of case. Separate provisions exist for alternative courses of action (e.g. for tendering) within specific regulations.
- 1.7.2 Consultants or agencies acting for the school will be bound by these Regulations and it should be a condition of their employment or engagement that they do so. The provisions of these Regulations shall also apply to services carried out under agency arrangements for any other authority or organisation, except where otherwise required by that Authority.

## **1.8 Review of Regulations**

- 1.8.1 These Regulations shall be reviewed at least every three years by the Director of Finance. The Audit Sub-Committee should approve all amendments. Relevant financial thresholds (e.g. write-offs, petty cash payments) should be additionally reviewed against inflation on a periodic basis wherever possible.
- 1.8.2 As suggested good practice, it is recommended that these Regulations be applied to transactions relating to any non-public funds handled by staff in the course of their duties.

## **1.9 Updates**

- 1.9.1 The Regulations will be updated with implications of new legislation, new ways of working or changes to thresholds as required. These updates will be communicated to the schools.

## **2 ROLES AND RESPONSIBILITIES**

### **2.1 The Role of the Director of Finance**

- 2.1.1 The essence of the Director of Finance' statutory role as responsible financial officer is laid down by the Local Government Act 1972: "Every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs".
- 2.1.2 The Accounts and Audit (Amendment) Regulations 2015 supplement this general role. These require that the Director of Finance should determine the accounting system, form of accounts and supporting accounting records, and ensure that the accounting systems determined by him are observed and that the accounts and supporting records of the Authority are maintained in accordance with proper practices and kept up to date. The 2015 Regulations also require the Council to maintain an adequate and effective internal audit which, at Bromley, has been delegated to the Director of Finance.
- 2.1.3 Therefore, The Director of Finance has specific legal duties at all schools to ensure adequate standards of financial administration throughout the Council.
- 2.1.4 The Director of Finance has to express an annual opinion on the system of internal financial control for the Local Authority taking into consideration a number of factors including maintaining an adequate and effective internal audit of its accounting records and systems of internal control. In reaching his overall opinion the Director has to rely on work performed by internal audit, external audit and any other management review. Internal Audit reviews play a critical role in ensuring that the internal control environment is in place within each school.

### **2.2 The Roles of the Governing Body**

- 2.2.1 Each governing body is responsible for ensuring that these Regulations are strictly adhered to, throughout the establishment under their control. Except where otherwise stated, all references in these Regulations to "Head Teacher" should be read as meaning staff that are carrying out duties on behalf of the Head Teacher. Such delegation by Head Teachers should be formally approved and documented in procedure manuals etc.
- 2.2.2 The governing body should issue clear directions to the Head Teacher and Bursar or Finance Officer and any additional staff on their respective responsibilities for financial affairs. This is essential for sound financial control and they should take the form of written directions. Failure to formally allocate responsibilities can create a vacuum in important financial areas.
- 2.2.3 To establish proper financial management arrangements and accounting procedures and maintain a sound system of internal controls, including safeguards against fraud and corruption.
- 2.2.4 It is the responsibility of the governing body, in conjunction with Head Teachers, to set out an agreed scheme of delegation. (For a suggested template see [Appendix 1](#))

## **2.3 The Role of the Head Teacher**

### **2.3.1 The Head Teacher has responsibility for:**

- The management of the school's financial position at a strategic and operational level.
- The management of effective systems of internal control.
- The management of other financial issues.

**2.3.2** Each Head Teacher should ensure that all staff in their establishment are made aware of and fully understand the requirements and implications of Financial Regulations as far as they relate to their professional duties and responsibilities. However, this does not remove the requirement for all staff to make themselves conversant with these Regulations and comply with their requirements.

**2.3.3** The Head Teacher has overall responsibility for the school's activities, of which financial activities are clearly a part. The Head Teacher is therefore considered by the LA to be the person with overall responsibility to the governing body for the financial management of the school.

**2.3.4** The Head Teacher should ensure that the governing body is provided with financial advice, that proper and adequate financial systems and controls are in place and that accounts are prepared and maintained as required by the governing body or the LA. In practice, the Head Teacher will often delegate much of the financial management to a Bursar/Finance Manager, while retaining ultimate responsibility for this.

**2.3.5** Each Head Teacher shall prepare such financial instructions as are considered necessary for the proper financial management, operation and control of the services for which they are responsible, in accordance with these Schools Financial Regulations.

**2.3.6** Such financial instructions shall, in accordance with the Accounts & Audit (Amendment) Regulations 2015 contain measures to:

- Ensure that the financial transactions of the school are recorded as soon as reasonably practical and as accurately as reasonably possible;
- Enable the prevention and detection of inaccuracies and fraud; and
- Facilitate the ability to reconstitute any lost records.

## **2.4 The Role of the Bursar/Finance Manager**

**2.4.1** The Bursar or Finance Manager is the member of the school's staff with day to day financial responsibility for the school. This person may have delegated financial responsibility for the premises, central services and other costs budget and as such should form part of the management structure within the school.

2.4.2 It is essential that the governors ensure that the Bursar or Finance Manager is suitably qualified and has sufficient resources to carry out the function and should not be subject to time constraints which may affect their ability to discharge their financial responsibilities effectively.

### **3      CORPORATE GOVERNANCE**

Contacts: Internal Audit /Schools Finance Team

#### **3.1    Roles and Responsibilities**

- 3.1.1 The roles and responsibilities of the governing body, its committees, the Head Teacher and other staff in relation to financial decision-making and administration should be set out and agreed in writing and should comply with these Financial Regulations.

#### **3.2    Finance Committee**

- 3.2.1 A finance committee should be set up to consider strategic financial issues on behalf of the governing body and its remit and membership should be reviewed annually.

#### **3.3    Limits of Delegated Authority**

- 3.3.1 The governing body should establish the financial limits of delegated authority, in compliance with these Financial Regulations.

#### **3.4    Financial Information for Governors**

- 3.4.1 The governing body should agree with the Head Teacher the minimum frequency, level of detail and general format of the financial information to be provided to it, especially in relation to budget monitoring reports.

#### **3.5    Minutes**

- 3.5.1 Minutes should be taken of all meetings of the governing body and its committees and include all decisions and by whom action is to be taken. The agreed minutes should be signed and dated.

- 3.5.2 All signed minutes should be retained for 6 years.

#### **3.6    Gifts and Hospitality**

- 3.6.1 All offers, gifts, hospitality as inducements for favour should be refused. All refused items should be recorded by a member of staff or governor and reported at the next meeting of the Governing Body where it should be minuted.

- 3.6.2 Each School Governing Body shall maintain a register of all gifts and hospitality received by individual members of staff and Governors in their School. Any hospitality or gifts accepted must be recorded in the relevant register. Governors should set a reasonable minimum value that would be excluded from registering when received from pupils and parents.

### **3.7 Raising Concerns in Schools**

- 3.7.1 The Corporate Raising Concerns (Whistleblowing) Policy should be referred to for all raising concerns within a school. Copies of this document have been issued to all Bromley maintained schools and will be available on request from the Local Authority.
- 3.7.2 The principles and procedures set out in the Corporate Raising Concerns (Whistleblowing) Policy should be followed but the roles and responsibility will need to be adapted for schools. For Officer responsibilities detailed in the Policy the school should identify their own hierarchy of responsibility and any reference to Members would be substituted by Governors.
- 3.7.3 The Director of Education and the Liberata Schools Team will be the first points of contact for any guidance required and the Council's Human Resources Division would also be able to offer advice.

### **3.8 Register of Business Interests**

- 3.8.1 Schools are required to maintain a register for all governors and those staff with financial responsibilities which should detail any business interest they may have which could be relevant to goods and services supplied to the school. This register should be reviewed on an annual basis.
- 3.8.2 Where it has not been possible to gain register entries from individuals, the school should retain documentation to demonstrate what efforts have been made to ensure compliance.
- 3.8.3 When staff become aware of such interests, they shall notify the clerk of governors or bursar in writing who will enter it into the register.
- 3.8.4 Please see [Appendix 2](#) for a template register of business interests.
- 3.8.5 If it comes to the knowledge of any member of staff employed by the school *that* they have a business interest, whether direct or indirect, in a current contract or a contract due to be entered into by the school, they shall as soon as practicable give written notice of the interest to their Head Teacher, who should notify the Chair of the Governing Body.
- 3.8.6 In the case that the interest relates to a Head Teacher or member of the governing body, written notice should be given as soon as practicable to the Chair of the Governing Body. They shall maintain a record of all such notifications of staff and governors interests in contracts

## **4      BUDGETS**

Contacts: **Schools' Finance Team**

### **4.1   Preparation of Budgets**

#### **School Budget Share**

- 4.1.1 Each school is required to submit a budget plan to the Local Authority in accordance with the Scheme for Financing Schools. This should show the school's intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. Further revised budget monitoring reports may have to be provided at quarterly intervals to the LA as stipulated in the Scheme for Financing Schools.
- 4.1.2 There should be a clear, identifiable link between the school's annual budget and its school development plan.
- 4.1.3 The school's budget should be based on realistic estimates of all expected expenditure and income, including grant income, so that planned expenditure does not exceed the available budget.
- 4.1.4 The governing body should ensure that the main elements of the school's budget are periodically reviewed to ensure that historic spending patterns are not perpetuated.
- 4.1.5 The Head Teacher should profile the budget and forecast cash flow to take account of likely spending patterns.
- 4.1.6 Any budget surpluses should be earmarked for specific future needs to ensure that pupils benefit from a planned approach to spending that does not deprive them of resources in a given year.
- 4.1.7 The governing body should endeavour to approve the school's budget and School Development Plan after careful consideration and before the beginning of the relevant financial year.

#### **Capital**

- 4.1.8 It is determined in the Scheme for Financing Schools the responsibilities for school premises repairs and maintenance. The scheme determines which categories of work are the responsibility of governing bodies to finance from their delegated budget shares and which repairs and maintenance expenditure is deemed to be capital and is to be retained by the LA (where applicable).

## **4.2 Allocation of Budgets to Budget Managers**

4.2.1 Dependent on the size of the school and the complexity of the budgetary control system required, there will be a need to create cost centres in order to allocate budgets to Budget Managers. The responsibilities of each Budget Manager should be clearly defined. The Budget Manager will then become responsible for controlling expenditure within the relevant budget heading. The following budgets will be required in all schools:

- Staff costs
- Educational supplies
- Premises, central costs and other costs.

Schools may consider additional budget headings. However it is important that the budget responsibility aligns with the management structure.

4.2.2 The budget managers may divide their budgets between a number of budget holders who will then be responsible for all expenditure incurred against their budget. The budget holders would then be answerable to the budget manager who would monitor expenditure incurred by each budget holder. Dependent on the size of the school, the educational supplies budget may be divided between either subject area, key stage or year co-ordinator.

## **4.3 Monitoring**

4.3.1 The Head Teacher is responsible for producing monthly budget monitoring reports for income and expenditure, including sums committed but not yet paid and outturn forecasts, against the approved budget. Income and expenditure should be monitored in accordance with the “Scheme of Financial Delegation” (For a template scheme of delegation see [Appendix 1](#)).

4.3.2 The Head Teacher is responsible for providing budget monitoring reports to the school finance committee at least once a term. These should show any significant variances against the budget with explanatory notes and, where necessary, remedial action plans including virements. The LA will permit schools to plan for a deficit budget only with the prior permission of the Director of Education. The details as stipulated in the Scheme for Financing Schools must be complied with.

4.3.3 The Head Teacher should monitor expenditure on the initiatives set out in the School Development Plan. Even if there is insufficient budgetary provision a School Governing Body may incur expenditure for exceptional items required under the school's statutory obligation or to carry out any repair, replacement or other work which is of such extreme urgency that it must be done immediately. When such an occasion arises, the Head Teacher shall advise the LA promptly.

4.3.4 Head Teachers (or delegated officers such as Bursars) are responsible for producing monthly cash flow forecasts to ensure that the school bank accounts do not go overdrawn.

#### **4.4 Reporting**

4.4.1 An annual financial return should be submitted by the Head Teacher to the Director of Education as soon as practical after the end of each financial year but within a timescale determined by the Local Education Authority as stipulated in the framework of the scheme for Consistent Financial Reporting (CFR).

#### **4.5 Approved Banks and Building Societies**

4.5.1 The banks and building societies which may be used for the purpose of receiving budget share payments are specified below:

- Royal Bank of Scotland Group (includes Nat West).
- HSBC.
- Barclays.
- Lloyds TSB Group (includes Bank of Scotland).
- Santander (includes Abbey National and Alliance & Leicester).
- Nationwide.

## **5 ORDERS FOR GOODS, WORKS & SERVICES**

Contact: Schools' Finance Team/Internal Audit

### **5.1 Responsibilities**

- 5.1.1 The governing body should determine which staff in their school *should* be allowed to be Initiating Officers and raise and sign orders on their behalf. (For more information on the separation of duties see FR 7.3). Head Teachers are normally responsible for the control of all orders held and issued by their school.
- 5.1.2 It shall be the responsibility of a member of staff issuing an order to ensure, as far as is responsible and practicable, that value for money is obtained in respect of each transaction.
- 5.1.3 All goods, works and services ordered shall be for the exclusive use of the school.
- 5.1.4 All leasing arrangements must have the governing body's prior approval.
- 5.1.5 The school will retain ownership of any goods or equipment purchased and has the ultimate responsibility for ensuring that contracts are fulfilled and invoices paid.

### **5.2 Raising an Official Order**

- 5.2.1 An official order, or its equivalent, must be raised for all goods, works and services except:
  - (i) where a specific formal contract exists which does not incorporate any facility for the regular draw-down of services;
  - (ii) rents, business rates, council tax and utility services as supplies of a continuous and obligatory nature;
  - (iii) petty cash payments.
  - (iv) inspection copy for books delivered to school
- 5.2.2 In urgent cases only, an oral order may be made. In such cases the serial number of the written order which must be issued as confirmation should be quoted to the supplier, together with details of the ordering establishment. The confirmation order should be despatched the same day where possible and certainly no later than within two working days and should be clearly marked "confirmation only".
- 5.2.3 Where a school utilises Order Requisitions as well as Orders, then this may be regarded as the initiating document. All controls and requirements hereby placed on Orders should be taken to also apply to Order Requisitions.

## **5.3 Requirements of an Official Order**

5.3.1 Official orders, or their equivalent, shall as a minimum:

- (i) be clearly identifiable as an order from the School, including invoice address, staff contact etc.;
- (ii) be serially numbered;
- (iii) be physically or electronically signed by an authorised signatory;  
N.B. The method by which an official order is issued is at the discretion of the initiating officer. This may be via post or (with the Governing Body's initial approval) by internet e-mail or via the supplier's web site. A copy of all authorised orders should be retained.
- (iv) include sufficient information, and any appropriate terms and conditions, on the goods, works or services being ordered (including prices and quantities) to enable adequate pre-payment checks to be undertaken in accordance with Section 7 of these Financial Regulations.

## **5.4 Orders and Authority**

- 5.4.1 Before an order is raised for the purchase of goods or services, you need to ensure that there are sufficient funds available, not already committed for the purchase of other items, to meet the estimated cost of the order.
- 5.4.2 However, there are specific circumstances (e.g. urgent repair or maintenance) where these conditions may not be met – For further guidance on such circumstances, please see FR 4.3.3.

## **5.5 Value for Money**

- 5.5.1 The Governing Body and Head Teacher are responsible for obtaining value for money when purchasing goods works and services.
- 5.5.2 Before placing an order the Initiating Officer shall estimate the probable cost of the goods, works or services required. This estimate cost will determine the normal procedures to be followed in obtaining quotations or tenders. These procedures are outlined in the Council's Contract Procedure Rules which have been issued to all schools.
- 5.5.3 In order to ensure best value, at least three competitive quotes must be obtained in writing or via authorised e-mail where costs exceed £5,000. Where this is not practical to do so, the reasons must be submitted to the Finance Committee and/or governing body, in writing.
- 5.5.4 Schools are required to inform the Finance Committee of any expenditure incurred over £5,000 where quotations were not sought.

- 5.5.5 In determining the estimated cost of goods, works or services the following shall apply:
- (i) staff shall not sub-divide work which could reasonably be treated as a single contract;
  - (ii) the total estimated value of orders for a year for a given type of goods, works or services should, wherever practicable, be amalgamated when determining purchasing procedures.
  - (iii) if a contract / arrangement is for a period greater than one year then the estimated value of orders to be placed over the full period should be used to determine the appropriate procedure;
  - (iv) where contracts run year to year with the school or Contractor having the option to terminate on notice the value of the contract shall be calculated over the period prior to the date when the break clause may first be exercised;
  - (v) where leasing arrangements are used, the total amount payable over the life of the lease shall determine the appropriate procedure;
  - (vi) where contracts entail both revenue and capital costs (e.g. acquisition and support for IT systems) the revenue costs shall be estimated according to paragraph (iii) above;
  - (vii) if the lowest quote obtained exceeds the upper limit applicable to the procedure selected, the Head Teacher should consider whether the procedures for the higher category should be applied. If this is not considered appropriate, the reasons for not applying higher category procedures should be recorded.

## **5.6 Insufficient Quotations**

- 5.6.1 For orders valued at between £5,000 - £100,000, if at least two quotations are received the relevant Head Teacher shall have authority to accept a quote which they consider represents best value to the school and is within 10% of the approved budget subject to agreement of the school governing body.
- 5.6.2 Where the selected quote exceeds the approved budget by more than 10% the Head Teacher shall determine whether to seek further quotes or seek approval of a supplementary budget from the relevant governing body sub-committee.

## **5.7 Exceptions to Quotations for Goods, Works and Services**

In the following circumstances, competitive quotations are not required:

- 5.7.1 If the Head Teacher and Chair of the Governing Body consider that there are special circumstances which justify the need to waive the requirement for competitive quotes, they may, upon documenting the reasons and with the specific approval of the Chair of the Governing Body, award the contract by way of negotiating or re-

negotiating.

- 5.7.2 Where the goods, work or services required by the school are of such an urgent or specialised nature that in the opinion of the Head Teacher it is not reasonably practicable to obtain such quotations.
- 5.7.3 Where a contract has been entered into with another local or public authority for the supply of goods, services or works e.g. consortium, it shall not be necessary to seek competitive quotations provided the said local or public authority can satisfy the Head Teacher that they have done so in initially selecting their supplier / provider.

## **6 CONTRACTS**

**Contacts: Head of Procurement**

- 6.1.1 The Corporate Contract Procedure Rules should be referred to for all matters relating to Contracts. Copies of this document have been issued to all Bromley maintained schools and will be available on request from [procurement@bromley.gov.uk](mailto:procurement@bromley.gov.uk).
- 6.1.2 The principles and procedures set out in the Corporate Contract Procedures Rules must be followed but the roles, responsibility and authorisation will need to be adapted for schools. References to the Legal, Procurement and Finance Teams should be substituted by the school with the resources available in the school and to fit in with the established decision-making and governance processes. School Governors will deliver the governance and scrutiny role undertaken by Members for Corporate contracts. The school's Finance Committee and the Full Governing Body replace any references to the Authority's Committees. For Officer responsibilities detailed in the Contract Procedure Rules, the school should identify their own hierarchy of responsibility, but the Head Teacher has overall responsibility for the financial management and is therefore seen as the budget holder.
- 6.1.3 The Council's Procurement Team will be the point of contact to offer advice and guidance but the responsibility for all procurement will be with the school.

## **7 PAYMENT OF ACCOUNTS**

Contacts: **Internal Audit / Schools' Finance Team**

### **7.1 Payment Arrangements**

- 7.1.1 The governing body is responsible for making safe and efficient arrangements for all payment of accounts. All payments on behalf of the school *shall* therefore be made by the governing body or under arrangements approved by them.
- 7.1.2 Payments should normally only be made against official invoices received from suppliers, and not against statements, delivery notes etc.
- 7.1.3 Payment against copy invoices (i.e. duplicates / photocopies) should only be made where detailed checking has confirmed that no payment has been made against an original and the member of staff should endorse the copy invoice to that effect. E-mailed invoices are acceptable. E-mailed invoices must contain the full company name and details, as with standard invoices.
- 7.1.4 The Governing Body shall be responsible for deciding the most appropriate method of payment for categories of invoice. Payments may be made via cheques or electronic transfer (e.g. BACS) where appropriate controls are in place. Cheques should be despatched independently of ordering or payments staff.
- 7.1.5 Payments in advance should only be made where there is no practical alternative, and the reasons should be recorded. Any invoice subsequently obtained should be filed with the original payment documentation, and endorsed appropriately to prevent duplicate payments.

### **7.2 Authorised Signatories**

- 7.2.1 Each Governing Body shall determine persons in their School *authorised* to sign for all main financial transactions on their behalf. These should as a minimum include:
  - i orders for goods, works or services;
  - ii payment of accounts;
  - iii travel, subsistence and special assistance claims;
  - iv payroll documents (e.g. overtime claims, timesheets)
  - v recommendations for write-off
- 7.2.2 The governing body shall maintain up to date lists of all authorised persons together with copies of their specimen signatures, initials and any financial limits that apply. Additionally, copies of these lists and specimen signatures shall be provided to the Director of Finance and Director of Education where prime documents are processed under procedures within his control (i.e. in the event of financial delegation being withdrawn).

### **7.3 Separation of Duties**

- 7.3.1 Each Governing Body is responsible for ensuring, so far as is reasonably practicable, that there is adequate internal separation of duties in their department in relation to significant financial transactions. For example:
- staff responsible for calculating, checking and recording monies due to or due to be paid by the school shall not receive or make such payments;
  - staff examining and checking the accounts of cash transactions shall not carry out (i.e. process) such transactions;
  - staff who sign orders, confirm receipt of goods or services, and certify payments shall not perform more than one function for the same transaction.
- 7.3.2 Head Teachers should ensure that all invoices input onto the school financial database for payment have been properly authorised and certified, with evidence in the form of signatures of at least three designated officers having been involved in the whole process (ordering / receipt of goods or services / payment). The Director of Finance must specifically approve exceptions to this requirement e.g. where less than three officers are involved in the process.
- 7.3.3 Head Teachers may delegate the authority to authorise and certify invoices to members of staff within their establishment. Head Teachers must maintain up to date lists of members of staff in their establishment together with specimen signatures and any financial limits that apply.
- 7.3.4 All payments of invoices or accounts for payment shall be approved by at least two members of staff (prior to input onto the schools financial database), neither of whom has signed the original order.
- 7.3.5 Each Head Teacher shall arrange a suitable division of staff duties within their school so that the member of staff who certifies an individual invoice for payment shall not be the person who either approved the order, or has confirmed the receipt of goods or completion of the work concerned.
- 7.3.6 Employees are not permitted to certify payments to themselves or to another employee who is related.
- 7.3.7 The following role definitions will normally apply (notwithstanding that different terms may be in common day to day use within schools s):
- (a) Initiating Officer role: a member of staff authorised by their governing body to sign official orders (or order requisitions where utilised) on behalf of the school. They would normally identify the potential supplier, ensure budget provision is available and best value is obtained, by using or their own knowledge and experience, in accordance with Section 5 of these Financial Regulations.

Schools may of course prefer that one member of staff completes an order requisition form for approval by a manager but this is not a requirement of

School's Financial Regulations. In such cases, it may be that the manager takes responsibility for checking budget provision and demonstrating best value. However, the manager who signs the order is deemed the Initiating Officer and he/she therefore cannot authorise or certify the invoice.

- (b) Authorising Officer role: a member of staff other than (a) or (c), who passes an invoice for certification, having confirmed receipt of goods or services and checked arithmetical accuracy, quantities, prices etc. to the original order. This member of staff may in practice be the person who requested the goods / services as they will often be best placed to confirm the order has been delivered accurately.
- (c) Certifying Officer role: a member of staff other than (a) or (b), designated by the School Governing Body to certify individual invoices for payment. In certifying an invoice for payment the Certifying Officer is indicating that all relevant Financial Regulations have been complied with and evidenced in paying the invoice, prior to input and certification onto school financial system.
- (d) Cheque Signatory role: the school Governing Body should determine a minimum of four cheque signatories of which two should sign each cheque for the school bank account. The cheque signatories may include any of the persons (a) – (c) above.

## 7.4 Checking Required

- 7.4.1 The overriding principle to be adhered to is that authorisation and certification checks should be meaningful. To this end, they should be carried out and evidenced by those members of staff who are in a position to judge, for instance, whether goods / services have actually been received or whether invoice prices are correct. The evidence should also be unambiguous e.g. an isolated signature on an invoice does not make it clear what has been checked or what is being authorised or certified and is therefore not acceptable.
- 7.4.2 Certifying Officers are responsible for ensuring that adequate checks are performed and evidenced prior to the payment of an invoice to satisfy themselves that the payment is accurate and due to be paid. The following checks are regarded by the Director of Finance to be good practice.

### 7.4.3 For all invoices:

- (a) where appropriate, a match is made with the official order, agreement, or other document authorising the expenditure;
- (b) payment details are recorded on the official order or other suitable record;
- (c) prices are in accordance with quotations or are otherwise reasonable;
- (d) that the invoice arithmetic is correct

- (e) goods have been received, examined and approved with regard to quantity and quality and / or that work done or services rendered have been satisfactorily carried out or provided
- (f) where VAT is charged that the invoice carries the VAT registration number of the supplier;
- (g) the invoice has not been previously passed for payment;
- (h) the invoice is a proper liability of the school, has been duly authorised and is, to the best of the member of staff's belief, legal expenditure.

## **7.5 Credit Cards**

- 7.5.1 It is identified that there are circumstances within schools when payment by credit card may be considered more suitable. In circumstances when this payment method is deemed necessary, the following controls should be strictly implemented:
- (a) The governing body should approve a list of authorised users, restrictions on the use of the card's spending limits and written instructions on the scope and use of the cards.
  - (b) A member of staff, who is not a card signatory, should be appointed to control the use of the cards and a signing-out procedure implemented for the issue of cards to authorised staff.
  - (c) Documentary proof of any goods purchased with the charge or credit card including details of the nature and cost of those goods should be returned to the person responsible for recording charge card transactions as soon after purchase as is reasonably practical.
  - (d) Transactions should be reconciled to statements by someone other than the card signatory.
  - (e) The school should ensure adequate arrangements are in place to protect them against fraud and corruption by misuse of the card either with the credit card company or through their insurance policy.
  - (f) The Local Authority to be notified as soon as possible of any amendments to existing arrangements or any new credit card accounts that are established including details of credit limits and authorised users.

## **7.6 Purchasing on the internet with approved cards.**

- 7.6.1 The Royal Bank of Scotland are the approved providers of a purchase card. Cards should be allocated to authorised users who sign up to conditions of use.

- 7.6.2 Controls should include those for use of a credit card as detailed in 7.5.1 (a) to (f) of these Regulations. Conditions of use should include safe storage of the card and adhering to limits that are set, cash withdrawal should not be permitted.
- 7.6.3 The following step-by-step guide to using a card over the Internet has been devised as good practice.
1. Use secure websites (indicated by a padlock icon, the web address includes "https" rather than "http"). You normally get a message saying that you are being transferred to a secure connection. You can check encryption is being employed by going to **File** and then choosing **Properties**.
  2. As long as you use the card wisely, the School is protected from fraud.
  3. Employ adequate password security.
  4. Use "trusted suppliers" - it should not be difficult to draw up a suppliers list.
  5. Ensure supplier has an encryption certificate.
  6. Where e-mails are used for notification, the best system has truncated details (do not use suppliers who use the full card number).
  7. Print a copy of online transactions. This should include items purchased, total amount, trader name, contact information, unique order number. Note also the telephone number and address.
  8. Query anything you are unsure of by telephoning the Company.
  9. If you are unsure of whether to pursue, use an alternative form of transaction.

## 7.7 Late Payment of Debts

- 7.7.1 Guidance on Late Payment of Debts legislation is set out in [Appendix 3](#)

## **8 PETTY CASH AND IMPREST ACCOUNTING**

Contact: Schools Finance Team/Internal Audit

### **8.1 Agreed Level of Petty Cash**

8.1.1 The governing body may, at their discretion and at the request of Head Teachers, make available petty cash floats to facilitate the cost-effective payment of minor items of expenditure on behalf of the school. The governing body should set out in writing an appropriate level for the amount of petty cash to be held. This amount should represent a balance between convenience and the risk of holding cash on the premises.

### **8.2 Control and Operation of Petty Cash**

8.2.1 Any member of staff to whom petty cash has been made available shall be responsible for the control and operation of the petty cash float. In particular, each such member of staff shall:

- (i) ensure that vouchers are obtained and retained to substantiate payments made;
- (ii) ensure that receipts, where possible, relating to expenditure from a petty cash float are attached to the relevant voucher;
- (iii) ensure the safe custody of petty cash monies in their possession;
- (iv) restrict the amount of any individual payment to an agreed amount above which prior approval should be obtained from the Head Teacher. Petty cash holders must not sub-divide payments to a single recipient;
- (v) ensure that the account is reconciled regularly, that regular reimbursement is sought and that the adequacy of the petty cash amount/continuing need for the petty cash is regularly reviewed;
- (vi) where applicable, sign a statement at the end of each financial year confirming the amount of the imprest held. This should also be counter-signed by a senior member of staff.

8.2.2 If it becomes apparent that the current level of petty cash is insufficient, the items on which the petty cash is expended should be reviewed. If it is clear that there is no reasonable alternative to expenditure through the petty cash float, a formal approval to have it increased should be granted by the governing body.

8.2.3 No member of staff shall authorise their own claims from a petty cash float.

8.2.4 Expenditure which should form part of the payroll system, e.g. car allowances, shall not be processed through petty cash accounts.

### **8.3 Security of Petty Cash**

- 8.3.1 All schools' holding petty cash should ensure that, at all times, cash is adequately secured. As a minimum this should be in a cash box within a lockable drawer.

### **8.4 Imprest Accounting**

- 8.4.1 The encashment of personal cheques and the advancing of loans from an imprest account is strictly forbidden.
- 8.4.2 The general principle of imprest accounting is that at any time the cash and bank balance, together with the aggregate value of any receipts on hand, non-reimbursed claims and cheques not credited should total the approved imprest account balance. At no stage should the cash balance be allowed to fall below zero.

## **9 VAT**

Contact: **Principal Accountant – Chief Executives Department**

### **9.1 General**

- 9.1.1 Head Teachers must ensure that VAT is identified and correctly accounted for in respect of all income and expenditure (including imprests or petty cash) in accordance with current VAT regulations. Failure to do so can lead to loss of income and/or imposition of penalties by Revenue and Customs
- 9.1.2 All limits shown in these Regulations exclude VAT.
- 9.1.3 Members of staff responsible for instigating income collection for the school shall satisfy themselves that the school has complied with the relevant VAT legislation with regard to the supply of its services.

### **9.2 Payment of VAT**

- 9.2.1 VAT should not be paid unless the supplier's VAT registration number is shown on the invoice. Members of staff responsible for authorising payments (as defined in Section 7 of these Regulations) shall satisfy themselves that all suppliers' invoices for goods, works or services have complied with relevant VAT legislation.
- 9.2.2 VAT should only be accounted for on imprest or petty cash payments where the supplier's VAT registration number is shown on the receipt.

### **9.3 VAT Returns**

- 9.3.1 All schools should complete and return their monthly VAT returns to the Chief Executives Department by 15<sup>th</sup> of each month following the month in question (e.g. April's return due 15<sup>th</sup> May). In the event of any problem which may cause delay, schools should notify Schools Finance Team or the Chief Executives Department as soon as possible.
- 9.3.2 For Secondary Schools, the VAT return should include a brief summary of VAT on all returns exceeding £10,000  
For Primary schools, the VAT return should include a brief summary of VAT on all returns exceeding £5,000  
Schools should attach copies of any invoices, which include VAT of more than £1,000 to their VAT returns.

### **9.4 Further Information**

- 9.4.1 Further guidance and advice on VAT matters is contained at [Appendix 4](#) and is also available from the Chief Executives Department Accountancy Section.

## **10 SALARIES, WAGES & PENSIONS**

Contact: Internal Audit

### **10.1 Payments**

10.1.1 All payments of salaries, pensions, compensation and other emoluments to all employees shall be made by the governing body or under arrangements approved by them.

10.1.2 All payments, including travel, subsistence and other allowances shall be made in accordance with current legislation, Revenue and Customs Regulations and relevant decisions of the LA and School Governing Body.

### **10.2 Authorisation**

10.2.1 Each governing body should nominate those members of staff within their school who will be authorised to certify timesheets, overtime claims and claims for travelling and subsistence. A list of such members of staff, together with specimen signatures, shall be maintained by the Head Teacher. Changes shall be notified promptly as they occur.

### **10.3 Notifications to HR and Payroll**

10.3.1 Each Head Teacher, or their nominated representative, shall notify their payroll and/or HR provider as soon as is practicable of all matters affecting the payment of emoluments by the school and in particular:

- (i) appointments, resignations, retirements, dismissals, suspensions, secondments, transfers and deaths, and for pensions, changes in marital status, dependants and deaths;
- (ii) amounts to be recovered from pay e.g. repayment of training expenses on leaving;
- (iii) absences from duty for sickness or other reason (e.g. jury service), apart from approved paid leave;
- (iv) changes in remuneration (either permanent or temporary), other than normal increments, pay awards and agreements of general application;
- (v) information necessary to maintain records of service for pensions, income tax, national insurance etc. This will include information on benefits in kind necessary to complete Inland Revenue forms P11D for employees e.g. leased cars;
- (vi) all time sheets affecting payments due.

10.3.2 Notification may be by on-line entry into systems where appropriate.

## **10.4 Disclosure of Officers' Emoluments**

10.4.1 The school shall disclose to the LA the number of officers whose emoluments in the year were £50,000 or more, grouped in rising bands of £10,000. It is a requirement of the CIPFA Accounting Code of Practice and Accounts and Audit Regulations (Regulations) 2015 that this is included in the LA annual statement of accounts.

## **10.5 Self-Employed Status**

10.5.1 All payments to individuals, who consider themselves to be self-employed in respect of services provided to the school, shall still be processed through the payroll system unless the status of the individual has been confirmed as self-employed in accordance with the latest HMRC Guidelines. All casual and part-time employees will nevertheless be included on the payroll.

## **10.6 Travel, Subsistence & Other Allowances**

10.6.1 All claims for the payment of car allowances, subsistence allowances, travelling and incidental expenses in relation to the performance of official duties shall be completed in a form approved by the School Governing Body, and paid in accordance with approved school procedures as currently in force.

10.6.2 Below Head Teacher level, claims by members of staff must be certified by an appropriate line manager, authorised to do so by their Head Teacher. Once claims are authorised, this indicates that the journeys were authorised, the expenses properly and necessarily incurred and that the allowances are properly payable by the school.

## **10.7 Teachers Pensions Returns (applicable to ex-Grant Maintained Schools and those schools that do not receive payroll via LBB)**

10.7.1 In accordance with the School Standards and Framework Act 1998, the LA is responsible for the remittance of all Teachers Pension Agency contributions including Additional Voluntary Contributions (AVC's).

10.7.2 Schools are required to notify the Local Authority by the 28<sup>th</sup> of each month what the total pension and AVC deductions are for each School. Payments will then be paid to Teachers Pensions Agency and Prudential by the Local Authority with a deduction the following month from each school budget share payment. Payments to Teachers Pension Agency and Prudential will be made by the 7<sup>th</sup> each month.

## **11 COLLECTION OF INCOME**

Contact: Schools' Finance Team/Internal Audit

### **11.1 Monies Due**

11.1.1 The identification of all monies due to the school is the responsibility of the School Governing Body.

11.1.2 Head Teachers will take prompt action to either:

- (i) collect the income due within arrangements approved by the School Governing Body; or
- (ii) collect all income due or to ensure that appropriate recovery procedures are undertaken where necessary

### **11.2 Receipt of Monies**

11.2.1 Where appropriate (i.e. excluding school dinner monies), every remittance or sum of money received by a member of staff at the school shall immediately be acknowledged by the issue of an official receipt.

11.2.2 If a payer by cheque does not require a receipt, the amount should still be recorded with the receipt being retained. The form of all receipts or other official documents in use should be approved by the Governing Body. Receipt books should be serially numbered and a register should be kept of all receipts and issues of such documents to members of staff, which shall be acknowledged by the signature of the recipient.

11.2.3 All monies received on behalf of the school should be paid forthwith at the Governing Body's instructions either to an appointed contractor or be banked direct to the credit of the school. Every employee who receives monies shall maintain a record, in a form approved by the Governing Body, of all amounts received and deposited.

### **11.3 Transfers of Money**

11.3.1 Every transfer of official money from one member of staff to another will be evidenced in the records of the school concerned by the signature of the receiving officer.

### **11.4 Banking**

11.4.1 All bankings must be made promptly and intact i.e. personal cheques should not be cashed out of money received on behalf of the school and official expenditure should not be incurred (i.e. school meals income) from monies collected and due to be banked.

11.4.2 All members of staff responsible for banking monies should ensure that individual cheques are listed clearly on the reverse of the bank paying-in slip or comprehensive listing. Each member of staff who so banks should also enter on the paying-in slip a reference to the related debt (such as the receipt number or the name of the debtor) or otherwise indicate the origin of the cheque.

## **11.5 Security of money held**

11.5.1 Responsibility for the safe keeping of all school monies must be designated by Head Teachers to specified members of staff within their establishments.

11.5.2 Where monies are held overnight, secure arrangements must exist for their safekeeping. Keys to safes and other secure containers should be carried on the person of the key-holder or kept under secure conditions.

## **11.6 Charges**

11.6.1 All charges determined by the school shall be reviewed at least annually by the appropriate Governing Body Sub-Committee. Such reviews should consider the possibility of introducing charges where none are currently made.

## **11.7 Write-offs**

11.7.1 The Governing Body may write-off bad debts up to £1,000 for Secondary Schools and up to £500 for Primary Schools

11.7.2 Approval for all write-offs should be detailed in committee minutes. No uncollectable amounts above the limits set above including bad debts, should be written off except with the approval of the Director of Finance, whether exercised personally or properly delegated by him to a member of his staff for this purpose.

11.7.3 Any decision to write-off an amount must be taken with the authority of the Director of Finance, as stipulated in the Accounts and Audit Regulations 2015 whether exercised personally or properly delegated by him to a member of his staff. The amounts involved, and approval granted, should be recorded in the accounting records.

11.7.4 For further guidance on write-off procedures see [Appendix 5](#).

## **12 BANKING ARRANGEMENTS**

Contact: Internal Audit / Schools Finance Team

### **12.1 LBB Banking arrangements**

12.1.1 For schools that bank via LBB banking arrangements, any changes in the formal signatories should be notified to the authority along with a sample of the signature.

12.1.2 Schools should consider banking via the authorities main bankers, currently HSBC. Favourable interest rates and reduced charges are advantages to be considered.

### **12.2 HSBC Banking**

12.2.1 Schools are able to view their balances and statements on-line

12.2.2 All banking arrangements should be made by or via the Head Teacher, who is responsible for liaising with the school bankers in relation to the school bank accounts and the issue of cheques.

12.2.3 The Head Teacher shall be authorised to operate such subsidiary bank accounts as they deem necessary. Only the Head Teacher may open or close a bank account for dealing with the school's funds. All bank accounts shall be in the name of the school and never an individual.

### **12.3 Overdraft Facility**

12.3.1 School bank accounts shall not be permitted to become overdrawn.

### **12.4 Bank Reconciliations**

12.4.1 The Head Teacher shall ensure that the school's main bank account is reconciled at least once a month and subject to independent review, with large or unusual items investigated as appropriate.

12.4.2 The Head Teacher shall ensure that all subsidiary accounts under their control are reconciled at least once a month, and subject to independent review, with large or unusual items investigated as appropriate.

### **12.5 Cheques**

12.5.1 Cheque stationery shall be ordered only on the authority of the Head Teacher, who shall ensure that adequate bank records are maintained and regularly reconciled to records of cheques issued by the school.

12.5.2 Adequate security arrangements shall be maintained by the Head Teacher for all unused cheques for accounts under their control.

12.5.3 Cheques should only be signed by approved signatories after the cheque (including its counterfoil) has been completed in full. They should not be pre-signed under any circumstances.

12.5.4 All cheques must bear the signatures of two signatories approved by the governing body.

## **12.6 Approved Banks and Building Societies**

12.6.1 Accounts for receiving budget share payments and managing the school's financial affairs may only be held at any one of the banks or building societies as determined by the Director of Finance. These banks and building societies are as follows:-

- Royal Bank of Scotland Group (includes Nat West).
- HSBC.
- Barclays.
- Lloyds TSB Group (includes Bank of Scotland).
- Santander (includes Abbey National and Alliance & Leicester).
- Nationwide.

These restrictions do not apply to School Voluntary Fund bank accounts.

## **12.7 Closing Accounts**

12.7.1 Any school closing an account used to receive its budget share and opening another must select the new bank or building society from the approved list, even if the closed account was not with an institution on that list.

## **13 ASSETS**

Contact: Internal Audit

### **13.1 Responsibility of Head Teacher**

13.1.1 Head Teachers are responsible for the safe custody of all assets, including plant, machinery, vehicles, furniture, equipment and other non-consumable property held within their school.

### **13.2 Asset Register**

13.2.1 Each Head Teacher shall maintain either manual or electronic inventories listing all movable equipment (but not furniture, filing cabinets etc) in the custody of their school which:

- (i) cost or is valued in its current condition at more than £1,000; or
- (ii) is attractive and portable; and

13.2.2 The inventory should, where applicable, record details of make, model number etc of equipment held and wherever possible a serial number, and at least one copy should be held separately from the assets that it lists.

13.2.3 Each Head Teacher shall arrange for physical verification of the items on their inventory records to be undertaken at least annually. This verification should be evidenced in writing, signed by the authorised member of staff and retained for audit purposes.

### **13.3 Removal of property from school site**

13.3.1 The school's property shall not be removed except in the normal course of the school's business or used otherwise than for the school's purposes unless specifically authorised by the Head Teacher. Where a Head Teacher authorises temporary removal of property, a formal record shall be maintained indicating where the property can be located and shall be signed by the member of staff responsible for its safekeeping.

### **13.4 Identifying assets**

13.4.1 So far as is practical, all items should be effectively marked (using current security techniques e.g. invisible ink) as school property.

### **13.5 Deletions from the asset register**

13.5.1 Head Teachers may authorise items to be deleted from an inventory of their School where:

- (i) the item has become obsolete and / or is no longer adequate for the purpose intended;

- (ii) the item is broken or worn and of no further useful purpose;
- (iii) the item has become surplus to requirements;
- (iv) has been lost or stolen, in which case the Director of Finance should be informed for insurance requirements (where applicable).

## **13.6 Disposal of assets**

13.6.1 For disposal procedures see [Section 14](#)

## **14 DISPOSAL OF ASSETS**

Contact: Internal Audit

### **14.1 Obtaining Best Price**

14.1.1 Each School Governing Body is responsible for ensuring that the best possible price is obtained from the disposal of assets under their control.

### **14.2 Assets under £1,000**

14.2.1 If assets to be disposed are under the value of £1000, they should be disposed of at the discretion of the Governing Body.

### **14.3 Assets £1,000 to £40,000**

14.3.1 Where the estimated current value of the asset exceeds £1,000 but is less than £40,000 the following should be considered:

- (i) offer the item(s) to all schools and then Council Departments
- (ii) sealed tenders or offers;
- (iii) advertising;
- (iv) sale by public auction;
- (v) sales to staff (this method of disposal should be used only where there are good reasons for not pursuing other alternatives and should always be by sealed offers unless otherwise agreed by the Director of Finance).

### **14.4 Assets exceeding £40,000**

14.4.1 Where the estimated value of the asset(s) is over £40,000, the tendering procedures in [Section 6](#) of these Regulations shall be followed.

## **15 LOANS AND INVESTMENTS AND LEASES**

Contact: Schools Finance Team/Internal Audit

### **15.1 Loan Agreements**

15.1.1 As schools do not have the legal powers to borrow, the school Governing Body should not enter into any loan agreements, other than with the LA, without the written permission of the Secretary of State for Education and Employment as stipulated in the Scheme for Financing Schools.

### **15.2 Leases**

15.2.1 This prohibition also applies to some types of lease, which are equivalent to borrowing. Therefore, apart from operational leases such as those for photocopiers schools should seek the advice of the Local Authority for other types of leases.

## **16 INSURANCE, SECURITY OF ASSETS AND RISK MANAGEMENT**

Contact: **Insurance**

### **16.1 Introduction**

- 16.1.1 The School Governing Body shall be responsible for effecting or approving the arrangements for all insurance cover on behalf of the school. All such policies should be made available to the Director of Finance for inspection. The School Governing Body will also make arrangements to ensure that appropriate records are kept of all property and risks covered.
- 16.1.2 In accordance with the Standards & Framework Act 1998, the LA will require the school to demonstrate that cover relevant to the LA's insurable assets, under a policy arranged by the School Governing Body, is at least as good as the relevant minimum cover determined by the LA.
- 16.1.3 The School Governing Body is responsible for ensuring that all appropriate employees of the school shall be included in suitable fidelity insurance.

### **16.2 Assets**

*N.B. - The following regulations apply where cover is arranged by the LA*

- 16.2.1 The Head Teacher shall notify the Insurance and Risk Manager promptly in writing of any proposals that will effect insurance arrangements. Any additions, deletions or alterations in the functions of the establishment and any alterations or extensions to the school buildings, that could increase or decrease insurable risk should also be notified in writing. The Insurance and Risk Manager will give advice as appropriate.
- 16.2.2 All overnight cash holdings in safes must in practice be agreed with the Insurance Manager to effect Money Insurance cover, as this is covered internally as a risk rather than with external insurers. A safe schedule will then be maintained containing relevant details e.g. location, type, permitted maximum holding (as determined by the insurance market) and the agreed amount for the particular location. The overnight limit includes cash, postal orders, cheques and anything negotiable as money.
- 16.2.3 Schools will be advised of maximum levels of cash holdings for insurance purposes.
- 16.2.4 Head Teachers must ensure that the Insurance and Risk Manager is kept informed of any changes to the official departmental safe inventory, whether new safes or replacements.

### **16.3 Off-site assets**

- 16.3.1 Any employee of the school who is authorised to make use of their own vehicle in the execution of the school's business shall be responsible for effecting adequate insurance cover for such use and shall produce to their Head Teacher on request evidence of the adequacy of such cover, unless the school's insurance policy specifies otherwise.
- 16.3.2 Schools shall ensure that any item on the asset register taken off-site, are included under the insurance cover arranged either by the school or the LA.

### **16.4 Claims**

*N.B. - The following regulations apply where cover is arranged by the LA*

- 16.4.1 Head Teachers shall immediately notify the Insurance and Risk Manager and, where appropriate, the Police upon the occurrence of any loss, damage, liability or potential liability in connection with their school except that notification is not required if the value is less than £500 and results from malicious damage. Initial notification may be by telephone. Evidence supporting the claim should be provided in such form as may be required by the Insurance and Risk Manager.
- 16.4.2 In respect of liability claims, *no* comment should be made to any third party and *no* action taken without first consulting with the Insurance Section.
- 16.4.3 Head Teachers are responsible for ensuring that insurance limits are not exceeded in their establishments.

### **16.5 Security**

- 16.5.1 Keys to safes and similar receptacles shall be in the safekeeping of those responsible at all times. The loss of any such keys shall be reported to the Head Teacher immediately
- 16.5.2 Each School Governing Body is responsible for maintaining adequate security at all times for all assets under their control. All monies must be locked away when unattended and lockable cupboards should be used in the absence of a safe.
- 16.5.3 Head Teachers and Governing bodies shall take steps to adhere to any financial systems of check in connection with Fidelity Guarantee Insurance.
- 16.5.4 The Governing Body are responsible for maintaining proper security, at all times, for the buildings and assets under their control

## **16.6 Contractors**

16.6.1 It is the responsibility of the Head Teacher to ensure that any contractors appointed by the school provide details of adequate, continuing public and product liability insurance. Seek advice from the Insurance Manager regarding adequate insurance cover for contractors. Where any contract is arranged via the LA , the responsibility for verifying insurance shall fall to the appointing officer

## **16.7 Risk**

16.7.1 The Governing Body should ensure that a risk management process is maintained for the school.

16.7.2 Head Teachers must:

- ensure that adequate risk management controls are implemented, monitored and reviewed;
- notify the Insurance and Risk Manager immediately of any loss, liability or damage that may lead to a claim against the Council or the school;
- notify the Insurance and Risk Manager of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances;
- consult with the Insurance and Risk Manager and the Head of Legal on any terms or any indemnity that the Council is requested to enter into on behalf of the school.

## **16.8 Further Contact**

16.8.1 Full details of information regarding insurance can be obtained from the Insurance and Risk Manager , Finance Department

## **17 INTERNAL AUDIT AND INTERNAL CONTROL**

Contact: Head of Audit and Assurance

### **17.1 Definition and Responsibilities**

17.1.1 Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The Charter for Bromley's Internal Audit service is included at [Appendix 6.](#)

17.1.2 An adequate and effective system of internal audit of the accounting records and control systems of the Authority will be maintained by the Director of Finance, under delegated authority from the Council.

17.1.3 The Accounts and Audit Regulations 2015 require the Authority ("relevant body") to maintain responsibility for internal audit, rather than the Responsible Financial Officer (RFO) designated under section 151 of the Local Government Act 1972. However, Bromley, like many other local authorities, has delegated this responsibility to the Director of Finance.

### **17.2 Access to documents and information for audit**

17.2.1 Upon production of proof of identity and authority, the Head of Audit and Assurance or his representative shall have the right to enter, without prior notice, every School and require any officer, member, teacher or governor:

- (a) to make available all documents of the School which relate to their accounting and other records as appear to the auditor to be necessary for the purpose of the audit, including any information of a confidential nature;
- (b) to supply such explanations and information as are considered necessary for the purpose of the audit; and require any member of staff, Governing Body or agent of the School to account for assets under his/her control.
- (c) to produce cash, stores or any property of the School in their custody.
- (d) the Head of Audit and Assurance or his representative shall be able to enter any Council premises or land, including the premises of Schools receiving delegated budgets from Bromley Local Education Authority;

### **17.3 The Audit Cycle**

17.3.1 The schools audit cycle is based on an assessment of risks. An annual report is provided to the Audit Sub-Committee which includes the schools' audits carried out during the previous year.

### **17.4 Audit Reports**

17.4.1 All audit reports shall be presented by the Head Teacher to the Governing Body for consideration. Where recommendations are accepted, their implementation shall be overseen by the Governing Body. Recommendations may only be rejected where there are valid reasons for doing so, and these reasons have been notified to Internal Audit.

### **17.5 Internal Control**

17.5.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives.

17.5.2 Head Teachers and Governors must ensure that adequate systems of internal control are established, adhered to, tested and reviewed.

## **18 FRAUD & CORRUPTION**

Contact: Head of Audit and Assurance

### **18.1 Reporting Irregularities**

18.1.1 Head Teachers and Governing Bodies under the Schools' Raising Concerns ("whistleblowing") procedure shall inform the Director of Finance immediately of any suspected irregularity affecting income, expenditure, cash, stores or other resource of the Council so that the Director of Finance may, if he considers it appropriate, conduct an independent investigation thereof.

18.1.2 All employees have a responsibility for the security of the School's assets. Any employee or Governor who becomes aware of non-compliance with these Regulations or suspects any irregularity in respect of the Schools' systems and procedures should immediately notify their Head Teacher, normally through their line manager. If for any reason an employee or Governor feels unable to raise their concern through school management, they should do so through a nominated officer referring to the Council's whistleblowing policy as detailed in section 3.7 of these Regulations.

### **18.2 Further Guidance**

18.2.1 Further guidance is contained in the Fraud & Corruption Protocol at [Appendix 7](#).

## **19 INFORMATION SYSTEMS**

Contact: **Information Management / Internal Audit**

### **19.1 Data Protection**

19.1.1 Each School shall ensure that adequate procedures exist to ensure compliance with the Principles of the GDPR and UK DPA Act 2018 in respect of personal data held in computerised and manual information systems. More information on the requirements of the Act can be found at <https://ico.org.uk/>

Each Head Teacher shall nominate a Data Protection Officer

- to inform and advise you and your employees about your obligations to comply with the GDPR and other data protection laws;
- to monitor compliance with the GDPR and other data protection laws, and with your data protection policies, including managing internal data protection activities; raising awareness of data protection issues, training staff and conducting internal audits;
- to advise on, and to monitor, [data protection impact assessments](#);
- to cooperate with the supervisory authority; and
- to be the first point of contact for supervisory authorities and for individuals whose data is processed (employees, customers etc).

### **19.2 Freedom of Information**

19.2.1 Each School shall comply with the requirements of the Freedom of Information Act 2000.

### **19.3 Safeguarding Information**

19.3.1 Information should be safeguarded and adequate back-up procedures should be followed. Any copies taken off-site should be stored securely.

19.3.2 All employees have a responsibility to ensure that they do not cause the loss, unauthorised destruction or disclosure of personal data in contravention of such Principles.

19.3.3 Each Head Teacher shall be responsible for ensuring that access to computer systems under their responsibility is properly controlled (e.g. appropriate use of, and regular changing of, confidential passwords)

### **19.4 Disaster Recovery Plan**

19.4.1 The Head Teacher shall establish a disaster recovery plan, which considers the recovery of records and data in the event of a serious incident such as a fire. Where possible this plan should be tested to ensure that school business shall continue as far as is possible.

## **19.5 Further Guidance**

### **19.5.1 Contact the Council's Information Management Team**

## **20 VOLUNTARY FUNDS**

Contact: Schools Finance Team

### **20.1 Standards of Guardianship**

20.1.1 Voluntary funds often provide schools with a substantial additional source of income. Although such funds are not public money, the standards for the guardianship of these needs to be as rigorous as those for the administration of the school's delegated budget. Parents, pupils and other benefactors are entitled to receive the same standards of stewardship for the funds to which they have contributed.

### **20.2 Voluntary Fund Account**

20.2.1 Where a School operates a Voluntary Fund that incorporates a separate bank account, accounts should be drawn up annually, including:

- A Balance Sheet
- Income and Expenditure Statement

20.2.2 Where the voluntary fund is merged into the main school fund, transactions for voluntary funds should be clearly identified.

### **20.3 Audit of Voluntary Fund**

20.3.1 Voluntary fund accounts should be audited by a suitably qualified individual independent of the fund. The auditor should give assurance that the same standards of financial accounting which apply to income and expenditure for the school's delegated budget are applied to the voluntary fund.

20.3.2 The audited accounts and audit certificate should be presented to Governors as soon as possible after the end of the accounting year and their approval minuted.

20.3.3 Internal Audit reserve the right to review the Voluntary Fund if required.

## **21 RETENTION OF DOCUMENTS**

Contact: **Director of Education and Information Management Team**

### **21.1 Secure Retention**

21.1.1 Head Teachers shall be responsible for ensuring that the accounts and supporting records of the school are maintained securely in accordance with proper practices and for the safe custody and proper use of controlled stationery (i.e. having an implicit monetary value) within their establishment.

Head Teachers shall ensure that accounting records are retained in safe custody for such period as shall be determined by the Director of Finance and no voucher or other document shall be destroyed before the specified period has elapsed. The Director has determined that the Financial, Payroll and Pension records should be kept in line with the Information and Records Management Society of the UK "School's Toolkit". Please follow the link below:

[IRMS Schools Toolkit](#)

### **21.2 Disposal of Documents**

21.2.1 Application of a current year +6 year retention for most financial records related to schools is likely to be an adequate minimum retention period, except for loans and grants and contracts under seal where current year + 12 years minimum is required.

21.2.2 The ultimate disposal of financial records should be arranged by each Head Teacher as "confidential waste" and on no account should sensitive information be disposed of through the normal waste collection process.

**APPENDIX 1: SCHOOL FINANCIAL MANAGEMENT - LINE DELEGATION AND ACCOUNTABILITY**

**Governing Body**

Delegated powers for decision-making to:-

FINANCE COMMITTEE  
(Via Terms of Reference)

**Finance Committee**

Budget Approval  
Virement approval over (amount agreed to be input)  
Monthly Monitoring Reports  
Termly reporting to full Governing Body  
Accountability to LA and Parents  
Delegation to HT

**Head Teacher**

Preparation of Draft Budget Report  
Reporting to Governors  
Virement of monies up to (amount agreed to be input)

Weekly Monitoring  
Delegation to Senior Admin Officer  
Monitoring or Expenditure  
Authorising Orders/Invoices  
Ensure up to date inventories are kept of stock and other assets – checked annually  
Ensure compliance with schools Financial Regulations

**Staff who are Named Signatories**

To sign Cheques

**NB Three people to be involved in the whole payment process through from ordering to signing of cheque.**

Finance Officer or Equivalent

See Tasks

**Tasks for the Finance Committee**

To report to the Governing Body termly, in writing

To agree virement over £..... (AMOUNT AGREED BY GOVERNORS TO BE INPUT)

To participate in Budget Setting

To monitor Monthly Budget Reports

To monitor expenditure against Budget and evaluate the outcomes

**Tasks for the Head Teacher**

Agreeing Budget Share Allocation with LA

Drafting the Budget with Finance Committee

Consulting the Deputy Head re Curriculum Budget, other Post holders and non teaching staff along with SIP priorities

Monitoring of Budget Spending

Approving Invoices for payment

Signing Cheques in the absence of Deputy Head or other signatories

Presentation of Accounts to Finance Committee (Budget Share Account/Voluntary Fund Account)

Ensure that internal financial procedures and systems are followed

Sign off bank reconciliation when completed

**Tasks for the Deputy Head**

Participation on the Finance Committee

Signing Cheques

Authorising Orders and Invoices in the absence of the Head Teacher

**Tasks for the Post holders and Site Manager**

Planning, presentation and monitoring of their particular curriculum and/or management budgets

**Tasks for the Finance Officer or Equivalent**

To be responsible for:-

Recording External Income

Reconciling Bank Statement monthly

Banking of all monies

Raising all Orders

Checking receipt of goods

Checking Invoices – preparing for payment

Payment of Invoices

Signing of Cheques

Checking correct coding to Ledger Code and Cost Centre

Control of Petty Cash Accounts

Monitoring of recording procedures

Finance Committee monthly reports

Monthly reports to Budget Holders re spending

Ensuring regular back-up procedures are followed for computerised financial records

Recording income and expenditure for School Voluntary Fund

Preparing and submitting School Voluntary Fund for auditing

Ensuring ‘value for money’ when ordering

Chasing up outstanding goods

Reporting damaged or faulty goods to suppliers

**APPENDIX 2: REGISTER OF GOVERNORS AND STAFF BUSINESS INTERESTS**

Example

I set out below any business interests (e.g. directorships, partnerships, see overleaf) which could be relevant to goods and services supplied to the school, and have put “none” where I have no such interests.

Governor/Staff Member (please delete accordingly)

---

---

---

Close family member i.e. Spouse/Partner

---

---

---

**I declare that I have not knowingly:**

- **omitted any information that I ought to declare;**
- **provided any information that is false.**

**Signed:**

---

**Print Name:**

---

**Date:**

---

**Clerk to the Governors:** \_\_\_\_\_ **Date:** \_\_\_\_\_

## **BUSINESS INTERESTS**

- 1) We have no set definition of a ‘significant interest’. You should consider whether the interest is likely to be regarded as such if it were publicly known. For example, we are not likely to regard £5,000 invested in a major national organisation (eg: Barclays Bank) as significant; whereas £5,000 invested in a smaller company providing local services would be something which you should declare. If in doubt, please tell us.**

  - **take no part in the consideration or the discussion of the contract or matter,**
  - **unless the governing body otherwise allow, withdraw from the meeting during such consideration or discussion; and**
  - **do not vote on any question with respect to the contract or matter.**
- 2) A person shall be treated as having an indirect business interest in a contract, proposed contract or other matter within paragraph 1) if:**

  - **He/she or any nominee of his/hers is a member of a company or other body with which the contract was made or is proposed to be made or which has a direct business interest in the matter under consideration: or**
  - **He/she is a partner, or is in the employment of, a person with whom the contract was made or is proposed to be made or who has a direct business interest in the matter under consideration.**
- 3) A person shall be treated as having a direct or indirect business interest in a contract, proposed contract or other matter, if a relative (including his/her spouse) living with him/her, to his/her knowledge has, or would be treated (under paragraph 2) above) as having such an interest, direct or indirect.**

## **APPENDIX 3: LATE PAYMENT OF DEBTS**

### **Background**

1. The Late Payment of Commercial Debts (Interest) Act 1998 and the Late Payment of Commercial Debts Regulations 2013 provides a statutory right to claim interest on the late payment of commercial debts. Previously, businesses were only able to claim interest on late paid debts if it was included in the contract or if they pursued the debt through the courts and the courts decided to award interest.

### **Contracts**

2. The legislation gives precedence to contractually agreed provisions. However, the Act contains provisions to prevent parties to a contract “contracting out” of the legislation by setting very low rates of interest on late payments, or by extending credit terms excessively or by any other terms which result in no substantial remedy for late payment. The provisions apply the test of “reasonableness” to such terms.

### **Definition of key terms**

3. *Late payment*: a payment is “late” when it is received after:
  - the expiry of the contractually agreed credit period (whether agreed orally or in writing); or
  - the credit period in accordance with trade custom and practice or in the course of dealing between the parties; or
  - the default credit period defined in the legislation (30 calendar days).
4. *Commercial debt*: the Act applies to a debt under a contract for the supply of goods or services where the purchaser and the supplier are each acting in the course of a business.

### **Size of Debt / Statute of Limitations**

5. No minimum level has been set below which a claim for interest cannot be made but claims for interest must be made within six years.

### **Credit periods**

6. Where no credit period is defined in a contract, or no contract exists, the Act sets a default credit period of 30 (calendar) days from delivery of an undisputed invoice for payment, or delivery of the goods and / or service, whichever is the later.
7. This is also the measure used by the Local Authority for payment of undisputed invoices. Time starts from the date the Local Authority (not the payment section) receives the invoice to the date of:

- despatch of a cheque or other payment instrument;
- notification to bank for BACS payments; or;
- bank processing of the payment if the Local Authority specifies a period after which the bank is to make the payments once it has received the BACS file.

If an invoice is received in advance, the 30 day or agreed term period starts from the satisfactory receipt of goods and/or services. Where the date the Local Authority receives the invoice it allows 2 working days to be added to the date of invoice.

8. Some purchasers and suppliers have a long-standing relationship in which there is no agreed credit period but the purchaser usually pays at the end of the month following the month in which the invoice is received. Where this is standard practice the credit period is considered to end on the last day of the month following the month in which the invoice is received. Interest starts the next day.

### **Interest**

9. The Act seeks to recompense creditors for the cost of the payment delay. It provides power for the Secretary of State to set the rate of statutory interest and this is currently set at the Bank of England base rate for business to business transaction + 8%.
10. The current (and past) UK base rate can be found on the Bank of England web site at:

<https://www.bankofengland.co.uk/statistics>

<https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp>

11. Interest is calculated as simple, not compound, interest as follows:

$$\text{Debt} \times \text{Interest Rate} \times \frac{\text{the number of days late}}{365}$$

12. Interest stops running on a debt once the principal has been paid. However, unless payment is accepted on other terms, any part payment of the debt will go to reduce the amount of the interest first.

### **Separation and assignment of interest**

13. The Act allows the interest to be pursued separately from the principal debt and permits assignment of the interest to third parties, such as factors.

## APPENDIX 4: ACCOUNTING FOR VAT

Schools (excluding Community non-cheque book schools) are responsible for the administration of VAT relating to their own activities.

It is important that each school understands its responsibilities in this regard. Failure to comply with the requirements of HM Revenue and Customs may result in penalties being imposed on the Authority. In this situation the penalty would have to be met from the school's budget share.

The guidance set out below is intended for general guidance only. For more detailed and definitive advice schools should get further information and VAT advice from Maria Wiles in the Chief Executives Department.

### **Income**

Debtors' invoices raised by Schools need to meet the same requirements as a full tax invoice received from suppliers (see below under "checking that your invoices are valid") and must also include a "unit price". Unit price applies to countable goods or services, for example an hourly rate for services or price per item for goods. If the supply cannot be broken down into countable elements then the total tax exclusive price will be the unit price. The unit price may not need to be shown at all if it is not normally provided in a particular business area and is not required by the customer.

### **Expenditure**

The VAT element of expenditure should always be coded out separately.

Checking that your invoices are valid

**HM Revenue & Customs lays down strict rules on what constitutes a valid VAT invoice. You must ensure that the invoices processed by your School meet these requirements in order for the Authority to be able to recover the VAT. Details are as follows:**

Full Tax Invoice - (for all Invoices of more than £250)

A full tax invoice must show the following information:

An identifying number for the invoice

The supplier's name, address and VAT registration number

The date and a description of the goods or services supplied

The customer's (the London Borough of Bromley or its representative e.g. School) name and address

The unit price

The total charge made, excluding VAT

The rate of any discount offered, if applicable

The total VAT payable, shown as a separate amount

Less Detailed Tax Invoice - (for Invoices of £250 or less including VAT)

A less detailed tax invoice (e.g. a till receipt) must still show the following information:

The supplier's name, address and VAT registration number

The date and a description of the goods or services supplied

The total charge made, including VAT

The rate of VAT applicable (not all supplies may be standard rated)

Invoices or reimbursements of less than £25 (including VAT) for the following do not require VAT invoices:

Telephone calls from public or private telephones

Purchases through coin operated machines

Car park charges (on-street parking meters are not subject to VAT)

HM Revenue & Customs will allow recovery of the VAT element as long as the supplier is properly VAT registered. Most of the payments will be staff expenses reimbursed via petty cash and schools are reminded that the VAT element of such payments must be separately allocated.

**Errors on Tax Invoices**

Where errors have been identified on tax invoices e.g. the VAT has been calculated incorrectly, you must not attempt to correct these or amend the invoice in any way. The supplier must cancel the invoice, usually by way of a credit note, and re-issue a correct tax invoice.

**Pro Forma Invoices**

Pro forma invoices are sometimes used by suppliers to offer goods or services, which may or may not be taken up by the customer. Pro forma invoices cannot be used as evidence for reclaiming VAT and will normally be marked "THIS IS NOT A VAT INVOICE". Where such payments are made the supplier must issue a proper tax invoice.

**Part Payments on Disputed Invoices**

If a part payment is made on a disputed invoice VAT should be calculated on this amount and added to the payment. The original invoice should be retained and any VAT included in the part payment can be recovered in the normal way as long as it does not exceed the VAT shown on the disputed invoice. Where the disputed invoice subsequently turns out to be incorrect the supplier should be requested to issue a credit note, which bears a reference to the identifying number and date of the invoice. The VAT adjustment on the credit note, plus the VAT element on the original invoice, should then equate to the actual payment of VAT.

**Sub-Contractors Invoices**

Where a contractor to the Council who is not registered for VAT employs a sub-contractor who is registered for VAT, the Council cannot recover VAT included on the sub-contractor's invoices even if these are made out to the London Borough of Bromley. This is because the supply for VAT purposes is between the sub-contractor and the main contractor and not the Council.

## **Removal Expenses**

Where an employee is reimbursed actual removal expenses the School can reclaim the VAT element of those expenses from HM Revenue & Customs even though the original invoice is made out to the employee. The majority of these reimbursements are made through payroll. When schools submit removal expenses claims for reimbursement would they please ensure that the VAT element is identified so that the payroll section/provider can allocate the VAT separately and that valid VAT invoices accompany all claims.

Where a school makes the payment direct please ensure that the VAT element is separately coded

## **Monthly VAT Return**

All VAT should be accounted for on a payments and receipts basis. When the VAT return is received at Chief Executives Department it will be consolidated into the Authority's overall return to HM Revenue and Customs. Once this has been done a payment will be made to the school for reimbursement for the VAT submittal.

## **Penalties**

HMRC may impose penalties for misdeclarations of VAT for whatever reason. The penalty may represent 100% of the amount involved. Where the total of all misdeclarations or errors is £10,000 or less no penalty will be imposed as Customs & Revenue allows these misdeclarations to be included in the next VAT return without any specific reference to the local VAT office. However, if the misdeclaration or error in total exceeds £10,000 Schools should not attempt to correct these but should instead notify Maria Wiles in the Chief Executives Department on extension 7565. Generally, errors can only be corrected in the last four years. These will then be referred on a case-by-case basis to the VAT office in London.

Interest will be charged on misdeclarations of VAT even if no penalty is imposed. However, Schools should be aware that they will be charged with any interest or penalty payments that may be payable to Revenue & Customs.

## **Supplies of Goods and Services between Local Authorities**

Local Authorities are required to charge VAT on the sale of goods to other Local Authorities in the same way, as VAT is chargeable on sales to other organisations. Please remember to charge VAT on such sales at the standard rate (20%).

Certain services between Local Authorities are also subject to VAT if provided in competition with other organisations. However, VAT should not be charged on any services provided under a statutory obligation as these are deemed to be non-business. If you are in any doubt about the correct VAT treatment you should contact Maria Wiles in the Chief Executives Department on extension 7565.

## **Guidance Notes**

As you are aware VAT is a very complex area of taxation. If your School wishes to issue further guidance notes to staff it is MOST IMPORTANT that all drafts of guidance are cleared by the Chief Executives Department before being issued. Your

draft can be e-mailed to Maria Wiles who will check your guidance against the latest HMRC advice.

**VAT Registration Number**

The London Borough of Bromley's VAT registration number is "205 5959 54"

**Queries**

Any VAT queries should be referred to Maria Wiles in the Chief Executives Department on extension 7565.

**APPENDIX 5: PROCEDURE FOR WRITE OFFS****Background**

1. The Authority has a duty to maximise revenue collection. However, circumstances may arise in which amounts due must, for all practical purposes, be deemed un-collectable.
2. The Accounts & Audit Regulations 2015 require that in such circumstances a decision to write-off an amount must be taken with the authority of the “section 151 officer” (i.e. Director of Finance), whether exercised personally or properly delegated by him to a member of his staff. The amounts involved, and approval granted, should be recorded in the accounting records.
3. No such provisions apply where debts are “cancelled” i.e. because they were incorrectly raised (e.g. wrong amount, wrong debtor) or “waived” i.e. because an authorised policy decision was taken not to charge or to reduce the charge of an amount otherwise properly payable by a debtor.

**Bad Debts / Loss of Income**

4. The Director of Finance may approve the write-off of any amounts properly charged, but deemed uncollectable, in the following cases:
  - (i) bankruptcy or liquidation (where every effort should be made to minimise the loss);
  - (ii) the company having ceased trading and there being no assets;
  - (iii) the debtor being untraceable or having moved abroad;
  - (iv) court decisions;
5. Other individual bad debts or loss of income, not falling into these categories, may be written off as follows:
  - (i) By the Governing Body, if it does not exceed £1,000 for secondary schools and £500 for primary schools;
  - (ii) by the Director of Finance, or his delegated officer, if over £1,000 not exceeding £5,000;
  - (iii) by the Director of Finance after consulting with the relevant Executive Member if over £5,000 not exceeding £25,000;
  - (iv) by the Director of Finance with the approval of the Executive if exceeding £25,000.

## **APPENDIX 6: INTERNAL AUDIT CHARTER**

### **Purpose**

Internal auditing is an independent, objective assurance and consulting activity designed to add value to improve the London Borough of Bromley's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit is a statutory requirement. The Accounts and Audit Regulations 2015 require the Council as a "relevant body" to maintain an "adequate and effective system of internal audit of their accounting records and control systems".

The Public Sector Internal Audit Standards (PSIAS) set down the scope, powers and responsibilities of internal audit functions and internal auditors. Internal Audit supports the Director of Finance in undertaking statutory responsibilities for the proper administration of the Council's financial affairs and for reporting unlawful actions under the Local Government Act 1972 Section 151. The Accounts and Audit Regulations (2015) specifically require the provision of an internal audit service.

### **Authority**

Internal Audit, with strict accountability for confidentiality and the safeguarding of records and information, is authorised full unrestricted access to any and all of the organisation's records, physical properties, assets and personnel pertinent to carrying out any engagement. All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. The Head of Audit and Assurance will also have unrestricted access to the Chief Executive and the Chairman of the Audit Sub-Committee.

To enable the external auditors to discharge their responsibilities, Internal Audit will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that has been finalised.

### **Responsibility**

The Head of Audit and Assurance provides an annual opinion in the Annual Governance Statement to the Council and to the Section 151 Officer, through the Audit Sub-Committee, on the adequacy and the effectiveness of the internal control system for the whole Council. To achieve this, Internal Audit has the following objectives:

- ▶ Provision of an independent and objective audit service that effectively meets the Council's needs, adds value, improves controls and helps protect public resources,
- ▶ Assure management that the Council's business is being conducted in accordance with statutory requirement, internal regulations and procedures,
- ▶ To impact on the effectiveness of governance, risk management and internal control of the organisation,

- ▶ Provision of advice and support to management to enable an effective control environment to be maintained,
- ▶ To promote, in conjunction with the Royal Borough of Greenwich, an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud,
- ▶ To investigate, in conjunction with the Royal Borough of Greenwich, allegations of fraud, bribery and corruption,
- ▶ Co-ordinating the National Fraud Initiative (NFI) exercises for the Council,
- ▶ Liaising with and advising the Royal Borough of Greenwich about other proactive exercises to identify fraud,
- ▶ Advising on and carrying out, as required, the investigation of suspected irregularities and advising on the appropriate action to be taken,
- ▶ Provision of relevant training, fraud awareness, audit controls on key findings and risk management.

Sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal Audit procedures are designed to focus on areas identified by the organisation as being of greatest risk and significance.

#### Counter fraud

The role of Internal Audit in relation to Counter Fraud is set out in the Anti-Fraud and Corruption Strategy. Internal Audit may assist or lead in the identification and investigation of suspected fraudulent activity in conjunction with its partnership with the Royal Borough of Greenwich Fraud Team. This may include referrals through the Council's Whistleblowing Policy (Raising Concerns), the National Fraud Initiative, or matters identified in the course of audit work. The outcomes of counter fraud work are communicated to the Audit Sub-Committee and senior management where appropriate.

#### Risk management

Internal Audit is responsible for co-ordinating risk management work and developing the risk management approach with the Corporate Risk Management Group. These roles, together with authoring risk reports and providing advice, are legitimate roles for Internal Audit so long as safeguards are in place. The Chartered Institute of Internal Auditors' position paper on 'The role of internal audit in Enterprise-wide Risk Management' defines what is considered legitimate. These include:

- Ensuring that overall responsibility for risk management sits with the Corporate Leadership Team, Directors and the Audit Sub-Committee,
- A resource to provide risk management services is made available and reported in the audit plan, agreed by the Audit Sub-Committee,

- Internal Audit do not set the risk appetite for the Council, or take operational responsibility for risk actions and
- Any review or internal audit of the effectiveness of the risk management process will be undertaken independently. This enables independent assurance to be provided to the Audit Sub-Committee.

### Insurance

The Head of Audit and Assurance has line management responsibility for the Insurance service. This is a separate service to the Internal Audit function. Any audit of Insurance will be audited independently and reported to the Director of Finance.

### Advice and consultancy

Internal Audit resources may, occasionally, be better focussed on providing advice and consultancy reviews rather than assurance. Consultancy activities (eg guidance, advice and training) carried out are intended to improve governance, risk management and control processes and add value.

### Management responsibilities

Internal Audit requires the full co-operation of senior management if it is to be effective. In approval of this Charter, the Audit Sub-Committee and the Director of Finance require management to co-operate with Internal Audit in the delivery of their work. This includes, but is not limited to, agreeing the terms of reference for audit assignments, providing access to appropriate records, systems and personnel, responding to draft reports and implementing audit recommendations in line with agreed timescales.

Senior management will also update the Head of Audit and Assurance of significant proposed changes to systems, processes, organisation structures, newly identified significant risks and cases of suspected or detected fraud, impropriety or corruption.

Senior management will also ensure that Internal Audit has sufficient resources to fulfil the Annual Audit Plan agreed by the Audit Sub-Committee.

### **Due Professional Care**

In carrying out our Internal Audit work we are bound by the requirements of:

- UK Public Sector Internal Audit Standards,
- Chartered Institute of Internal Audit's Code of Ethics and
- All Council policies and procedures,
- Bromley's Code of Corporate Governance,
- All relevant legislation,
- Seven Principles of Public Life (Nolan Principles),
- Bromley's Financial Regulations and Contract Procedure Rules.

Internal Audit is subject to a Quality Assurance and Improvement Programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the UK Public Sector Internal Audit Standards, ongoing performance monitoring and an external assessment at least once every five years by a suitably qualified, independent assessor.

A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills and audit competencies.

### **Independence**

The Head of Audit has free and unfettered access to the following:

- Chief Executive,
- Director of Finance,
- Monitoring Officer (who is the Director of Corporate Services),
- Chairman of the Audit Sub-Committee and
- Chief Officers

Internal Audit staff are required to make an annual declaration of interest to ensure that auditors' objectivity is not compromised in the event of any potential conflicts of interest.

### **Reporting**

The UK Public Sector Internal Audit Standards require the Head of Audit to report at the top of the organisation and this is done in the following ways:

- ▶ The Internal Audit Charter and any amendments to it are reported to the Audit Sub-Committee for formal approval annually,
- ▶ The annual Internal Audit Plan is compiled by the Head of Audit and Assurance taking account of the Council's risk framework and after input from Senior Management. It is then presented to the Audit Sub-Committee for formal approval. The Internal Audit Plan includes timing as well as budget resource requirements for the financial year,
- ▶ The Internal Audit budget is reported to Members and Full Council for approval annually as part of the overall Council budget,
- ▶ The adequacy, or otherwise, of the level of Internal Audit resources (as determined by the Head of Audit and Assurance) and the independence of Internal Audit will be reported annually to the Audit Sub-Committee,
- ▶ Performance against the Internal Audit Plan and any significant risk and control issues arising from audit work are reported to the Audit Sub-Committee periodically. Any significant deviation from the approved Internal Audit Plan will be communicated through this reporting process,
- ▶ Any significant unplanned activity not included in the Audit Plan and which might affect the level of assurance work undertaken will be reported to the Audit Sub-Committee,
- ▶ Any significant findings from Internal Audit's Quality Assurance and Improvement Programme will be reported to the Audit Sub-Committee.

Management will receive a timely written report at the conclusion of each Internal Audit engagement which:

- will have a short management summary,

- will detail any matters of significance that have arisen with priority one issues highlighted,
- will provide an opinion of the adequacy of controls reviewed with one of four assurance opinions given i.e. substantial, reasonable, limited or no assurance,
- will recommend practical ways in which system weaknesses can be addressed.

The distribution of reports will be set out within the terms of reference issued prior to an audit. In the event of major findings, these are reported to Chief Officers, the Chief Executive and Audit Sub-Committee.

**External Auditors**

Internal Audit will closely liaise with the external auditors to ensure maximum coverage, non duplication of audit coverage, sharing of information and the placement of reliance on Internal Audit work

## **APPENDIX 7: FRAUD & CORRUPTION PROTOCOL**

### **Introduction**

This protocol specifies how the Director of Finance and Head Teachers and Governing Bodies should manage alleged cases of fraud or corruption. It clarifies responsibilities for carrying out investigations and advises on action to be taken.

Fraud is defined by The Fraud Act 2006 as follows:

A person is guilty of fraud if he is in breach of any of the following:  
Fraud by false representation; that is if a person:

- (a) dishonestly makes a false representation, and
- (b) intends, by making the representation:
  - (i) to make a gain for himself or another, or
  - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by failing to disclose information; that is if a person:

- (a) dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and
- (b) intends, by failing to disclose the information:
  - (i) to make a gain for himself or another, or
  - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by abuse of position; that is if a person:

- (a) occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person,
- (b) dishonestly abuses that position, and
- (c) intends, by means of the abuse of that position:
  - (i) to make a gain for himself or another, or
  - (ii) to cause loss to another or to expose another to a risk of loss.

The Fraud Act 2006 repeals certain offences that are detailed in the Theft Acts of 1968 and 1978. The term “fraud” is usually used to describe depriving someone of something by deceit, which might either be misuse of funds or other resources, or more complicated crimes like false accounting or the supply of false information. In legal terms, all of these activities are the same crime, theft, examples of which include deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

Corruption is defined as:

The deliberate use of one’s position for direct or indirect personal gain. “Corruption” covers the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately.

Theft is defined as:

The physical misappropriation of cash or other tangible assets. A person is guilty of "theft" if he or she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.

Money laundering is defined as:

The process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back.

All employees are instructed to be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails. Detailed guidance is set out in the Council's Money Laundering Policy.

Bribery is defined as:

The Bribery Act 2010 introduces four main offences, simplified as the following.

- Bribing another person: a person is guilty of an offence if he/she offers, promises or gives a financial or other advantage to another person.
- Offences relating to being bribed: a person is guilty of an offence if he/she requests, agrees to receive, or accepts a financial or other advantage. It does not matter whether the recipient of the bribe receives it directly or through a third party, or whether it is for the recipient's ultimate advantage or not.
- Bribery of a foreign public official: a person who bribes a foreign public official is guilty of an offence if the person's intention is to influence the foreign public official in their capacity, duty or role as a foreign public official.
- Failure of commercial organisations to prevent bribery: organisations, which include the Council, must have adequate procedures in place to prevent bribery in relation to the obtaining or retaining of business.

Note: A 'financial' or 'other advantage' may include money, assets, gifts or services.

All employees have a responsibility for the security of the Schools assets. Any employee who suspects any irregularity should immediately inform their Head Teacher, normally through their line manager. If for any reason an employee feels unable to raise their concern through line management, then they should refer to the procedure outlined in section 3.7, Raising Concerns in Schools and seek advice from the Director of Education or Liberata Schools Team in the first instance.

Head Teachers and nominated officers, under the Raising Concerns Procedure, have a responsibility to inform the Director of Finance immediately of any suspected irregularity affecting income, expenditure, cash, stores or other resource of the Council. The Director of Finance may, if he then considers it appropriate, conduct an independent investigation.

The Council in consultation with school management, will take legal and/or disciplinary action in all cases of fraud or irregularity where it is considered appropriate.

### **Initial Allegation or Suspicion**

Internal Audit and the Head Teacher should be promptly informed of any allegations or suspicions of fraud or irregularity. To facilitate a speedy and appropriate response to any concerns expressed, initial information provided should, where possible, outline the following:

- The nature of the potential or actual loss to the School
- When and how the matter came to light
- Officers and /or other parties alleged to be implicated (names and designations where appropriate)
- “Organisation” structure showing the position and responsibility of the person(s) allegedly involved
- identify those who are aware of the potential fraud/irregularity

Care needs to be taken to ensure that members of staff who may be involved in the suspected irregularity do not become aware of the situation. Staff should not carry out their own investigation prior to notifying Internal Audit as this can affect any subsequent investigation.

Internal Audit will advise if the circumstances demand immediate action to safeguard evidence or to avoid further loss to the School. This may include removing documentation from the site and /or the suspension of employees.

Internal Audit will also advise on whether, and if so when, the Police should be informed. Initial contact with them should be made by Internal Audit. As a general rule the Council can carry out its own investigations regardless of any police involvement.

(Note: there may be instances where it is not possible to contact Internal Audit promptly e.g. weekends or evenings. At such times, for cases of identified theft rather than suspected fraud or irregularity, it is more appropriate for the matter to be reported immediately to the local police station and a crime reference obtained. In these instances Internal Audit, line management and the Insurance Manager should be informed of the details the next working day.)

### **Investigation**

Responsibility for carrying out independent investigations lies with Internal Audit in partnership with the Royal Borough of Greenwich's Fraud Team. In some cases, however, it may be more appropriate for staff in the relevant School to carry out the investigation with Internal Audit acting in an advisory capacity. The most appropriate approach will be decided by Internal Audit following the initial contact and may be revised during the investigation.

Any investigation should be carried out promptly and thoroughly. To do this staff may need to be interviewed and documentation reviewed. All stages of the investigation should be thoroughly documented. The investigation should involve, as a minimum, the following:

- a clear understanding of the allegation/suspicion
- a review of all relevant documentation. Note that documents may need to be retained during the investigation
- identification and interviews with all appropriate staff/individuals to determine such things as relevant procedures and practices
- consideration of alternative explanations for the situation
- an evaluation of all the evidence
- a conclusion based on the findings

The findings of the investigation could be used during disciplinary or legal action. Consequently care needs to be taken to ensure that evidence is safeguarded and that the investigation is thorough and the conclusions reached are valid. The findings of the investigation should be treated as confidential.

During the investigation it may be necessary for individuals to be interviewed under caution. This should be carried out by suitably qualified staff following Legislation and relevant guidelines.

There will be instances where documentation is taken away by Internal Audit or the investigating officer for safeguarding during the investigation. The originals should be removed rather than copies. These should be kept secure and a statement prepared stating how, when and who removed the documents and where they will be stored. A decision on the removal of documents needs to be made early on in the investigation to avoid the risk of unauthorised removal or tampering.

The Head Teacher and Head of Audit and Assurance should be kept informed of progress during the investigation. This can be done verbally and/or by preparing written progress reports. At the end of the investigation a report should be prepared for the Head Teacher and Head of Audit and Assurance. This should include all the issues listed above together with any other relevant information. This should form the basis of a decision for any further action to be taken.

### **Action**

It is for the Head Teacher to take appropriate action where there is evidence to support instances of fraud or irregularity. The Head of Audit and Assurance should be kept informed of action taken and relevant outcomes. These could include referral to the police, disciplinary action and/or recovery of any amounts involved.

The Head Teacher is also responsible for ensuring that any system weaknesses identified during the investigation are addressed.

The authority has a detailed anti fraud and corruption strategy that sets out Bromley's expectations. It is suggested that Schools make reference to the Anti-Fraud and Corruption Strategy 2019. Further advice is available from the Head of Audit and Assurance.

## Agenda Item 7

# Report No. CEF20022

# **London Borough of Bromley**

## PART ONE - PUBLIC

**Decision Maker:** SCHOOLS FORUM

**Date:** 17<sup>th</sup> September 2020

**Decision Type:** Non-Urgent      Executive      Non-Key

# Title: FALLING ROLLS FUND

**Contact Officer:** Julie Crew, Schools Funding Manager  
Tel: 020 8603 3573 E-mail: Julie.Crew@liberata.com

**Chief Officer:** Jared Nehra, Director of Education

**Ward:** (All Wards);

## 1. Reason for report

- 1.1 This report provides the information on the levels of use of the falling rolls fund.

## **2. RECOMMENDATION(S)**

## **2.1 The Schools Forum are requested to:**

- (i) Agree the Strategy for the Falling Rolls Fund moving forward, whether it should be continued or should cease and the funding rolled into the general funding formula for 2021/22.

## Corporate Policy

1. Policy Status: Not Applicable
  2. BBB Priority: Health and Integration
- 

## Financial

1. Cost of proposal: Not Applicable:
  2. Ongoing costs: Not Applicable:
  3. Budget head/performance centre: ECF Portfolio
  4. Total current budget for this head: £173k
  5. Source of funding: CEF approved budget
- 

## Staff

1. Number of staff (current and additional): N/A
  2. If from existing staff resources, number of staff hours: N/A
- 

## Legal

1. Legal Requirement: Statutory Requirement
  2. Call-in: Applicable
- 

## Customer Impact

1. N/A
- 

## Ward Councillor Views

1. Have Ward Councillors been asked for comments? Not Applicable
2. Summary of Ward Councillors comments:

### **3. COMMENTARY**

- 3.1 At the last Schools Forum meeting an issue was raised concerning the number primary schools in the borough that are receiving falling rolls funding, and the financial impact that this was having on the DSG. It was agreed that the LA would carry out a review of this, to include the possibility of reducing “falling rolls fund” by reducing the number of years that schools can be eligible to claim.
- 3.2 The October 2019 census data shows that there were 319 vacant reception places across the borough – this varies from one or two vacancies across a large number of schools to vacancies of over 20 places in some individual schools. This data has been used to calculate 2020/21 funding from April 20 for maintained schools and September 20 for academies.
- 3.3 The Council updates its projections on the need for school places annually through its School Place Strategy. Future forecasts are mainly based upon the GLA School Roll Projections, although the Council has developed its own model to complement the GLA for forecasting secondary need.
- The Council currently is not planning to make any changes to its school places strategy outside of the annual review cycle.
- 3.4 The current terms of the fund are as follows:
- Support is available only for schools judged Good or Outstanding at their last Ofsted inspection (this is a mandatory requirement)
  - Surplus capacity exceeds 20% of the published admission number (PAN)
  - Local planning data shows a requirement for at least 80% of the surplus places in the next 3 years
  - Formula funding available to the school will not support provision of an appropriate curriculum for the existing cohort – school to provide copy of 3-year budget data to support this
  - The school will need to make redundancies in order to contain spending within its formula budget – school to provide evidence of formal discussions at governing body level to support this
  - To be funded at the AWPU value per vacant place, up to a specified maximum number of places equivalent to 80% of PAN
  - No funding to be paid where schools are already being supported through the existing growth fund or to free schools which are funded on estimated pupil numbers.
- 3.5 Based on the information provided, LA Officers have looked at all schools’ reception class intakes from 2017/18 through to 2020/21. Taking into account the schools PAN a comparison has been made on the number of schools who meet the criteria of the current Falling Rolls Fund over the time period aforementioned.
- 3.6 Currently there are 13 schools that meet all of the criteria for funding. Of these 13; 3 schools have not reached their PAN from 2017/18 to date. All 3 of these schools have had over 30% spare capacity over that time span. The remaining 10 have all had falling rolls since 2018/19. The cost to DSG since the funding for falling rolls began (2018/19), £373,000.

LA Officers propose a slight amendment to the terms as follows

- Funding should be awarded to schools for no more than 2 years.

- The LA should consider encouraging any school that has not reached PAN in 3 years or more to reduce PAN
- 3.7 The final decision regarding the implementation of a falling rolls fund rests with the Schools Forum, however the Secretary of State may be asked to adjudicate in cases where the Schools Forum does not agree the LA proposal.
- 3.8 The Schools Forum is asked to decide on the ongoing strategy of funding schools with regards to falling rolls. Schools Forum will need to look at what the timeline should be for schools to be able to be awarded the funding without making positive steps to either improve the roll numbers or reduce PAN. This report provides the falling rolls data and cost to DSG which is broken down in detail in Appendix 1.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 The financial implications are in the body of the report.

<b>Non-Applicable Sections:</b>	Legal Implications Policy Implications Personnel Implications Customer Implications
Background Documents: (Access via Contact Officer)	Documents held with Liberata Finance

**Summary Form - Pupils in Primary Schools - Falling Rolls Comparison 2017-18 to 2019-20**

National Curriculum Year	Reception Year	Reception Year	Reception Year	Reception Year		VACANT 2020/21	% of vacant
Budget Year	2017/18	2018/19	2019/20	2020/21	PAN		
Year of Birth (Sept-Aug)	2011-2012	2012-2013	2013-2014	2014-2015			
Alexandra Infant (+)	59	60	60	60	60	0	0%
Alexandra Junior	0	0	0	0	0	0	0%
Balgowan Primary	90	90	90	90	90	0	0%
Bickley Primary	60	59	59	60	60	0	0%
Biggin Hill Primary	42	60	55	48	60	12	20%
Blenheim Primary	30	27	29	29	30	1	3%
Bromley Road	30	29	0	0	0	0	0%
Burnt Ash Primary (+)	60	57	56	60	60	0	0%
Castlecombe Primary (nursery)	30	28	30	46	60	14	23% FR
Chelsfield Primary	15	16	13	17	16	-1	-6%
Chislehurst Church of England Primary	31	30	30	0	0	0	0%
Churchfields Primary (+) (nursery)	60	60	60	90	90	0	0%
Clare House Primary	60	60	58	61	60	-1	-2%
Crofton Infant (+)	180	180	180	180	180	0	0%
Crofton Junior	0	0	0	0	0	0	0%
Cudham Church of England Primary	15	15	10	15	15	0	0%
Darrick Wood Infant (+) (nursery)	89	90	90	90	90	0	0%
Darrick Wood Junior (+)	0	0	0	0	0	0	0%
Dorset Road Infant	25	29	21	15	30	15	50% FR
Downe Primary	15	13	5	12	15	3	20%
Edgebury Primary	57	59	60	59	60	1	2%
Farnborough Primary	60	30	30	30	30	0	0%
Gray's Farm Primary (nursery)	41	59	57	60	60	0	0%
Green Street Green Primary (+)	58	59	46	60	60	0	0%
HPA Beckenham	46	56	42	60	60	0	0%
HPA Beckenham Green	0	0	28	30	30	0	0%
HPA Crystal Palace (nursery)	58	55	59	60	60	0	0%
HPA Kent House(nursery)	58	60	56	59	60	1	2%
HPA Orpington (+)	52	44	60	45	60	15	25% FR
HPA Shortlands	57	54	57	62	60	-2	-3%
Hawes Down Primary (+)	57	60	48	60	60	0	0%
Hayes Primary	88	88	89	89	90	1	1%
Highfield Infant	89	90	89	87	90	3	3%
Highfield Junior	0	0	0	0	0	0	0%
Holy Innocent's Catholic Primary	29	29	30	30	30	0	0%
James Dixon Primary (+) (nursery)	57	59	59	59	60	1	2%
Keston Church of England Primary	27	29	27	20	30	10	33% FR
La Fontaine	59	59	59	75	90	15	17% Growth
Langley Park Primary School	46	42	58	49	60	11	18%
Leesons Primary	60	54	43	39	60	21	35% Growth
Manor Oak Primary (+)(nursery)	28	27	24	22	30	8	27% FR
Marian Vian Primary	97	85	87	87	90	3	3%
Mead Road Infant	30	30	26	22	30	8	27% FR
Midfield Primary (+) (nursery)	61	60	59	61	60	-1	-2%
Mottingham Primary (+)	50	59	29	40	60	20	33% FR
Oak Lodge Primary	83	84	68	75	90	15	17%
Oaklands Primary	69	67	56	63	90	27	30% FR
Parish Church of England Primary	90	90	90	89	90	1	1%
Perry Hall Primary	60	60	60	61	60	-1	-2%
Pickhurst Junior	0	0	0	0	0	0	0%
Pickhurst Infant	120	120	120	117	120	3	3%
Pooverest Primary (+)	60	60	60	60	60	0	0%
Pratts Bottom Primary	12	12	11	8	12	4	33% FR
Princes Plain Primary (+) (nursery)	56	34	44	0	0	0	0%
Raglan Primary (+)	60	60	59	59	60	1	2%
Red Hill Primary	88	78	77	83	90	7	8%
Scotts Park Primary	59	60	55	60	60	0	0%
Southborough Primary	54	60	55	59	60	1	2%
St Anthony's Roman Catholic Primary	28	25	20	28	30	2	7%
St George's, Bickley, Church of England Primary	60	57	61	60	60	0	0%
St James' Roman Catholic Primary	30	30	31	30	30	0	0%
St John's Church of England Primary	49	37	24	24	30	6	20%
St Joseph's Roman Catholic Primary	30	29	30	29	30	1	3%
St Mark's Church of England Primary	54	57	49	52	60	8	13%
St Mary Cray Primary	25	28	31	42	60	18	30% FR
St Mary's Catholic Primary	59	58	55	60	60	0	0%
St Nicholas CE Primary School	0	0	0	28	30	2	7%
St Paul's Cray Church of England Primary (nursery)	41	34	39	33	60	27	45% Growth
St Peter & St Paul Catholic Primary	30	31	30	30	30	0	0%
St Philomena's Roman Catholic Primary	30	30	27	30	30	0	0%
St Vincent's Catholic Primary	30	30	30	30	30	0	0%
Stewart Fleming Primary	59	57	59	60	60	0	0%
The Highway Primary	30	28	30	31	30	-1	-3%
Trinity CoE Primary School (+) (nursery)	0	0	0	38	60	21	35% Growth
Tubbenden Primary	90	90	88	90	90	0	0%
The Unicorn Primary	59	60	61	59	60	1	2%
Valley Primary	58	60	87	59	60	1	2%
Warren Road Primary	120	120	119	120	120	0	0%
Wickham Common Primary	60	50	59	61	60	-1	-2%
Worsley Bridge Junior	64	56	58	72	90	18	20%
<b>TOTAL</b>	<b>3,973</b>	<b>3,902</b>	<b>3,811</b>	<b>3,939</b>	<b>4,258</b>		

285 356 447 319

Total funding to Schools

47,552 153,413 171,971 372,936

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# Agenda Item 8

Report No.  
CEF20023

London Borough of Bromley

PART ONE - PUBLIC

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**Decision Maker:** SCHOOLS' FORUM

**Date:** 17 September 2020

**Decision Type:** Non-Urgent      Non-Executive      Non-Key

**Title:** SCHEMES FOR FINANCING LOCAL AUTHORITY SCHOOLS – REVISED

**Contact Officer:** Julie Crew, Education Funding Manager  
Tel: 020 8603 3573 E-mail: Julie.Crew@Liberata.com

**Chief Officer:** Jared Nehra, Director of Education, Care and Health Services

**Ward:** (All Wards);

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1. Reason for report

This report provides a directed revision from the Secretary of State regarding Schemes for Financing Local Authority Schools

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2. RECOMMENDATION(S)

i. The Schools Forum is asked to review the updated document

### 3. COMMENTARY

- 3.1 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. Certain amendments have been made to the wording in the directed revisions to reflect more recent policy positions.
  - 3.1.1 The Secretary of State directs that the revisions below should be incorporated into the schemes of all local authorities in England.
  - 3.1.2 **Section 2.3: Submission of financial forecasts.** From the 2021 to 2022 funding year each school must submit a 3 year budget forecast each year, at a date determined by the local authority, between 1 May to 30 June.
  - 3.1.3 Local Authorities must inform schools of the purpose for which they intend to use these 3 year budget forecasts.
- 3.2 The Secretary of State directs that the directed revision, due to Covid 19, will only be enforceable from 2021-2022 funding year
- 3.2.1 **Section 4.5: Planning for Deficit Budgets.** Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year. Local Authorities may set a lower threshold if they wish. The 5% deficit threshold will apply when deficits are measured as at 31 March 2021
- 3.3 **Section 10 Insurance.** Instead of taking out insurance schools may join The Secretary of States risk protection arrangement (RPA) for risks covered by RPA.

Full details can be found at the following link:

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



London Borough of Bromley  
Education, Care and Health Services

# Scheme for Financing Schools

Section 48  
Schools' Standards and Framework Act 1998

September 2020

# **THE BROMLEY SCHEME FOR FINANCING SCHOOLS: SECTION 48 OF THE SCHOOLS STANDARDS AND FRAMEWORK ACT 1998**

## **1. INTRODUCTION**

- 1.1 The funding framework
- 1.2 The role of the scheme
- 1.2.1 Application of the scheme to the Authority and maintained schools
- 1.3 Publication of the scheme
- 1.4 Revision of the scheme
- 1.5 Delegation of powers to the Head Teacher
- 1.6 Maintenance of schools

## **2. FINANCIAL CONTROLS**

- 2.1.1 Application of financial controls to schools
- 2.1.2 Provision of financial information and reports
- 2.1.3 Payment of salaries; payment of bills
- 2.1.4 Control of assets
- 2.1.5 Accounting policies (including year-end procedures)
- 2.1.6 Writing off of debts
- 2.2 Basis of accounting
- 2.3 Submission of budget plans
- 2.3.1 Submission of Financial Forecasts
- 2.4 Best value
- 2.5 Virement
- 2.6 Audit: General
- 2.7 Separate external audits
- 2.8 Audit of voluntary and private funds
- 2.9 Register of business interests
- 2.10 Purchasing, tendering and contracting requirements
- 2.11 Application of contracts to schools
- 2.12 Central funds and earmarking
- 2.13 Spending for the purposes of the school
- 2.14 Capital spending from budget shares
- 2.15 Notice of concern

## **3. INSTALMENTS OF BUDGET SHARE; BANKING ARRANGEMENTS**

- 3.1 Frequency of instalments
- 3.2 Proportion of budget share payable at each instalment
- 3.3 Interest clawback
- 3.3.1 Interest on late budget share payments
- 3.4 Budget shares for closing schools
- 3.5 Bank and building society accounts
- 3.5.1 Restrictions on accounts
- 3.6 Borrowing by schools
- 3.7 Other provisions

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

- 4.1 Right to carry forward surplus balances
- 4.2 Controls on surplus balances
- 4.3 Interest on surplus balances
- 4.4 Obligation to carry forward deficit balances
- 4.5 Planning for budget deficits
- 4.6 Charging of interest on deficit balances
- 4.7 Writing off deficits
- 4.8 Balances of closing and replacement schools
- 4.9 Licensed deficits
- 4.10 Loan schemes
- 4.10.1 Credit union approach

**5. INCOME**

- 5.1 Income from lettings
- 5.2 Income from fees and charges
- 5.3 Income from fund-raising activities
- 5.4 Income from the sale of assets
- 5.5 Administrative procedures for the collection of income
- 5.6 Purposes for which income may be used

**6. THE CHARGING OF SCHOOL BUDGET SHARES**

- 6.1 General provision
- 6.2 Circumstances in which charges may be made

**7. TAXATION**

- 7.1 Value Added Tax
- 7.2 CIS (Construction Industry Scheme)

**8. THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY**

- 8.1 Provision of services from centrally retained budgets
- 8.2 Timescales for the provision of services bought back from the Local Authority using delegated budgets
- 8.2.1 Packaging
- 8.3 Service level agreements
- 8.4 Teachers' Pensions

**9. PFI/PPP**

**10. INSURANCE**

- 10.1 Insurance cover

## **11. MISCELLANEOUS**

- 11.1 Right of access to information
- 11.2 Liability of Governors
- 11.3 Governors' expenses
- 11.4 Responsibility for legal costs
- 11.5 Health and Safety
- 11.6 Right of attendance for Chief Finance Officer
- 11.7 Special Educational Needs
- 11.8 'Whistleblowing'
- 11.9 Child protection
- 11.10 Redundancy/Early Retirement Costs

## **12. RESPONSIBILITY FOR REPAIRS AND MAINTENANCE**

### **13. COMMUNITY FACILITIES**

- 13.1 The Application of the Scheme for financing Schools to the Community Facilities Powers
- 13.2 Consultation with the Local Authority: financial aspects
- 13.3 Funding agreements: Local Authority powers
- 13.4 Other prohibitions, restrictions and limitations
- 13.5 Supply of financial information
- 13.6 Audit
- 13.7 Treatment of income and surpluses
- 13.8 Health and Safety matters
- 13.9 Insurance
- 13.10 Taxation
- 13.11 Banking

**ANNEX A:** The Funding Framework – Main Features

**ANNEX B:** Responsibility for Redundancy and Early Retirement Costs

**ANNEX C:** Application of Schemes for Finance Schools to the Community Facilities Power

## **1. INTRODUCTION**

### **1.1 The Funding Framework**

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

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

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

Subject to provisions of the scheme, governing bodies of schools may spend such amounts of their budget shares as they think fit for any 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 of the Act.

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

Each authority is obliged to publish each year a statement setting out details of its planned Schools Budget and other expenditure on children's services, showing the amounts to be centrally retained and funding delegated to schools. After each financial year the authority 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 and for schemes are set out in directions issued by the Secretary of State, 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 local authority to publish their scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date

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

This scheme sets out the financial relationship between London Borough of Bromley as the Local Authority and the maintained schools which it funds. This scheme contains requirements relating to financial management and associated issues which are binding on both the Authority and on the individual schools.

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

This scheme applies in respect of all community, voluntary, foundation ,community special schools and PRUs maintained by the authority. It contains requirements relating to financial management and associated issues, binding on both the Authority and schools.

## **1.3 Publication of the scheme**

A copy of this scheme will be supplied to the Head Teacher and to the Governing Body of each school covered by the scheme, it and any approved revisions will be notified to each such school and placed on the Bromley website.

## **1.4 Revision of the scheme**

Any proposed revisions to the scheme will be the subject of consultation with schools and will require approval by members of the Schools 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 Local Authority may apply to the Secretary of State for approval.

## **1.5 Delegation of powers to the Head Teacher**

Governing Bodies must consider the extent to which it wishes to delegate its financial powers to the Head Teacher, and should record its decision, and any revisions, in the minutes of the Governing Body.

The first formal budget plan of each financial year must be approved by the Governing Body. The Governing body is ultimately responsible for the annual budget and must approve and submit this to the Local Authority each year.

## **1.6 Maintenance of schools**

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

## **2. FINANCIAL CONTROLS**

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

In managing their delegated budgets, schools are required to abide by the Authority's requirements on financial controls and monitoring.

Certain of these are directly referred to in this scheme while others are included in the Financial Regulations for Schools and Colleges (2010).

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

Schools are required to provide the authority with details of anticipated and actual expenditure and income in a format, and at times determined by the Authority. The Local Authority may not require such details more than once every three months except for those connected with tax or banking reconciliation, unless the Local Authority 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. For the purposes of this scheme, all operating schools are required to submit financial monitoring returns to the authority. Returns will be submitted in the format specified at and in accordance with the timetable set by the LA. Schools are also required to submit a covering written note with their Returns to explain any significant variations on position to date and the yearend forecast.

The Local Authority may require financial returns more frequently than the timetable set out in the above document if the school is in deficit. Notification of this requirement will be made to the relevant school in writing.

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

The procedures for these will vary according to the choices schools make about the holding of bank accounts and the buying back of the authority's payroll system.

The procedures, which apply to schools, are documented as follows:

For schools with standalone bank accounts:

- The Agreement between the School and the Authority.
- Financial Regulations for Schools and Colleges (2010)

## **2.1.4 Control of assets**

Schools are required to maintain an inventory of their moveable non-capital assets. The format of the required inventory and the basis authorisation procedures for disposal of assets are set out in the Authority's Financial Regulations for Schools and Colleges (2010). However, schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000. Schools must keep a register in some form.

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

Schools are required to abide by the procedures issued by the Authority in respect of accounting policies and the year-end procedures.

The procedures are set out in the Financial Regulations for Schools and Colleges (2010) and any guidance that is issued on an annual basis.

## **2.1.6 Writing off of debts**

Governing Bodies are authorised under the terms of this scheme to write off debts for amounts not exceeding £1000. Thereafter, permission must be sought by the Director of Finance and proof must be provided that reasonable steps have been taken to collect the debt.

## **2.2 Basis of accounting**

Reports and accounts furnished to the authority must be on an accruals basis. The provision of financial information will be in the format prescribed by the Director of Finance

## **2.3 Submission of budget plans**

The Local Authority is required to provide Schools with details of their budgets by no later than 31 March. Schools are required to submit formal budget plans to the Authority by no later than 30 June.

The budget plan must show the school's intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. The format of the budget plan is determined by the Authority and should be consistent with the format of financial returns to the LA. All schools should take account of estimated deficits/surpluses at the previous 31 March in their budget plan.

### **2.3.1 Submission of Financial Forecasts**

The Local Authority require schools to submit a 3 year budget forecast for which schools have been notified of budget shares beyond the current year. Schools are required to submit budget forecasts to the Authority by no later than 30 June These may be used to support the balance control mechanism, as detailed in Para 4.2.

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

Given the very high proportion of Local Authority spending which flows through delegated budgets, the government considers it desirable that 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. It is for heads and governors to determine how to secure better value for money. There are significant variations in efficiency between similar schools, and so it is important for schools to review their current expenditure, compare it to other schools and think about how to make improvements.

## **2.5 Virement**

Schools may vire freely between budget heads in the expenditure of their budget shares but Governors are advised to establish criteria for virements and financial limits above which, the approval of the Governors is required.

## **2.6 Audit: General**

Schools will be subject to internal audit on a regular basis by the Authority or his appointed representatives. Accounts will need to be available for inspection by external auditors as and when required. The external auditors may also wish to undertake such reviews of financial and other operations of schools as they deem necessary for the discharge of their statutory functions. Schools requirements under the terms of this scheme are also detailed in the Financial Regulations for Schools and Colleges 2010.

## **2.7 Separate external audits**

Governing Bodies may, if they so wish, spend funds from the budget share to obtain external audit certification of its accounts, separate from any Local Authority internal or external process.

## **2.8 Audit of voluntary and private funds**

Schools are required to provide audit certificates in respect of voluntary and private funds held by schools and of the accounts of any trading organisations controlled by the school in accordance with the Financial Regulations for Schools and Colleges (2010) and Guidance notes for Local Authority School Voluntary Funds.

## **2.9 Register of business interests**

Governing bodies are required to establish, (if it does not already have one) a register which lists for each member of the Governing Body and the Head Teacher, any business interests they or any member of their immediate family have; to keep the register up to date with notification of changes and through annual review of entries, and to make the register available for inspection by Governors, staff, parents and the authority's auditors.

More detailed guidance in the maintenance of such a register is detailed at Annex D.

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

Schools are required to abide by the Authority's Financial Regulations for Schools and Colleges (2010) in purchasing, tendering and contracting matters, and are strongly advised to apply the provisions of the Council's contract code or in the case of the purchase of goods the Corporate Order policy. This should include a requirement to assess in advance, where relevant, the health and safety competence of contractors, taking account of the LA's policies and procedures.

However, schools are disallowed from following any regulations which would require schools:

- (a) to do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU Procurement Directive;
- (b) to seek Local Authority officer countersignature for any contract for goods or services for a value below £60,000 in any one year;
- (c) to select suppliers only from an approved list.

Or, would permit schools to seek fewer than three tenders or quotations in respect of any contract with a value exceeding £50,000 in any one year.

The authority's approved List of Contractors is available to schools and Governing Bodies who may wish to use this option when selecting suppliers in order to safeguard the interests of the school.

Schools are also invited to nominate suppliers for inclusion on the Approved List of Contractors.

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

Schools have the right to opt out of Local Authority arranged contracts except where the scheme provides otherwise.

Governing bodies are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts. In most cases Governing Bodies enter into contracts on behalf of the Local Authority as maintainer of the school and the owner of the funds in the budget share. However the Governing Body will have clear statutory obligations in some areas for example contracts made by aided or foundation schools for the employment of staff.

## **2.12 Central funds and earmarking**

The Local Authority is authorised to make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget share. Such allocations will be subject to conditions setting out the purpose or purposes for which the funds may be used. Whilst these conditions need not preclude virement (except where the funding is supported by a specific grant), this should not be carried to the point of assimilating the allocations into the school's budget share.

This scheme requires that such earmarked funding from centrally retained funds is spent only for the purposes for which it was given, or on other budget heads for which earmarked funding is given, and is not vired into the budget share.

The Local Authority will not make any deduction, in respect of interest costs charged to the LA, from payments to schools of devolved specific or special grant.

Schools must be able to demonstrate through their financial monitoring returns that these requirements have been complied with.

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

Governing bodies may spend budget shares for the purposes of the school, subject to any provisions in this scheme. Amounts spent by governing bodies on community facilities or services under section 50 (3A) of the Education Act 2002 will be treated as if spent for any purposes of the school.

*Under s.50(3)(A) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. He/she has done so in the School Budget Shares (Prescribed Purposes)(England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes)(England)(Amendment) Regulations 2010(SI 2010/444190). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools or academies.*

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

Governing bodies may use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the Governing Body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998. However, if the expected contract for capital expenditure from the budget share exceeds £100,000, the Governing Body must notify the Local Authority and take into account any advice from the Head of Procurement as to the merits of the proposed expenditure. If the premises are owned by the LA, or the school has voluntary controlled status, then the Governing Body should seek the consent of the Local Authority to the proposed works, such consent may only be withheld on health and safety grounds.

#### **2.15 Notice of Concern**

The Local Authority may issue a notice of concern to the Governing Body of any school it maintains where, in the opinion of the Director of Finance and the Director of Education, 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 Local Authority or the school.

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

These may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- insisting that an appropriately trained/qualified person chairs the finance committee of the Governing Body;
- placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the LA;

- insisting on regular financial monitoring meetings at the school attended by Local Authority officers;
- requiring a Governing Body to buy into a LA's financial management systems; and
- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

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

## **2.16 Schools Financial Value Standard**

All local authority maintained schools (including nursery schools and pupil referral units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at which time of the year they wish to complete the form. Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has a specified deadline and an agreed owner. Governors must monitor the progress of these actions to ensure that all actions are cleared within the specified deadlines.

All maintained schools must submit the form to the local authority on an annual basis.

## **2.17 Fraud**

All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets. The governing body and head teacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them and the consequences of breaching these controls. This information must also be included in the induction for new school staff and governors.

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

## **3.1 Frequency of instalments**

- 3.1.1 If schools no longer require the use of the LA's centralised systems and wish to opt to make their own payments from school accounts they may opt to have their budget share paid to them monthly. Any budget share would be subject to deduction of any items which may continue to be met centrally, i.e. payroll. This cash deduction profile should reflect the current spending profile of the school. Top up payments for pupils with high needs will be made on a monthly basis unless alternative arrangements have been agreed with the provider.

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

The proportion of the budget share made available to schools shall be one twelfth of the School Budget Share paid monthly in advance.

## **3.3 Interest clawback**

The Local Authority will make no deduction from individual budget share instalments to cover the estimated interest lost by the Local Authority in making available the budget share in advance.

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

The Local Authority will add interest to late payments of budget share instalments, where such late payments are the result of Local Authority error. The interest calculation used is identified below:

#### **1. Estimated Average Bank Balance**

Determined by the amount of the advance divided by two.

## **2. Rate of Interest**

This is the base rate applying at the time of each advance.

## **3. Period of Interest**

This will be for a month calculated on the number of days in the month divided by 365.

### **Example Calculation**

Advance of £50,000 on: 1 April.

Base Rate: 7%.

<b>Calculation</b>			
<b>Advance</b>	<b>Interest Rate</b>	<b>Period</b>	<b>Interest Charge</b>
£50,000/2	7%	30/365	143.84

## **3.4 Budget share for closing schools**

Budget shares for schools, for which approval for discontinuation has been secured ,will be made available until closure, on a monthly basis net of estimated pay costs, even where some different basis was previously used.

In order to minimise the LA's liabilities, the authority may wish to take the appropriate action to prevent schools entering into contractual arrangements or committed expenditure beyond the school closure date. Any monies incurred in this way may become the responsibility of the Governing Body.

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

All schools may have bank accounts into which their budget share instalment is paid. Where schools have such accounts they shall be allowed to retain all interest payable on the account.

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

New banking arrangements may only be made with effect from the beginning of each financial year.

### **3.5.1 Credit Cards**

There are circumstances within schools when payment by credit card may also be considered more suitable. The Council has established procedures that should be strictly implemented should a credit card payment be deemed suitable. These are set out in the Financial Regulations for Schools (2010)

### **3.5.2 Restriction on accounts**

The banks and building societies which may be used for the purpose of receiving budget share payments are specified below:

- Royal Bank of Scotland Group (includes Nat West).
- HSBC.
- Barclays.
- Lloyds TSB Group (includes Bank of Scotland).
- Santander (includes Abbey National and Alliance & Leicester).
- Nationwide.

The accounts for budget share purposes will be in the name of the school.

Accounts may be opened in the name of the school rather than the LA. However the mandate should provide that the Local Authority is the owner of the funds in the accounts, 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 LA. Advice on bank signatories can be found in section 12 of the Financial Regulations for Schools and Colleges (2010).

### **3.6 Borrowing by schools**

Governing bodies may borrow money only with the written permission of the Secretary of State. Schools are not permitted to use credit cards as a form of borrowing. However, schools are encouraged to use procurement cards, as these can provide a useful means of facilitating electronic purchase. Schools are allowed the use of any scheme that the Secretary of State has said is available to schools without specific approval, for example the Salix loan scheme designed to support energy saving. An up to date list is available from the Government website.

### **3.7 Other provisions**

The Local Authority has separate detailed rules and guidance in respect of other aspects of banking arrangements. These are set out in the Scheme for School Bank Accounts.

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

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

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

A school's surplus balance at 1 April should be equal to that at 31 March.

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

It will no longer be a requirement for schemes to have a balance control mechanism. However, the Local Authority will continue to monitor school's balances at the end of the financial year and will report to Members on all revenue balances in excess of 8% for Primary, Secondary and Special Schools

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

Balances held by the authority on behalf of schools will not attract interest.

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

Deficit balances will be carried forward and deducted from the following year's budget share. A school's deficit balance as at 1 April must be equal to that at 31 March for which special provisions apply.

By prior agreement with the LA, it may be possible to reschedule any repayment of deficit balances over a larger period of time, although this should not exceed 5 years.

#### 4.5 **Planning for budget deficits**

Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year. Local authorities may set a lower threshold than 5% for the submission of a recovery plan if they wish. The 5% deficit threshold will apply when deficits are measured as at 31 March 2021.

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

Deficit balances held by the Authority will attract interest until such a time as the deficit is cleared. As this is a variable factor each school will be advised prior to the commencement of each financial year the amount of charge, if any, and the basis for calculation.

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

The authority cannot under any circumstances write off the deficit balance of any school. If an authority wishes to give assistance towards elimination of a deficit balance this should be 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 the Schools Forum).

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

If a school closes any balance (whether surplus or deficit) reverts to the LA; it cannot be transferred as a balance to any other school, even when 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.

#### **4.9 Licensed deficits**

This scheme does not permit a school to plan for a deficit budget.

Where in EXCEPTIONAL circumstances deficits cannot be avoided , then such deficits NEED to operate under licence. This requires the school to agree a recovery plan with the LA.

The plan should establish:

- (a) the maximum length over which the school will repay the deficit (i.e. reach at least a zero balance). The maximum length of the repayment should be no more than five years;
- (b) the purpose for which the deficit arrangement has been agreed;
- (c) the maximum agreed deficit will be no more than 7.5% of the school's budget share for the year in question;
- (d) no more than 15% of collective schools balances will be used to pay back the deficit;
- (e) arrangements for individual schools in terms of the above will be agreed by the Director of Education, Care and Health Services and the Chief Finance Officer.

#### **4.10 Loan schemes**

The authority will not operate any loan schemes. The Governing Body has the power to borrow such sums as it considers necessary, but only with the permission of the Secretary of State. However, loans may not be secured against core assets of the school. Governing bodies are strongly advised to seek a professional opinion (legal and/or financial) prior to entering into any arrangements.

##### **4.10.1 Credit union approach**

Schools may wish to group together to utilise externally held balances for a credit union approach to loans. The LA, however, will not act as the administrator for any such arrangements. Where this occurs, therefore, schools are required to produce the appropriate audit certification on an annual basis detailing all financial activity.

## **5. INCOME**

### **5.1 Income from lettings**

The responsibility for lettings of school premises will rest with Governing Bodies, which will administer the lettings and set charges. Income from lettings will be retained in full and credited to schools' delegated budgets, subject to any alternative provisions arising from any joint use or PFI/PPP agreements.

Although Governing Bodies will decide their own priorities for lettings, schools are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the budget share.

Schools are, nevertheless required to have regards to directions issued by the Local Authority as to the use of school premises as permitted under the School Standards and Framework Act 1998 for various categories of schools. In particular, the LA's policy on community use. *Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school.*

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

Schools may retain income from fees and charges except where a service is provided by the Local Authority from centrally retained funds. However, the provisions of the Financial Regulations for Schools and Colleges (2010) shall apply. Schools should seek at all times to maximise their income and to recover all costs.

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

Schools may retain income generated from fund-raising activities.

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

Schools may retain the proceeds of the sale of assets, except in cases where the asset was purchased with non-delegated funds or the asset concerned is land or buildings forming part of the school premises and is owned by the LA. In these cases, it will be a matter for the Local Authority to determine whether the school should keep the proceeds. Schools should consider the provisions of the Financial Regulations for Schools and Colleges (2010) when dealing with the sale of assets.

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

The provisions set out in the Financial Regulations for Schools and Colleges (2010) shall apply in the collection, recording and accountability for income.

The treatment of VAT is identified in the Guidance notes on the administration of VAT. However, more specific advice on VAT should be sought on specific issues, particularly with regard to the VAT implications of fund raising activities, the sale of assets and the letting of premises.

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

Income from the sale of assets purchased with delegated funds may only be spent for the purposes of the school.

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

### **6.1 General Provision**

- 6.1.1 The budget share of a school may be charged by the Local Authority without the consent of the Governing Body in the circumstances detailed below at paragraph 6.2 of this scheme. In any such event, the authority will consult schools as to the intention to charge and notify schools accordingly when the charges have been made. Schools will have the right to dispute any such charges and Governing Bodies should place any grievances in writing to the Director of Education. Any disputes will be carefully reviewed and, where necessary, passed to the City Solicitor for arbitration. The outcome of all reviews will be placed in writing and forwarded to the Governing Body. For the avoidance of doubt, local authorities may de-delegate funding for permitted services without the express permission of the governing body, provided this has been approved by the appropriate phase representatives of the Schools Forum.
- 6.1.2 This scheme requires the authority to charge the salaries of school-based staff to school budget shares at actual cost.

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

- 6.2.1 Where premature retirements costs have been incurred without the prior written agreement of the Local Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the LA).
- 6.2.2 Other expenditure incurred to secure resignations where the school had not followed Local Authority advice.
- 6.2.3 Awards by courts and industrial tribunals against the Local Authority or out of court settlements arising from action or inaction by the Governing Body contrary to the LA's advice.
- 6.2.4 Expenditure by the Local Authority in carrying out health and safety work or capital expenditure for which the Local Authority is liable where funds have been delegated to the Governing Body for such work but the Governing Body has failed to carry out the required work.
- 6.2.5 Expenditure by the Local Authority incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Local Authority or a school that has voluntary controlled status.
- 6.2.6 Expenditure incurred by the Local Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the LA. See also Section 10.1.
- 6.2.7 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.
- 6.2.8 Recovery of penalties imposed on the Local Authority by the Board of Inland Revenue, the Contributions Agency or HM Customs and Excise, Teachers' Pensions, the Environment Agency or regulatory authorities as a result of school negligence.
- 6.2.9 Correction of Local Authority errors in calculating charges to a budget share (eg pension deductions).
- 6.2.10 Additional transport costs incurred by the Local Authority arising from decisions by the Governing Body on the length of the school day, and failure to notify the Local Authority of non-pupil days resulting in unnecessary transport costs.
- 6.2.11 Legal costs which are incurred by the Local Authority because the Governing Body did not accept the advice of the Local Authority (see also section 11).

- 6.2.12 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.
- 6.2.13 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 6.2.14 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 authority's compliance with its statutory obligations.
- 6.2.15 Costs incurred by the authority in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs.
- 6.2.16 Costs incurred by the Local Authority in securing provisions specified in an Education Health and Care Plan (EHCP) where the Governing Body of a school fails to secure such provision despite the delegation of funds in respect of that statement.
- 6.2.17 Costs incurred by the Local Authority due to submission by the school of incorrect data.
- 6.2.18 Recovery of amounts spent from specific grants on ineligible purposes.
- 6.2.19 Costs incurred by the Local Authority as a result of the Governing Body being in breach of the terms of a contract.
- 6.2.20 Costs incurred by the Authority or another school as a result of a school withdrawing from a cluster arrangement, for example where this has funded staff providing services across the cluster.

## **7. TAXATION**

### **7.1 Value Added Tax**

The Council has established procedures that ensure it is able to reclaim all VAT on expenditure. These are set out in the Financial Regulations for Schools (2020) and the Guidance notes for bank account schools on VAT administration.

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

Schools are required to follow the guidance detailed in the Contracts Code (Appendix V) in respect of CIS.

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

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

The Local Authority will determine on what basis services from centrally retained funds will be provided to schools. Governing bodies will have no input to this process.

In determining these services the Authority may not discriminate in its provision of services on the basis of categories of schools except where (a) funding has been delegated to some schools only or (b) such discrimination is justified by differences in statutory duties.

For the purposes of this scheme, existing PRC and redundancy payments are included as services.

## **8.2 Provision of services brought back from the Local Authority using delegated budgets**

Any arrangement with a school to buy services or facilities from the Local Authority 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 agreement relating to the same services will be limited to a period not exceeding five years.

When a service is provided for which expenditure is not retainable centrally by the Local Authority under 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 differently.

The scheme excludes centrally funded premises and liability insurance from these requirements as to service supply, as the limitations envisaged may be impracticable for insurance purposes.

### **8.2.1 Packaging**

Any service which the Local Authority is providing on a buyback basis must be offered in a way which does not unreasonably restrict schools' freedom of choice among the services available, and where practicable, this will include provision on a service-by-service basis as well as in packages of services.

### **8.3 Service level agreements**

- 8.3.1 If services or facilities are provided under a service level agreement, whether free or on a buyback service, the terms of any such agreement starting on or after the inception of the scheme will be reviewed at least every three years.
- 8.3.2 If services are offered at all by the Local Authority they will be available to schools on a basis which is not related to an extended agreement as well as on the basis of such agreements. Where any services are provided on an ad-hoc basis they may be charged for at a different rate than if provided on the basis of an extended agreement.
- 8.3.3 Service level agreements must be in place, as a minimum, one month prior to the commencement of the financial year.

### **8.4 Teachers' Pensions**

**In order to ensure that the performance of the duty on the Authority to supply Teachers' Pensions with information under the Teachers' Pensions Regulations 1997, the following conditions are imposed on the Authority and Governing Bodies of all maintained schools covered by this Scheme in relation to their budget shares.**

The conditions only apply to Governing Bodies of maintained schools that have not entered into an arrangement with the Authority to provide payroll services.

A Governing Body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required. A Governing Body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC scheme. The Governing Body shall meet any consequential costs from the school's budget share.

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

## **9. PFI/PPP**

- 9.1 The Local Authority shall have the power to issue regulations from time to time relating to PFI/PPP projects. Amongst other issues these may deal with the reaching of agreements with the Governing Bodies of schools as to the basis of charges relating to such schemes; and the treatment of monies withheld from contractors due to poor performance.
- 9.2 The Local Authority is empowered to charge to the school's budget share, amounts agreed under a PFI/PPP agreement entered into by the Governing Body of a school. See Section 6.2.15.
- 9.3 In the absence of an agreement on charging the school for PFI service provision, the Local Authority may, at its discretion, charge the school's delegated budget to reflect changes to service provision under a PFI arrangement.

## **10. INSURANCE**

### **10.1 Insurance cover**

If funds for insurance are delegated to a school, the Local Authority will require that school to demonstrate that cover relevant to the LA's insurable interests, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the LA, either paid for from central funds or from contributions from schools' delegated budgets.

The Local Authority will have regard to the actual risks which might reasonably be expected to arise at individual schools when brokering insurance cover.

Instead of taking out insurance, a school may join the Secretary of State's risk protection arrangement (RPA) for risks that are covered by the RPA.

The scheme should contain a provision which allows schools to join the RPA after 1 April 2020. Schools may do this individually when any insurance contract of which they are part expires.

The scheme should also provide for all primary and/or secondary maintained schools to join the RPA collectively by agreeing through the schools forum to de-delegate funding.

## **11. MISCELLANEOUS**

### **11.1 Right of access to information**

Governing Bodies are required to supply all financial and other information which might reasonably be required to enable the Authority to satisfy itself as to a school's management of its delegated budget share, or the use made of any central expenditure by the Authority (e.g. earmarked funds) on the school. The type and frequency of information will be at the discretion of the Director of Children and Young People and the Authority's auditors.

### **11.2 Liability of Governors**

As the Governing Body is a corporate body, and because of the terms of s.50(7) of the SSAF Act, Governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

### **11.3 Governors' expenses**

The Local Authority can delegate funds to meet Governors' expenses to a Governing Body of a school yet to receive a delegated budget. Under schedule 11 of the School Standards and Framework (SSAF) Act 1998, only allowances in respect of purposes specified in regulations may be paid to Governors from a school's delegated budget share. The payment of any other allowances is forbidden. This includes the payment of expenses duplicating those paid by the Secretary of State to additional Governors appointed by him to schools under special measures.

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

Legal costs incurred by Governing Bodies, although the responsibility of the Local Authority as part of the costs of maintaining the school (unless they relate to the statutory responsibility of aided school Governors for buildings) may be charged to the school's delegated budget share unless the Governing Body acts in accordance with the advice of the Authority.

Where a conflict of interest arises between the Local Authority and the Governing Body, the prior agreement of the Local Authority must be sought before seeking any legal advice. Where the Local Authority agrees to meet the costs of legal advice sought, the Governing Body must seek to minimise costs by obtaining estimates in advance based on fixed daily rates and fixed total days.

### **11.5 Health and Safety**

In expending the school's budget share, Governing Bodies should have due regard to duties placed on the Local Authority in relation to health and safety, and the Authority's policy on health and safety matters in the management of the budget share.

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

Governing Bodies should permit the attendance of the Chief Finance Officer of the authority, or any officer of the authority nominated by the Chief Finance Officer to attend meetings of the Governing Body at which any agenda items are relevant to the exercise of his responsibilities.

Attendance shall normally be limited to items which relate to issues of probity or overall financial management and shall not be regarded as routine.

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

The Local Authority has a statutory responsibility for supporting the needs of pupils as outlined in their EHC Plans. This scheme requires that schools will use their best endeavours in spending their budget share to meet the SEN of their pupils. Failure to meet the SEN of their pupils may result in the Local Authority recharging a school delegated budget with additional costs incurred in discharging its statutory responsibility.

### **11.8 “Whistleblowing”**

The Local Authority has produced a policy contained in the Financial Regulations for Schools and Colleges (2006) in relation to complaints about financial management or financial propriety, and how such complaints will be dealt with. Governing bodies should have due regard to this document and ensure school staff are fully aware of its existence.

### **11.9 Child Protection**

The Local Authority recognises the paramount importance for the need to release school staff to attend child protection case conferences and other related events. Costs in this regard are met from school delegated budgets.

### **11.10 Redundancy/Early Retirement Costs**

The 2002 Education Act sets out how premature retirement and redundancy costs should normally be funded. If the Authority proposes to depart from this, then the scheme should contain a provision setting out the circumstances in which exceptions will be made.

## **12. RESPONSIBILITY FOR REPAIRS AND MAINTENANCE**

- 12.1 The Local Authority should delegate all funding for repairs and maintenance to schools. Only capital expenditure will be retained by the LA. For these purposes expenditure may be treated as capital only if it fits the definition of capital used by the Authority for financial accounting purposes in line with the CIPFA Code of Practice on Local Authority accounting.
- 12.2 .
- 12.2 VA Governors will continue to be eligible for grant from the DfES in respect of their statutory responsibilities and in addition they will have responsibility for other repair and maintenance items on the same basis as Community and Foundation schools.
- 12.3 The de Minimis level of £2,000 shall be applied by the Local Authority for the definition of capital and revenue in the final accounts.

## **13. COMMUNITY FACILITIES**

### **13.1 The Application of the Scheme for Financing Schools to the Community Facilities powers**

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

However, under s.28(1), the main limitations and restrictions on the power will be:

- (a) those contained in schools' own instruments of government if any; and
- (b) in the maintaining LA's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998. Paragraph 2 of Schedule 3 to the Education Act 2002 extends the coverage of schemes to the powers of Governing Bodies to provide community facilities.

Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools.

*This section of the scheme does not extend to joint-use agreements; transfer of control agreements, or agreements between the Authority and schools to secure the provision of adult education and community learning*

For the avoidance of doubt, this chapter covers the provision of childcare and other "community focused" activities, in children's centres, where run directly by the school's Governing Body acting in that capacity. It also covers similar activities run by the school through a network or confederation, where the risks of those activities ultimately lie with the school or with the Local Authority (i.e. the school enters into contracts or employs staff).

In exercising their community facilities power, schools may not use their budget share to fund community facilities - either start-up costs or ongoing expenditure - or to meet deficits arising from such activities.

Schools should be aware that mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

### **13.2 Consultation with the Local Authority: Financial Aspects**

Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, Governing Bodies must consult the Local Authority, and have regard to advice given to them by their authority.

The Local Authority is required to provide advice to schools within six weeks of being consulted, but will aim to respond sooner depending on the complexity of the arrangements consulted upon.

Any legal costs arising from community facilities projects are not covered by existing buyback arrangements.

### **13.3 Funding agreements: Local authority powers**

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

Any such proposed agreement should be submitted to the authority for its comments and should allow the authority six weeks' notice.

The authority has no power of veto over such agreements, either directly or through requiring a right to countersign the agreement.

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

Schools are reminded that if an agreement has been or is to be concluded against the wishes of the authority, or has been concluded without informing the authority, which in the view of the authority is seriously prejudicial to the interests of the school or the Authority, that may constitute grounds for suspension of the right to a delegated budget.

### **13.4 Other Prohibitions, Restrictions and Limitations**

In considering proposals put forward by schools, the authority will form a view of the risks associated with the project in question. Where the risks are considered to be significant, the Governing Body will be required to make arrangements to protect the financial interests of the Authority. This will be achieved by either carrying-out the activity concerned through the vehicle of a limited company formed for that purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the authority.

### **13.5 Supply of Financial Information**

Schools which exercise the community facilities power should provide the Authority every six months with a summary statement, in a form determined by the Authority, showing the income and expenditure for the school arising from the facilities in question for the previous six months and on an estimated basis, for the next six months.

If the Authority believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, it will require on giving notice to the school such financial statements to be supplied every three months and, if necessary require the submission of a recovery plan for the activity in question. Where a school is running a Children's Centre, financial monitoring statements for that centre will routinely be required at intervals more frequent than every six months, as determined by the authority from time to time.

### **13.6 Audit**

Schools are required to co-operate with any internal and external audit inspection and provide access to the school's records connected with the exercise of the community facilities power.

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

#### **13.7 Treatment of income and surpluses**

Schools shall retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Local Authority or any other person.

Any retained net income may be carried forward from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the Authority at the end of each financial year, the school may transfer all or part of it to the budget share balance.

If the Local Authority ceases to maintain any community or community special school, any accumulated retained income obtained from exercise of the community facilities power reverts to the Authority unless otherwise agreed by the funding provider.

#### **13.8 Health and Safety Matters**

Health & Safety responsibilities detailed in section 11.5 of the main scheme text applies equally to activities carried out under the community facilities power.

The Governing Body is responsible for the cost of securing Criminal Records Bureau clearance for all adults involved in community activities taking place during the school day. Governing bodies are free to pass on such costs to a funding partner as part of an agreement with that partner.

#### **13.9 Insurance**

It is the responsibility of the Governing Body to make adequate arrangements for insurance against risks arising from the exercise of the community facilities power, taking professional advice as necessary. Such insurance should not be funded from the school budget share. Schools should seek the Authority's advice before finalising any insurance arrangements for community facilities. (In principle, the insurance issues arising from the use of community facilities power are the same as those which already arise from non-school use of school premises.)

The Authority may undertake its own assessment of the insurance arrangements made by a school in respect of community facilities. If it judges those arrangements to be inadequate, the Authority may make arrangements itself and charge the resultant cost to the school. Such costs could not be charged to the school's budget share.

### **13.10 Taxation**

Schools should seek the advice of the Local Authority and the local VAT office on any issue relating to the possible imposition of VAT on expenditure in connection with community facilities, including the use of the Local Authority VAT reclaim facility.

If any member of staff employed by the school or Local Authority in connection with community facilities at the school is paid from funds held in the school's own bank account (whether a separate account is used for community facilities or not — see section 11), the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules.

Schools are required to follow the Local Authority advice in relation to the Construction Industry Scheme (CIS) where this is relevant to the exercise of the community facilities power.

### **13.11 Banking**

Schools are required to ensure that there are adequate internal accounting controls (including separate sources of funds) to maintain separation of funds between school funds and community purposes funds. They may find a separate bank account useful for this purpose, but they are not required to maintain separate bank accounts for community purposes.

If schools choose to use a separate bank account, or accounts, for community purposes, including confederations and children's centres, they should note that expenditure and income from those accounts should still be reported to the authority as expenditure and income. The only exception is expenditure and income relating to private funds, which does not relate to activities involving Local Authority owned assets or to staff employed by the Governing Body in that capacity. In particular the transfer of funds to or from a separate bank account should not be reported to the authority as expenditure/income.

All schools may have an external bank account. Schools have a choice between a free-standing external bank and an umbrella account with the Borough's banker the HSBC. Under the free-standing option schools are able to receive their budget share into the bank account and retain any interest earned. Similarly, the school's umbrella account with the HSBC will be credited with the school budget share and receive interest calculated on a daily basis and credited quarterly at base rate less 0.5% (see section 3.5 above). Further details of the local bank account scheme are contained in section G of the LMS Finance Manual and summarised in Annex E. For the avoidance of doubt, schools may maintain separate umbrella accounts for children's centres and other community purposes, so long as they are largely funded from public sources or from income for services which DCSF expects extended schools to provide.

Accounts may only be held at the banks or building societies: listed in section 3.5.

Bank accounts for community purposes are subject to all the other conditions in s3.5.1 of the Scheme. In particular, the authority is the owner of the funds and has the right to receive statements, unless the funds in the account are demonstrably not public funds. Signatories for bank accounts are restricted to Local Authority employees and school employees. Governors who are not members of staff cannot be signatories.

Governing Bodies can only borrow money externally with the written permission of the Secretary of State. This restriction includes borrowing by the Governors, in their capacity as a Governing Body, for community purposes. This does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts.

## THE FUNDING FRAMEWORK: MAIN FEATURES

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

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

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

Subject to any provision made by or under the scheme, Governing Bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school\* and for any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act. (\*Section 50 has been amended to provide that amounts spent by a Governing Body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act.)

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

Each authority is obliged to publish each year a statement setting out details of its planned Schools Budget and **other expenditure on children's services**, showing the amounts to be centrally retained, and funding delegated to schools. After each financial year the authority 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 directions issued by the Secretary of State, 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 Local Authority to publish their scheme and any revisions to it on a website accessible to the general public, by the date that any revisions come into force, together with a statement that the revised scheme comes into force on that date.**

## ANNEX B

### RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS

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

Section 37 of the 2002 Education Act says:

- (4) *costs incurred by the local education authority in respect of any premature retirement of a member of the staff of a maintained school shall be met from the school's budget share for one or more financial years except in so far as the authority agree with the Governing Body in writing (whether before or after the retirement occurs) that they shall not be so met;*
- (5) *costs incurred by the local education authority in respect of the dismissal, or for the 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 have a policy precluding dismissal of their employees by reason of redundancy is not to be regarded as a good reason for the purposes of subsection (5); and in this subsection the reference to dismissal by reason of redundancy shall be read in accordance with section 139 of the Employment Rights Act 1996 (c. 18).*

The default position, therefore, is that premature retirement costs must be charged to the school's delegated budget, while redundancy costs must be charged to the Local Authority's budget. In the former case, the Local Authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy. Ultimately, it would be for the courts to decide what was a good reason, but 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 Local Authority's policy.
- Where the school is making staffing reductions which the Local Authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit.
- Where staffing reductions arise from a deficit caused by factors within the school's control.
- Where the school has excess surplus balances and no agreed plan to use these.
- Where a school has refused to engage with the Local Authority's redeployment policy.

## **Charge of premature retirement costs to Local Authority non-schools budget**

- Where a school has a long-term reduction in pupil numbers and charging such costs to their budget would impact on standards.
- Where a school is closing, does not have sufficient balances to cover the costs, and where the central School's 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 Local Authority or government intervention to improve standards.

Costs of new early retirements or redundancies may only be charged to the central part of the Schools 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 Local Authority discusses its policy with its Schools Forum. Although each case should be considered on its merits, this should be within an agreed framework. It may be reasonable to share costs in some cases, and some authorities operate a panel to adjudicate on applications.

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

For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, and can be funded from the school's delegated budget if the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. Section 37 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 governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.*

*(7A) Any amount payable by virtue of subsection (7) by the governing body of a maintained school in England to the local authority may be met by the governing body out of the school's budget share for any funding period if and to the extent that the 45 condition in subsection 7(B) is met.*

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

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

For staff employed under the community facilities power, the default position is that any costs must be met by the Governing Body, but not from the delegated budget. Section 37 states:

- (7) *Where a local education authority incur costs:*
- (a) *in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or*
  - (b) *in respect of the dismissal, or for the 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 Governing Body except in so far as the Authority agrees with the Governing Body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.*
- (8) *Any amount payable by virtue of subsection (7) by the Governing Body of a maintained school to the local education authority shall not be met by the Governing Body out of the school's budget share for any financial year.*
- (9) *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.*

(We will review this provision in the context of the forthcoming changes which will allow other community facilities costs to be charged to delegated budgets from 1 April 2011, but this remains the legal position for the time being).

## **ANNEX C**

### **APPLICATION OF SCHEMES FOR FINANCING SCHOOLS TO THE COMMUNITY FACILITIES POWER**

Schools which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under s.28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power. Secondly, the school is obliged to consult its authority and have regard to advice from the authority. Thirdly, the Secretary of State issues guidance to Governing Bodies about a range of issues connected with exercise of the power, and a school must have regard to that. However, under s.28(1), the main limitations and restrictions on the power will be those contained in the maintaining authority's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998 as amended by paragraph 2 of Schedule 3 to the Education Act 2002. This amendment extended the coverage of schemes to include the exercise of the powers of Governing Bodies to provide community facilities.

Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools.

This part of the scheme does not extend to joint-use agreements; transfer of control agreements, or agreements between the authority and schools to secure the provision of adult and community learning.

## **REGISTERS OF BUSINESS INTERESTS**

### **Declaration of Interests**

The following points are offered as guidance to Governors in the Declaration of Interests:

In general terms, if a Governor has a pecuniary (i.e. financial interest) in any matter being considered by the Governing Body he or she should declare the interest as soon as possible. This applies whether:

- you stand to lose or gain by the decision;
- your interest is direct or indirect.

The same procedure applies to clear and substantial non-pecuniary interests, i.e. personal or private interests even where you may not be directly affected, but a friend, member of your family, or a club or society or other organisation of which you are a member or a client may be affected.

The interests of a spouse or partner should also be treated as your own.

### **Register of Interests**

The following categories of interest should be disclosed and registered accordingly. £Nil entries may be made where appropriate:

- **Employment, office, trade, profession or vocation**
  - Governors should show every employment, trade, profession or vocation and give a short description of the activity concerned, i.e. accountant.
  - If an employee the name of the employer should be given. If employed by a company, the name of the company paying your salary or wage should be given, not that of the ultimate holding company.
  - If you are a partner, state the name of the firm.
  - Where you hold office give the name of the person or body which appointed you. In the case of public office, this will be the authority which pays you. In the case of a teacher in a maintained school, the local education authority; in the case of a maintained school, the Governing Body.
- **Sponsorship**
  - You should declare the names of any person or body who has made any payments to you in sponsorship in the last twelve months. The amounts do not have to be disclosed.

- **Contracts with the Council**

- You should describe all contracts which are not fully discharged and which are:
  - contracts for the supply of goods, services or works to the Council or on the Council's behalf;
  - between the Council and either yourself or a company in which you have a beneficial interest (i.e. a relative/partner/friend is involved with the company) or of which you are a director, or a firm in which you are a partner.
- You need not say what the financial arrangements are but should specify the length of the contract.
- Interests in companies and securities

You should list the names of any companies or other bodies corporate that are actively involved with the school or the Council and in which you have an interest. This includes money lent or deposited with an industrial or provident society (including co-operative society). You need not show the extent of your interest.