



## **Children & Young People's Directorate**

### **Fair Funding Scheme for Financing Schools**

**2010/11**

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## **Section 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.

### **1.2 The Schools and Local Authority Budget**

Under this legislation, Local Authorities (LA) determine for themselves the size of their Schools Budget and LA Budget – although at a minimum a LA must appropriate its 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 a LA's maintained schools except for capital and certain miscellaneous items. LA may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under s.45A of the Act. The amounts to be retained centrally are decided by the LA, 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 funds is termed the Individual Schools Budget (ISB). Expenditure items in the LA budget must be retained centrally (although earmarked allocations may be made to schools).

### **1.3 Calculation of Schools Budget Shares**

LA will distribute the ISB amongst their maintained schools using a formula that 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 that 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.

### **1.4 Financial Controls**

The financial controls within which delegation works are set out in a scheme made by the LA in accordance with s.48 of the Act and approved by the Secretary of State. All revisions to the scheme must also be approved by the Secretary of State, who has power to modify schemes or impose one.

### **1.5 Spending of Budget Shares**

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

### **1.6 Suspension of a School's Right to a Delegated Budget**

The LA may suspend a school's right to a delegated budget if the provisions of the school financing scheme (or rules applied by the scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State. A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSAF Act 1998) but in that case there is no right of appeal.

## 1.7 Publication of Financial Statements

The LA is obliged to publish each year a statement setting out details of its planned Schools Budget and LA Budget, showing the amounts to be centrally retained, the budget share for each school, the formula used to calculate those budget shares, and the detailed calculation for each school. After each financial year the LA will publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school.

## 1.8 Publication Requirements

The detailed publication requirements for financial statements and for schemes are set out in regulations, but each school will 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 the LA to publish their scheme and any amendments to it in a manner they determine.

## 1.9 The Role of the Scheme

The Scheme sets out the financial relationship between the LA and its maintained schools. This includes the requirements relating to financial management and associated issues that are binding on the LA and schools.

## 1.10 The Application of the Scheme to the LA and Maintained Schools.

The Scheme applies to Community, Nursery, Special, Voluntary, Foundation, Community Special or Foundation Special Schools maintained by the LA. A list of maintained schools is shown in Annex A.

PRU's are excluded from the Scheme's coverage as they are not maintained schools within the meaning of s. 20(7) of the Act.

## 1.11 Publication of the Scheme

A copy of the Scheme approved by the Secretary of State is placed on the Gloucestershire County Council website.

## 1.12 Revision of the Scheme

Any proposed revisions to the approved Scheme will be the subject of consultation with schools and the Schools Forum and will require approval by the Secretary of State.

## 1.13 Delegation of Powers to the Headteacher

The governing body should consider the extent to which it wishes to delegate its financial powers to the Headteacher and to record its decision (and any revisions) in the minutes of the governing body.

The LA recommends that day-to-day control of the budget should rest with the headteacher, subject to the provision of regular monitoring statements for consideration by the governing body (or a sub-committee of the governing body, provided the appropriate minutes are received and reported to the full governing body on a minimum termly basis). The first formal budget plan of each financial year must be approved by the governing body or by a committee of the governing body.

#### 1.14 Maintenance of Schools

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

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## **Section 2: Financial Requirements: Audit**

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

The scheme contains a general provision requiring schools to abide in the management of their delegated budgets by the LA's requirements on financial controls and monitoring, not only those in the scheme but also those to be contained in more detailed publications referred to in the scheme.

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

The scheme contains a provision requiring schools to provide the LA with details of anticipated and actual expenditure and income, in a form and at times determined by the LA. However, the scheme does not require submission of such details more often than once every three months except for those connected with tax or banking reconciliation unless the LA has notified the school in writing that in its view the school's financial position requires more frequent submission or the school is in its first year of operation. The scheme also makes clear that the restriction to a minimum three-month reporting interval does not apply to schools that are part of an on-line financial accounting system operated by the LA.

The LA required forms of monitoring reports will be the subject of consultation with schools and will aim to be easily extracted from schools' own accounting records and reports to governing bodies and will, as far as possible, take account of the Consistent Financial Reporting Framework and the desirability of compatibility with that framework.

### **2.3 Payment of Salaries; Payment of Bills**

Funds for the payment of salaries and invoices will be delegated to schools. It is expected that all schools without bank accounts will buy back these services from the LA. Schools with bank accounts may choose to buy back these services but it is anticipated that all such schools will pay creditors through their own accounts. Some schools may also choose to operate their own payroll systems or to contract non-GCC providers to undertake this task. Schools wishing to make their own payroll arrangements must be able to demonstrate the financial integrity. Schools not using the LA's facilities should be aware of their liability for additional costs incurred by the LA as detailed in section 6 of the Scheme.

### **2.4 Control of Assets**

Each school is required to maintain an inventory of moveable, non-capital assets for items worth £1,000 or more. Such items will be 'portable, desirable, attractive, durable and have some intrinsic value'. The LA recommends a standard form of manual inventory record. This comprises a folder and record sheets, which are supplied by the Business Management Directorate. For items worth less than £1,000, schools are free to determine their own arrangements for keeping a register, but must keep a register in some form.

Each school is responsible for obtaining value for money when disposing of assets. In general, assets (not land) should only be disposed of at the end of their useful life and the true market value obtained. If the sale value is likely to be in excess of £500, three offers should be sought. If the sale value is likely to exceed £10,000, the Capital Team, Business Management, Shire Hall (01452 425526) must be consulted as the income may be classified as a corporate receipt. VAT must be charged on standard rated sales.

## 2.5 Accounting Policies (including year-end procedures)

All schools must abide by the procedures issued by the LA and must account for debtors/creditors in accordance with LA guidance.

## 2.6 Writing off of Debts

The governing body should consider the extent to which it wishes to delegate the power to write off debts to the headteacher. This decision should be recorded in the minutes of the governing body. The LA recommends that day-to-day decisions should rest with the headteacher and only exceptional items above £1,000 require governors' approval. No debts should be written off unless they are considered irrecoverable and are at least two years old. For debts greater than £5,000, the LA must be consulted.

## 2.7 Basis of Accounting

Reports and accounts furnished to the LA during the course of the year must be on a cash basis and projections must take account of known commitments. Year-end accounts submitted to the LA by schools with bank accounts must show material creditors/debtors separately. Schools are free to record expenditure for their own internal use on either a cash or accruals basis.

## 2.8 Submission of Budget Plans

Each school must submit a plan to the LA no later than the end of May each year, showing its intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. The LA will determine the format of the budget plan after discussion with schools and will, as far as possible, take account of the Consistent Financial Reporting Framework and the desirability of compatibility with that. The provision may require revised plans throughout the year. The scheme must contain a provision which allows schools to take full account of estimated deficits/surpluses at the previous year-end in preparing their budget plan.

The LA will provide information to schools to enable them to prepare plans on a standard basis, e.g. expected rates of inflation. Plans must include supplementary details such as forecast pupil numbers for the coming academic year.

## 2.9 Submission of Financial Forecasts

The LA may require schools to submit financial forecasts covering each year of a multi-year period for which schools have been notified of budget shares beyond the current year.

## 2.10 Best Value

When submitting the annual budget plan, the governing body of each school also submits a statement setting out what steps they will be taking in the course of the year to ensure that expenditure, particularly in respect of large service contracts, will reflect the principles of the Best Value regime.

These principles are based on quality, efficiency and effectiveness. Best Value can be achieved by putting pupils and communities first, driving up value and quality, challenging the status quo and not simply minimising cost.

## 2.11 Virement

The scheme contains a provision allowing schools to vire freely between budget heads in expenditure of their budget shares.

## 2.12 Audit: General

The LA places schools within an audit regime determined by the LA as regards internal audit, and the LA's external audit regime as determined by the Audit Commission, and requires them to co-operate with it.

The LA requires that school must provide access to the school's records for both internal and external auditors.

The LA may provide for different authority audit arrangements for schools having their own bank account, compared with non-bank account schools.

## 2.13 Separate External Audits

The LA allows a governing body to spend funds from its budget share to obtain external audit certification of its accounts, separate from any LA internal or external audit process.

## 2.14 Audit of Voluntary and Private Funds

Schools must 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.

## 2.15. Register of Business Interests

The school must have a register which lists for each member of the governing body and the head teacher, any business interests they or any members of their immediate family retain. The register to must be completed accurately with notification of changes and through annual review of entries to make the register available for inspection by governors, staff, parents and the LA.

## 2.16 Purchasing, Tendering and Contract Arrangements

The school must abide by the LA's financial regulations and standing orders in purchasing, tendering and contracting matters. 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, the scheme must also contain a provision which has the effect of disapplying from schools any section of those regulations and/or standing orders which would require them :

- (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 LA officer countersignature for any contracts 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 £15,000 in any one year.

A school may nominate suppliers for inclusion on lists of approved suppliers.

## 2.17 Application of Contracts to Schools

The school has the right to opt out of LA arranged contracts except where the scheme provides otherwise.

The scheme may provide otherwise for:

- a. Contracts which schools have agreed to be covered by in respect of services for which funding was delegated by the LA prior to 1 April 1999;
- b. Contracts which schools agree to be covered by in respect of services for which funding is or was delegated by the LA after 1 April 1999; and
- c. Certain contracts listed in the scheme as approved by the Secretary of State for services for which funding has been delegated after 1 April 1999, irrespective of the agreement of schools

The scheme provides that although governing bodies are empowered under paragraph 3 of schedule 10 to the School Standards and Framework Act 1998 to enter into contracts in most cases they do so on behalf of the LA as maintainer of the school and the owner of the funds in the budget share. Contracts may be made solely on behalf of the governing body, when the governing body has clear statutory obligations - for example, contracts made by aided or foundation schools for the employment of staff.

## 2.18 Central Funds and Earmarking

The LA may make sums available to schools from central funds, in the form of allocations which are additional to and separate from the schools' budget shares. These allocations will be subject to conditions setting out the purpose or purposes for which the funds may be used: and while these conditions need not preclude virement (except, of course, where the funding is supported by a specific grant which the LA itself is not permitted to vire), this should not be carried to the point of assimilations the allocations into the schools' budget share.

Such earmarked funding from centrally retained funds is spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not vired into the budget share. There should be an accounting mechanism for schools to be able to demonstrate that this requirement has been complied with.

The LA may include a requirement that earmarked funds must be returned to the LA if not spent within any period stipulated by the LA over which schools are allowed to use the funding.

The scheme bars the LA from making any deduction, in respect of interest costs to the LA, from payments to schools of devolved specific or special grant.

## 2.19 Spending for the Purposes of the School

Although s.50(3) allows governing bodies to spend school budget shares for the purposes of the school, this is subject to regulations made by the Secretary of State and any provisions of the scheme. As well as the various standard provisions LA's may wish to propose their own restrictions on this freedom, arising from local circumstances; but these will only be approved when they appear to be essential and there is no expectation that schemes will necessarily contain them.

## 2.20 Capital Spending from Budget Shares

The scheme has a provision specifically allowing governing bodies to use their budgets share 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 School Standards and Framework Act 1998.

However the LA may if it wishes stipulate that if there is expected capital expenditure from budget share the governing body must notify the LA and that it must take into account any advice from the CEO as to the proposed expenditure if it exceeds the figure of £15,000 (or some higher sum). The scheme may specify that 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 LA to the proposed works but such consent can be withheld only on health and safety grounds.

## 2.21 Financial Management Standard

All maintained schools must demonstrate compliance with the DCSF Financial Management Standard in Schools in line with the timetable determined by the LA, and at any time thereafter.

The LA may require schools to demonstrate compliance through the submission of evidence showing that the school has undergone an external assessment. External assessment must be carried out by the LA or by a third party that has been approved to carry out such assessment by either the DCSF or the LA. Where assessment is carried out by a third party, this will be funded from the school's delegated budget.

## 2.22. Notice of Concern

The LA may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Group Director, Children and Young Peoples Directorate, 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 LA 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 appropriate 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 LA officers
- Requiring a governing body to buy into the LA's financial management systems;
- 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 LA may take where the governing body does not comply with the notice.

The purpose of this provision is to enable a LA to set out formally any concerns it has regarding the financial management of a school it maintains and require a governing body to comply with any requirements it deems necessary. The principal criterion for issuing a notice and determining the requirements included within it, must be to safeguard the financial position of the LA or school.

It should not be used in place of withdrawal of financial delegation where that is the appropriate action to take. However, it may provide a way of making a governing body aware of the LA's concerns short of withdrawing delegation and identifying the actions a governing body should take in order to improve their financial management to avoid withdrawal.

Where a LA issues a notice of concern the scheme must provide for the notice to be withdrawn once the governing body has complied with the requirements it imposes.

In placing this provision in their scheme, a LA may wish to consider the way in which a dispute between it and the school it is issuing a notice to regarding any aspect of the notice will be resolved by reference to the Schools Forum.

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## **Section 3: Instalments of the Budget Share: Banking Arrangements**

### **3.1 Frequency of Instalments**

The LA will make available budget share instalments on a monthly basis to schools.

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

Schools that elect to receive their total budget share will receive an initial payment on 4th April followed by 12 equal instalments on the 23rd of every month. Schools experiencing severe cash flow difficulties may apply in writing to the LA to receive a cash advance of future budget share instalments. The LA reserves the right to approve or reject any application.

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

The LA will add interest to material late payments of budget share instalments, where such late payment is the result of LA error. In the absence of an agreed interest rate the current Bank of England base rate can be used.

### **3.4 Budget Share for Closing School**

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

### **3.5 Bank and Building Society Accounts**

The scheme permits all maintained schools to have external bank accounts into which their budget instalments (as determined by other provisions) are paid. The scheme also provides that where schools have such accounts they shall be allowed to retain all interest payable on the account unless they choose to have an account within a LA contract which makes other provision.

LA may provide that schools without bank accounts cannot have one until any deficit balance is cleared; and that any school requesting a bank account at a later date shall not be able to have one until any deficit is cleared.

If a school opens an external bank account the LA must, if the school desires, transfer immediately to the account an amount agreed by both school and LA as the estimated surplus balance held by the LA 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.

### **3.6 Restrictions on Accounts**

The schemes may specify which banks or building societies accounts may be held with for the purpose of receiving budget share payments, provided at least ten different banks or building societies are listed. Schools having bank accounts with other banks prior to 1 April 2001 are allowed to retain those accounts.

The scheme allows schools to have bank accounts for budget share purposes which are in the name of the school rather than the LA. However, if a school has such an account the scheme may require that the account mandate should provide that the LA is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to delegated budget is suspended by the LA.

Budget share funds paid by the LA and held in school bank accounts remain LA property until spent.

The LA may restrict the signatories for bank accounts, but such provisions will allow at least LA employees and school employees to be signatories.

The scheme does not contain provisions restricting the use of direct debits or standing orders for a bank account operated by a school, except where the account is part of an LA contract.

### 3.7. Borrowing by Schools

The governing bodies may borrow money only with the written permission of the Secretary of State.

### 3.8. Other Provisions

The Chief Financial Officer, or his nominated representative, must have right of access to bank records for audit purposes.

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## Section 4: Treatment of Surplus and Deficit Balances Arising in Relation to Budget Shares

### 4.1 The Right to Carry Forward Surplus Balances.

The scheme allows schools to carry forward, from one financial year to the next, any surplus or shortfall in expenditure, relative to the school's budget share for the year, plus/minus any balance brought forward from the previous year.

Any school opening a new bank account will receive any surplus from the previous financial year. This may initially be calculated on an estimated basis (see para. 3.5). Following closure of that year's accounts (generally no later than 30 June), a school will receive the actual surplus, plus interest accrued from 1 April to the date of payment, less any estimated payment already made. It is expected that new bank accounts will open on 1 April in any year.

A school's surplus balance on 1 April will be equal to that on the preceding 31 March.

### 4.2. Reporting on and Control of the use of Surplus Balances

**It is mandatory for all local authorities to include surplus balance controls and, from summer 2008, operate clawback mechanisms for revenue balances. Sections 4.2.1 to 4.2.3 describe the criteria and conditions under which a school may retain balances before consideration and/or application of the clawback mechanism.**

Please also refer to Section 4.1

#### 4.2.1. Definition of purposes for which governing bodies may retain funds without further explanation.

Surplus revenue balances held by schools as permitted under this scheme are subject to the following restrictions with effect from 1 April 2008:

- a) The LA shall calculate by 31 May each year the surplus balance, if any, held by each school as at the preceding 31 March. For this purpose the balance will be the total balance carried forward as defined in the Consistent Financial Reporting (CFR) Framework.
- b) Capital balances, as defined by CFR framework (Refs: B03, B04, B05), may be carried forward in full, subject to the DCSF restrictions on Devolved Formula Capital funding which must be spent within 3 years and 5 months (from the 1 April in Year 1). Any unspent balances at the end of this period will be subject to automatic clawback.
- c) Any community focussed extended school balances (CFR Ref: B06) may be carried forward in full.
- d) Any unspent revenue Standards Fund grant for the previous financial year may be carried forward in full, subject to the DCSF restrictions on Standards Funds, which require these funds to be spent by 31<sup>st</sup> August in the following year.

#### 4.2.2 Limit of general balances permissible

After accounting for the items in 4.2.1, schools will also be entitled to retain the following general balances:

- For primary schools up to 8% or £10,000, whichever is the greater, of the current year's budget share.
- For secondary schools up to 5% of the current year's budget share.
- For special schools up to 8% of the current year's budget share.

#### 4.2.3 Other committed balances

Schools may also retain earmarked balances for committed sums in excess of those defined in 4.2.1 and 4.2.2, for the purposes listed below. This is subject to the submission of supporting evidence which will be scrutinised. This evidence must be submitted with governors' budget plans by the deadline set by the local authority for the return of these plans:

1. Creditors / Accruals Any goods or services (where the amount for each individual accrual shall not be less than £500):
  - Received by the school by 31st of March for which a payment has not been made.

**Documentary evidence**

Copy delivery note and/or subsequent copy invoice

- Ordered by a school by 31<sup>st</sup> March but where the goods have not been received or paid for.

**Documentary evidence**

Copy order and subsequent copy of delivery note and/or invoice

*Schools must identify the appropriate CFR code against which these committed sums are budgeted against their Governors' Budget Plan*

2. Receipts in Advance Any grants or income received to be spent in future years.

**Documentary evidence**

Copy of award documentation

*Schools must identify the appropriate CFR code against which these committed sums are budgeted against their Governors' Budget Plan*

3. Partnership Funds Approved Partnership Funds held on behalf of other Schools or Organisations e.g. 14-19 Partnerships.

**Documentary evidence**

Brief explanation of the project and partners involved, expected start and end date. Copy of award

documentation and/or correspondence with partners.

*Schools must identify the appropriate CFR code against which these committed sums are budgeted against their Governors' Budget Plan*

- 4a. Revenue Contributions to Capital – LA Approved

Revenue contributions towards a specific capital scheme. All available DFC must be used first before making a contribution from revenue surplus balances.

**Documentary evidence**

The scheme must be agreed with the local authority's Access Team. Plans of the project, including start and end dates. Total costs and funding streams must be identified.

*Schools must identify the appropriate CFR code against which these committed sums are budgeted against their Governors' Budget Plan*

- 4b. Revenue Contributions to Capital – Diocesan Approved

Revenue contributions towards a specific capital scheme. All available DFC must be used first before making a contribution from revenue surplus balances.

**Documentary evidence**

The scheme must be agreed with Diocese (email / letter from the director of the appropriate Diocese). Plans of the project, including start and end dates. Total costs and funding streams must be identified

*Schools must identify the appropriate CFR code against which these committed sums are budgeted against their Governors' Budget Plan*

- 4c. Revenue Contributions to Capital - non LA or Diocesan Approved

Revenue contribution towards a specific capital scheme with no involvement from LA or Diocese. All available DFC must be used first before making a contribution from revenue surplus.

**Documentary evidence**

Plans of the project, including start and end dates. Total costs and funding streams must be identified. Documentary evidence of tenders, quotes, agreed contracts etc.

*Schools must identify the appropriate CFR code against which these committed sums are budgeted against their Governors' Budget Plan*

5. Other Exceptional Circumstances

There may be other exceptional circumstances to which a school is planning to commit the use of balances.

**Documentary evidence**

Schools may provide documentary evidence in support of proposals to retain revenue funds for exceptional circumstances not covered by the other criteria in 4.2.3 (or those in 4.2.1 or 4.2.2).

*Schools must identify the appropriate CFR code against which these committed sums are budgeted against their Governors' Budget Plan*

Notes:

**Unspent Donations/School Trip Monies** - DCSF guidance (link below refers) is that donations from parents or other sources should be banked into a school's private (non-public) bank account. The Income from the private (non-public) bank account should only be transferred into a school's public account (i.e. that recorded in CFR format) if this is required to offset expenditure incurred in that account. Therefore there should be no surplus balance to carry forward on the public account.

<http://www.dcsf.gov.uk/valueformoney/index.cfm?action=CFR.Default&ContentID=54>

**Learning and Skills Council (LSC) Funding for post-16 provision** – In line with DCSF advice, for the purposes of the clawback (of excess balances) process, LSC funding will be treated as part of a school's general revenue funding.

4.2.4 Clawback of excess balances

With effect from 1 April 2008, balances will be deemed to be excess, and therefore subject to scrutiny and potential clawback, if:

- 4.2.4.1 They exceed the planned (as per governors' budget plans submitted to the local authority) use of balances as defined in paras.4.2.1, 4.2.2 and 4.2.3, or
- 4.2.4.2 The actual total revenue balances that may be retained under para.4.2.1 exceeds the limit of general balances permissible under para.4.2.2. for three consecutive years. For the purpose of the 2009/10 scheme for financing schools this applies to balances held at 31.3.08 (Year 1), 31.3.09 (Year 2) and 31.3.10 (Year 3). This calculation will be subsequently done on a 3-year rolling programme e.g. 31.3.09 (Year 1), 31.3.10 (Year 2), 31.3.11 (Year 3).

The maximum amount of clawback will be the greater of:

- Any unplanned excess under 4.2.4.1.
- The lowest actual excess surplus, as calculated in 4.2.4.2

Any clawback of balances will take place after the end of the third financial year in the relevant three-year period.

4.3. Interest on Surplus Balances.

At the end of the financial year, each school will receive an interest payment to reflect that part of its budget share that is held within the Authority's bank account.

The interest calculation will be based on the average of the balance brought forward and the balance carried forward, multiplied by the average 7 day interest rate for the year.

#### 4.4. Obligation to Carry Forward Deficit Balances.

Any deficit balances held by schools at the end of the financial year will be deducted from the budget share for the following year.

#### 4.5. Planning for deficit balances.

Schools are not allowed to plan for a deficit without prior contact with the Schools Finance Team, Please see section 4.9.

#### 4.6. Charging of Interest on Deficit Balances

At the end of the financial year, each school will be charged interest to reflect any deficit budget share that is held within the Authority's bank account. In exceptional circumstances or on agreements in place at 1 April 1999, interest charges may be waived either in full or in part. The interest calculation will be based on the average of the balance brought forward and the balance carried forward, multiplied by the average 7 day interest rate for the year.

#### 4.7. Writing Off Deficits

The LA has no legal powers to allow it to write off the deficit balance of any school.

#### 4.8. Balances of Closing and Replacement Schools

When 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 where that school is a successor to the closing school.

The LA may, however, make a separate allocation to the new school that is equal to, or less than, the balances of relevant closing schools or, in the case of the closing schools being in deficit, abate any extra funding for the new school by a sum not exceeding the deficit.

#### 4.9. Licensed Deficits

A LA may include in its scheme provision for an arrangement where schools are allowed to plan for a deficit budget. Any school planning a deficit budget of more than £10,000 must enter into a Licensed Deficit Agreement (LDA). The LDA may only be for the purpose of continuing to provide adequate education standards for existing pupils in the light of temporary budget reductions due to reducing pupil numbers or other relevant financial issues. Such an agreement is funded by the collective surplus of schools balances held by the LA on behalf of schools.

With effect from 1<sup>st</sup> April 2010 no LDA will be approved without a recovery plan for the full deficit amount being provided by the school. All recovery plans and any subsequent updates must be signed by the Headteacher and the Chair of Governors as evidence that both have been involved.

Arrangements will be made for a LDA once the recovery plan has been submitted and accepted by the Schools Finance Team. The LDA must be signed by the Headteacher and Chair of Governors. The LDA is then countersigned by the Schools Finance Manager and if the amount exceeds £150,000, the Director for Learning and Development will also countersign.

If the school cannot provide a recovery plan or indicates a recovery period of more than 3 years, the information will be shared with the Head of Challenge and Development and the Director of Learning and Development.

No LDA will be agreed if the recovery plan is for more than 3 years without prior authorisation from the Head of Challenge and Development, Director of Learning and Development and Group Director of Business Management.

Bank account schools with an approved LDA must provide monthly bank statements, cash flow statements, aged creditor reports, and other relevant reports requested by the Schools Finance Team.

#### 4.10 Credit Union Approach

No provision has been made for any credit union approach to loans.

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## **Section 5: Income**

### **5.1. Income from Lettings**

A school whose premises are owned by the LA will be allowed to retain income from lettings of the school premises that would otherwise accrue to the LA, subject to alternative provisions arising from any joint use or PFI/PPP agreements. Schools will be able to cross-subsidise lettings for community and voluntary use with income from other lettings, provided there is no net cost to the school's budget share.

However, schools should be required to have regard to directions issued by the authority as to the use of school premises, as permitted under the School Standards and Framework Act 1998 for various categories of schools.

Income from lettings of school premises should not normally be payable into voluntary or private funds held by the school.

### **5.2. Income from Fees and Charges**

A school will be allowed to retain income from fees and charges except where a service is provided by the LA from centrally retained funds.

### **5.3. Income from Fund Raising Activities.**

A school will be allowed to retain income from fund raising activities and pay into private funds.

### **5.4. Income from the Sale of Assets**

A school will be allowed to retain the proceeds of the sale of assets, except in cases where the asset was purchased with non-delegated funds in which case it should be for the LA to decide whether the school should retain the proceeds. The school may not retain the proceeds of the sale when the asset concerned is land or buildings forming part of the school premises and is owned by the authority LA. Please also refer to Section 2.1.4.

### **5.5. Administrative Procedures for the Collection of Income**

Administrative procedures for the collection of income are issued to schools periodically and must be adhered to in order to protect the school, the Council and staff against the effects of misuse and misallocation of income. All income received should be banked regularly into the school's official bank account and receipts issued promptly. Income must be correctly VAT marked to ensure prompt payment of VAT to HM Customs and Excise.

### **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.

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## Section 6: The Charging of School Budget Shares

### 6.1. General Provision.

The LA will only be able to charge the budget share of a school without the consent of the governing body only in circumstances expressly permitted by the Scheme. The LA must consult schools as to the intention to charge, and notify schools when it has been done. The LA will have to demonstrate that it has necessarily incurred the expenditure now charged to the budget share.

If disagreements relating to the scheme cannot be settled informally, the governing body have the right to issue a formal dispute notice for the personal consideration of the Group Director, Children and Young People. An appeal may be made to the Cabinet Member for Schools for a formal reconsideration. All correspondence under this disputes procedure must be clearly identified as such and be authorised by the school's governing body.

6.1.2. The LA is required to charge salaries of school-based staff to school budget shares at actual cost.

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

- 1) Where premature retirement costs have been incurred without the prior written agreement of the LA to bear such costs. A school will only be charged for the excess over any amount agreed by the LA.
- 2) Other expenditure incurred to secure resignations where the school has not followed LA advice.
- 3) Awards by courts and industrial tribunals against the LA, or out of court settlements, arising from action or inaction by the governing body contrary to the LA's advice.
- 4) Expenditure by the LA in carrying out health and safety work or capital expenditure for which the LA is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.
- 5) Expenditure by the LA incurred in making good defects in building work funded by capital spending from budget shares, where the LA owns the premises or the school has voluntary controlled status.
- 6) Expenditure incurred by the LA in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the LA.
- 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 process set out in a service level agreement, and the result is that monies are owed by the school to the LA.
- 8) Recovery of penalties imposed on the LA by the Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, Teachers' Pensions or regulatory authorities as a result of school negligence.
- 9) Correction of LA errors in calculating charges to a budget share (e.g. pension deductions).

- 10) Additional transport costs incurred by the LA arising from decisions by the governing body on the length of the school day, and failure to notify the LA of non-pupil days resulting in unnecessary transport costs.
- 11) Legal costs incurred by the LA because the governing body did not accept the advice of the LA.
- 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.
- 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.
- 14) Cost of work done in respect of teacher pension remittance and records for schools using non-authority payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.
- 15) Costs incurred by the LA in securing provision specified in the statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of that statement.
- 16) Costs incurred by the LA due to submission by the school of incorrect data.
- 17) Recovery of amounts spent from specific grants on ineligible purposes.
- 18) Costs incurred by the LA as a result of the governing body being in breach of the terms of a contract.

If further categories of charge to a school's budget share appear to be necessary, the LA will seek approval for a variation to the scheme.

### 6.3 General Teaching Council

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

In order to ensure the performance of the duties to deduct and remit the fee imposed on employers by the Regulations 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:

- (1) By virtue of section 46 of the School Standards and Framework Act 1998 and the regulations made under that section (at present the Financing of Maintained Schools (England) Regulations 2001 (S.I. 2001 No.475, Part II and Schedule 1) the costs of payroll administration for teachers in the Authority's maintained schools fall to be met from the budget shares which are allocated to governing bodies pursuant to section 47 of the Act, and which are delegated to them pursuant to sections 49-50. Accordingly, by virtue of Chapter IV of Part II of that Act and this Scheme, governing

bodies of maintained schools are responsible for making suitable arrangements (or ensuring that such arrangements are made) for the administration of payroll services in respect of their teachers.

- (2) A governing body of a community school, community special school or a voluntary controlled school, though not the employer of the teachers at such a school, shall:
  - (a) where the governing body has entered into any arrangement or agreement with the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of fees by the Authority to the GTC. The governing body shall meet any consequential costs from the school's budget share;
  - (b) where the governing body has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of fees by that person to the Authority or directly to the GTC where this has been agreed between the GTC and the Authority. The governing body shall meet any consequential costs from the school's budget share; and
  - (c) where the governing body directly administers the payroll, deduct and remit the fees to the Authority or directly to the GTC where this has been agreed between the GTC and the Authority. The governing body shall meet any consequential costs from the school's budget share.
- (3) A governing body of a foundation school, a foundation special school or a voluntary aided school, as the employer of its teachers, is by virtue of the Regulations under a duty to deduct (or arrange for the deduction of) the fee and to remit the fee to the GTC. Accordingly, a governing body shall:
  - (a) where the governing body has entered into any arrangement or agreement with the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of the fees by the Authority to the GTC on the governing body's behalf. The Authority shall agree to any such amendment. The governing body shall meet any consequential costs from the school's budget share;
  - (b) where the governing body has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, ensure that any such arrangement or agreement is amended to allow for the deduction and remittance of the fees by that person to the GTC or to the governing body for onward transmission to GTC. The governing body shall meet any consequential costs from the school's budget share; and
  - (c) where the governing body directly administers the payroll, deduct and remit the fees to the GTC. The governing body shall meet any consequential costs from the school's budget share.
- (4) All this shall be done whether the funding for the salary payments is paid to the Authority by the school from budget share instalments which have been held by the school in an independent bank account, or the salary costs are directly charged by the Authority to the school's budget share account.

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## **Section 7: Taxation**

### 7.1. Value Added Tax.

Each school must follow the procedures laid down by the Authority to ensure that they utilise the County Council's ability to reclaim VAT on expenditure relating to non-business activity. Schools must also account for VAT on standard rated income. The net amounts so reclaimed will be passed back to the school.

Procedures, relating to value added tax, are issued periodically to schools by the County Council's VAT officer.

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

Each school must follow the procedures laid down by the LA concerning proper arrangements for dealing with CIS.

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## Section 8: The Provision of Services and Facilities by the Authority

### 8.1. Provision of Services from Centrally Retained Services.

The LA will determine on what basis services (and non-services such as premature retirement costs and redundancy payments) from centrally retained funds will be provided to schools. The Authority will 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.

### 8.2. Provision of Services Bought Back from the LA using delegated budgets.

The term of any agreement with a school starting on or after 1 April 1999 to buy services or facilities from the LA will be limited to a maximum of three years from the date of the agreement and periods not exceeding five years for any subsequent agreement relating to the same services. However, schemes may contain an extension to five and seven years respectively for contracts for supply of catering services.

All buy-back services are offered at prices that are intended to generate income that is no less than the total cost of providing these services even though schools may be charged differentially.

#### 8.2.1. Packaging.

The LA will provide packages of services to enable schools to buy back those they wish.

### 8.3. Service Level Agreements.

#### 8.3.1. Services Provided Under a Service Level Agreement

If services or facilities are provided under a service level agreement, whether free or on a buy-back basis, the terms of any such agreement starting on or after the inception of the Scheme will be reviewed at least every three years if the agreement lasts longer than that. Schools will have at least a month to consider the terms of agreements. All agreements will run from 1 April to 31 March inclusive.

Centrally arranged premises and liability insurance is excluded from these requirements as to service supply, due to the limitations for insurance purposes.

#### 8.3.2. Services Offered Under a Service Level Agreement

Services, offered under a service level agreement by the LA will also be available on a basis which is not related to an extended agreement, as well as on the basis of such agreements. Any services provided on an *ad hoc* basis may be charged for at a different rate to those provided through a long-term agreement.

### 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) be 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.

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## **Section 9: PFI/PPP**

### 9.1 Development Proposals for PFI/PPP Schemes in Schools

The LA may develop proposals for PFI/PPP schemes in schools, in which case governing bodies will be required to formally agree to the terms and conditions of the PFI scheme prior to the Council signing binding contracts. This may include a long-term commitment by the governors to pay over to the Council, or the contractor, an agreed sum for the services provided under the terms of the contract.

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## **Section 10: Insurance**

### 10.1. Insurance Cover.

The budget for insurance is fully delegated to schools. It is the responsibility of each governing body to ensure that its school has adequate insurance cover. This may be arranged through the County Council or with an external insurance provider. The LA may ask any school to demonstrate that the governing body has arranged cover, relevant to the LA's insurable interests. The level of cover must be:

- At least as good as the relevant minimum cover that would have been arranged by the LA, if the authority makes such arrangements.
- Either paid for from central funds or from contributions from the school's delegated budget.

In assessing the type and level of insurance cover required, the LA will have regard to the actual risks which insurable events that might reasonably be expected to arise occur at the an individual school in question in operating such requirement, rather than simply applying an arbitrary minimum level standard of insurance cover for all schools.

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## Section 11: Miscellaneous

### 11.1. Right of Access to Information

As well as specific requirements listed above, the LA has the right to require governing bodies to supply all financial and other information which that might reasonably be required to enable the Authority to satisfy itself as to the school's management of its delegated budget share, or the use made of any central expenditure by the Authority on the school, including earmarked funds.

### 11.2. Liability of Governors

The governing body is a corporate body, and because of the terms of s.50 (7) of the SSAF Act 1998, 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 LA may delegate funds to meet governors' expenses to the governing body of a school yet to receive a delegated budget.

In accordance with schedule 11 of the SSAF Act 1998, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share. Schools are not allowed to make payments for expenses duplicating those paid by the Secretary of State to additional governors appointed to schools under special measures.

### 11.4. Responsibility for Legal Costs

If the governing body of a school incurs legal costs, that would normally be the responsibility of the LA as part of the cost of maintaining the school (unless they relate to the statutory responsibility of aided school governors for buildings), such costs may be charged to the school's budget share if the governing body does not act in accordance with the advice of the Authority.

If there is an agreed conflict of interest between the LA and the governing body, then the governors should seek independent legal advice. The LA will meet the costs of such advice centrally as part of the cost of maintaining the school unless such advice relates to the statutory responsibility of aided school governors for buildings.

### 11.5. Health and Safety

Governing bodies must have due regard to duties placed on the LA in relation to health and safety, and the Authority's policy on health and safety matters in the management of the budget share. The LA may issue directions to the governing body and headteacher of a community, community special or voluntary controlled school on health and safety matters; these directions are enforceable, so far as governing bodies are concerned, via s.497 of the Education Act 1996 if not complied with.

### 11.6. Right of Attendance for the Chief Finance Officer

The Chief Finance Officer of the Authority, or any nominated officer, has the right to attend meetings of the governing body of any school at which agenda items are relevant to the exercise of his or her responsibilities. Normally, such attendance will be limited to items that

relate to issues of probity or overall financial management and will not be regarded as routine.

#### 11.7. Delegation to New Schools

The Authority may delegate selectively and optionally to governing bodies of schools that have yet to receive delegated budget shares. Additionally, the LA may delegate some spending powers to the temporary governing body of a new school before it has a delegated budget.

#### 11.8. Optional Delegated Funding

Where a school exercises an option to receive delegated or devolved funding for an item, that option may only be exercised once a year, at least two months prior to the financial year in question. The LA may waive this notice period at its discretion. This relates to optional delegation for insurance and meals funding and optional devolution of admissions funding.

#### 11.9. Special Educational Needs

Schools are required to use their best endeavours in spending the budget share, to secure SEN provision.

#### 11.10. Interest on late payments

Schools are reminded that the Late Payment of Commercial Debts (Interest) Act will apply in respect of late payment of invoices received from suppliers. The LA reserves the right to charge schools such interest where the school has delayed payment beyond the agreed credit period or the default 30 day period.

#### 11.11. Whistle blowing

The procedure to be followed by persons working at a school, or school governors, who wish to complain about financial management or financial propriety at the school, and how such complaints will be dealt with are contained within the Code of Conduct for Employees Section of the County Council's Constitution, which can be accessed via the following web address: <http://www.gloucestershire.gov.uk/index.cfm?articleid=4195>

#### 11.12. Child Protection

Schools are required to release staff to attend child protection case conferences and other related events. Any costs must be borne by individual schools.

#### 11.13. School Meals

Where responsibility and funding for school meals has been delegated, governing bodies, in discharging their duties in relation to school meals, should have regard to the Authority's School Meals Policy document.

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## **Section 12: Former GM Schools**

### 12.1. Balances of former GM schools

Where a deficit balance existed at the end of FAS funding and was carried forward, any schedule for eliminating the deficit agreed with the FAS (or the authority in the case of deficits incurred when the school was previously maintained by the authority, and carried over into the change of status under the GM Finance Regulations) will continue to be adhered to.

### 12.2. S255 Loans

Repayment of loans made to schools under s.255 of the Education Act 1996 may be charged against the school's budget share where payments are not made to the Secretary of State.

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## **Section 13: Responsibility for Repairs and Maintenance**

### 13.1. Revenue Repairs and Maintenance

Governing Bodies must finance all revenue repairs and maintenance as set out in Annex B from their delegated budget share.

### 13.2. Funding for Repairs and Maintenance

All funding for repairs and maintenance is delegated to schools with the exception of paragraph 13.5 and revival treatment of flat roofs that, although classified as revenue by the CIPFA Code of Practice, the LA recognises the difficulty this imposes on schools and has, for the present, accepted this as a capital item. The LA offers a 'buy back' scheme to primary schools (subject to there being sufficient demand for the scheme to be economically viable).

### 13.3. Capital items

Illustrative examples of capital expenditure items in line with the DCSF interpretation of the CIPFA code of practice are included at Annex B.

### 13.4. Voluntary Aided Governors

For Voluntary Aided schools, the liability of the LA for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other schools, and no separate list of responsibilities is necessary for such schools. However, eligibility for capital grant from the secretary of state for capital works at voluntary aided schools depends on the de minimis limit applied by DCFS to categorise such work,.

### 13.5. Repair and Maintenance Monies for Kitchens and Kitchen Equipment

Repair and maintenance monies, for kitchens and kitchen are retained centrally for primary and special schools that have opted to purchase free school meals through the LA's central contract arrangements

### 13.6. De-minimis Limit

The Authority does not use any de-minimis limit to distinguish between capital and revenue expenditure.

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## Section 14: Community Facilities

Sections 27(1) & 28(2) of The Education Act 2002 empower schools to set up Community Facilities.

### Introduction

- 14.1 Schools that choose to exercise the power conferred by Section 27(1) of the Education Act 2002 to provide community facilities will be subject to a range of control. Regulations made under Section 28(2), can specify activities that not be undertaken at all under the main enabling power.

Schools are obliged to consult the LA and have regard to its advice from the authority. Schools must also have regard to any guidance to Governing Bodies issued by the Secretary of State connected with the exercise of the power.

Under Section 28(1), schools, in exercising the community facilities power, are subject to all other requirements of the Schools Financing Scheme and, if any, those contained in schools' own instruments of government.

This section of the Scheme does not extend to joint-use agreements; transfer of control agreements, or agreements between the LA and school to secure the provision of adult and community learning.

- 14.2 The school's budget share may not be used to fund community facilities – either start-up costs or ongoing expenditure or to meet deficits arising from such activities.
- 14.3 Mismanagement of community facilities funds can be grounds for suspension of the right to a delegated budget.

### Consultation with the LA – Financial Aspects

- 14.4 Under Section 28(4) of the Education Act 2002, governing bodies must consult with the LA prior to setting up new facilities and to have regard to that advice.
- 14.5 Schools should write to their SHAPE Advisor at least 3 months before the new facilities are proposed to begin operating, setting out the scope of the proposed scheme together with a Business Plan. (Please follow attached link to SHAPE Team homepage: <http://www.gloucestershire.gov.uk/index.cfm?articleid=17104>).
- 14.6 The LA will give a formal written response within 1 calendar month. Schools are strongly advised to consult with the LA at the earliest opportunity.

### Funding Agreements – LA Powers

- 14.7 Where the proposed scheme for community facilities involves a funding agreement with a third party, the details of the proposed arrangement must be submitted to the LA at least 3 months before the proposed scheme is due to begin operation.
- 14.8 If an agreement is made with a third party against the wishes of the LA, which in the view of the LA 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. However the LA does not have a general power of veto for such agreements.

## Other Prohibitions, Restrictions and Limitations

- 14.9 Where the LA believes that there is a financial risk to the LA arising from a proposed community facilities scheme, the LA may seek to protect its financial interest by requiring a Governing Body to carry out the activity through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance.

## Supply of Financial Information

- 14.10 Schools exercising the community facilities power must provide the LA with the following financial statement:
- 14.10.1 An annual budget statement for the community's facilities scheme, to be submitted to the LA by 1 March i.e. one month before the financial year to which the budget statement relates.
- 14.10.2 A monitoring statement as at 30 September each year showing actual expenditure and income for the financial year to date, together with a projection for the remainder of the financial year. The statement must be submitted by 31 October.
- 14.11 The LA may require more frequent statements where, in the opinion of the LA, there is cause for concern about the school's management of the financial consequences of the exercise of the community facilities power.
- 14.12 Where funds received for community facilities have not been properly managed, that may be grounds for suspension of the right to delegation of the budget share.

## Audit

- 14.13 Schools must grant the LA access to all records connected with the exercise of community facilities powers.
- 14.14 In concluding funding agreements with third parties, the school must also ensure that such agreements contain adequate provision for access by the LA to records or other property of the third party held on school premises, or held elsewhere in as far as they relate to the activity in question.

## Treatment of Income and Surpluses

- 14.15 The school may retain all net income or surpluses derived from the community facilities scheme except where otherwise agreed with a third party.
- 14.16 That net income or surplus may be carried forward from one financial year to the next as a separate community facilities surplus or transferred to the school's budget share.
- 14.17 In the case of community or community special schools where the LA ceases to maintain the school, any accumulated net income or surplus arising from the exercise of the community facilities power reverts to the LA unless otherwise agreed with a third party.

Any deficit arising on community facilities may, under the School Standards and Framework Act 1998 be recovered from the Governing Body but not from the school's budget share.

## Health and Safety Matters

- 14.18 The Health and Safety provisions of the School's Financing Scheme (Section 11.5) apply in full to community facilities powers.
- 14.19 Governing Bodies are responsible for the costs of securing Criminal Records Bureau clearance for all adults involved in community activities 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.

## Insurance

- 14.20 It is the responsibility of the Governing Body to ensure adequate arrangements are made for insuring against risks arising from the exercise of the community facilities power. Such insurance may not be funded from the school's budget share. The school should seek advice from the LA before finalising any insurance arrangement for community facilities.
- 14.21 The LA may undertake its own assessment of the school's insurance arrangements and if it judges those arrangements to be inadequate, may make arrangements itself and charge the resulting cost to the school.

## Taxation

- 14.22 Schools must seek the advice of the County Council VAT officer on any issue relating to the possible imposition of Value Added Tax on expenditure and income in connection with the community facilities, including the use of the LA's VAT reclaim facility. As community facilities will not be run through the delegated budget, no VAT recovery will be available through the County Council on expenditure.
- 14.23 Schools are responsible for ensuring that proper arrangements are made for the payment of Income Tax and National Insurance for any member of staff is employed by the school in connection within community facilities.
- 14.24 Schools must follow LA advice in relation to the Construction Industry Tax Deduction Scheme (CIS) where this is relevant to the exercise of the community facilities power (see Section 7.2).

## Banking

- 14.25 Schools must account separately for the exercise of the community facilities power. These accounts must be maintained through separate bank accounts unless otherwise specifically agreed by the LA.
- 14.26 Schools may not borrow money, other than from the LA, without the written consent of the Secretary of State.

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## **Annex A: Schedule of Schools Included in the Scheme**

### **Secondary Schools**

Archway School  
 Balcarras School  
 Barnwood Park Arts College  
 Beaufort Community School  
 Bishops College  
 Brockworth Enterprise School  
 Central Technology College School  
 Cheltenham Bournside & Sixth Form Centre School  
 Cheltenham Kingsmead School  
 Chipping Campden School  
 Chosen Hill School  
 Christ College Catholic & C of E Sports College  
 Churchdown School  
 Cirencester Deer Park School  
 Cirencester Kingshill School  
 Cleeve School  
 Dene Magna School  
 Farmors School  
 Heywood Community School  
 High School for Girls  
 Katharine Lady Berkeley's School  
 Lakers School  
 Maidenhill School  
 Marling School  
 Newent Community School  
 Pate's Grammar School  
 Pittville School

Rednock School  
 Ribston Hall High School  
 Severn Vale School  
 Sir Thomas Rich's School  
 Sir William Romney's School  
 St. Peters Catholic High School & Sixth Form Centre  
 Stroud High School  
 Tewkesbury School  
 The Cotswold School  
 The Crypt School  
 Thomas Keble School  
 Vale of Berkeley College  
 Whitecross School  
 Winchcombe School  
 Wyedean School

### **Special Schools**

Alderman Knight School  
 Amberley Ridge School  
 Battledown Children's Centre  
 Belmont School  
 Bettridge School  
 Cam House School  
 Coln House School  
 Heart of the Forest  
 Paternoster School  
 Sandford School  
 The Milestone School  
 The Shrubberies School

**Primary Schools**

Abbeymead Primary School  
 Amberley Parochial School  
 Ampney Crucis C of E Primary School  
 Andoversford Primary School  
 Ann Cam C of E Primary School  
 Ann Edwards C of E Primary School  
 Arthur Dye Primary School  
 Ashchurch Primary School  
 Ashleworth C of E Primary School  
 Avening Primary School  
 Aylburton C of E Primary School  
 Barnwood C of E Primary School  
 Beech Green Primary School  
 Benhall Infant School  
 Berkeley Primary School  
 Berry Hill Primary School  
 Bibury C of E Primary School  
 Birdlip Primary School  
 Bishops Cleeve Primary School  
 Bisley Blue Coat C of E Primary School  
 Blakeney Primary School  
 Bledington School  
 Blockley C of E Primary School  
 Blue Coat C of E Primary School  
 Bourton-on-the-Water Primary School  
 Bream C of E Primary School  
 Brimscombe C of E Primary School  
 Brockworth Primary School  
 Bromesberrow St.Mary's C of E Primary School  
 Bussage C of E Primary School  
 Callowell Primary School  
 Calton Infant School  
 Calton Junior School  
 Cam Everlands Primary School  
 Cam Hopton C of E Primary School  
 Cam Woodfield Infant School  
 Cam Woodfield Junior School  
 Carrant Brook Junior School  
 Cashes Green Primary School  
 Castle Hill Primary School  
 Chalford Hill Primary School  
 Charlton Kings Infants' School  
 Charlton Kings Junior School  
 Chesterton Primary School  
 Christ Church C of E Primary School  
 Christ Church C of E Primary School (Chalford)  
 Churcham Primary School  
 Churchdown Parton Manor Infant School  
 Churchdown Parton Manor Junior School  
 Churchdown Village Infant School  
 Churchdown Village Junior School

Cirencester Infant School  
 Cirencester Junior School  
 Clearwell C of E Primary School  
 Coaley C of E Primary School  
 Coalway Community Infant School  
 Coalway Junior School  
 Coberley C of E Primary School  
 Cold Aston C of E Primary School  
 Coney Hill Community Primary School  
 Cranham C of E Primary School  
 Deerhurst & Apperley C of E Primary School  
 Dinglewell Infant School  
 Dinglewell Junior School  
 Down Ampney C of E Primary School  
 Drybrook School  
 Dunalley Primary School  
 Dursley C of E Primary School  
 Eastcombe Primary School  
 Eastington Primary School  
 Ellwood Primary School  
 Elmbridge Infant School  
 Elmbridge Junior School  
 English Bicknor C of E Primary School  
 Fairford C of E Primary School  
 Field Court C of E Infant School  
 Field Court Junior School  
 Finlay Community School  
 Forest View Primary School  
 Foxmoor Primary School  
 Gardners Lane Primary School  
 Gastrells Community Primary School  
 Glebe Infant School  
 Glenfall Community Primary School  
 Gloucester Road Primary School  
 Gotherington Primary School  
 Grange Primary School  
 Grangefield School  
 Great Rissington Primary School  
 Greatfield Park Primary School  
 Gretton Primary School  
 Hardwicke Parochial Primary School  
 Haresfield C of E Primary School  
 Harewood Infant School  
 Harewood Junior School  
 Hartpury C of E Primary School  
 Hatherley Infant School  
 Hatherop C of E Primary School  
 Hempsted C of E Primary School  
 Heron Primary School  
 Hester's Way Primary School  
 Highnam C of E Primary School  
 Hillesley C of E Primary School  
 Hillview Primary School  
 Holy Apostles' C of E Primary School  
 Holy Trinity C of E Primary School

Hope Brook C of E Primary School	Queen Margaret Primary School and Early Years Centre
Horsley C of E Primary School	Randwick C of E Primary School
Huntley C of E Primary School	Redbrook C of E Primary School
Innsworth Junior School	Redmarley C of E Primary School
Isbourne Valley Primary	Robinswood Primary School
Kemble Primary School	Rodborough Community Primary School
Kempsford C of E Primary School	Rodmarton School
King's Stanley C of E Primary School	Rowanfield Infant School
Kingsway Primary School	Rowanfield Junior School
Kingsholm C of E Primary School	Ruardean C of E Primary School
Kingswood Primary School	Sapperton C of E Primary School
Lakefield Church of England Primary School	Severnbanks Primary School
Lakeside Primary School	Sharpness Primary School
Larkfield Infant School	Sheepscombe School
Leckhampton C of E Primary School	Sherborne C of E Primary School
Leighterton Primary School	Shurdington C of E Primary School
Leonard Stanley C of E Primary School	Siddington C of E Primary School
Linden Primary School	Slimbridge Primary School
Littledean C of E Primary School	Soudley School
Longborough C of E Primary School	Southrop C of E Primary School
Longlevens Infant School	St. Andrews C of E Primary School
Longlevens Junior School	St. Briavels Parochial C of E Primary School
Longney C of E Primary School	St. Catharines Catholic Primary School
Lydbrook Primary School	St. Davids Primary School
Lydney C of E Community School	St. Dominics Catholic Primary School
Lynworth Primary School	St. James' & Ebrington C of E Primary School
Meadowside Primary School	St. James C of E Primary School
Meysey Hampton C of E Primary School	St. James' C. of E. Junior School
Mickleton Primary School	St. Johns C of E Primary (Coleford) School
Minchinhampton School	St. Johns C of E Primary (Cheltenham) School
Minsterworth C of E Primary School	St. Josephs Catholic Primary School
Miserden C of E Primary School	St. Lawrence C of E Primary School
Mitcheldean Endowed Primary School	St. Marks C of E Junior School
Mitton Manor Primary School	St. Marys C of E Infant School (Prestbury)
Nailsworth C of E Primary School	St. Marys C of E Primary School (Tetbury)
Naunton Park Primary School	St. Marys Catholic Primary School
Newnham St. Peter's C of E Primary School	St. Matthews C of E Primary School
North Cerney C of E Primary School	St. Pauls C of E Primary School
North Nibley C of E Primary School	St. Peters Catholic Primary School
Northleach C of E Primary School	St. Thomas More Catholic Primary School
Northway Infant School	St. Whites School
Norton C of E Primary School	Staunton & Corse C of E Primary School
Oak Hill C of E Primary School	Steam Mills Primary School
Oakridge Parochial School	Stone with Woodford C of E Primary School
Offa's Mead Primary School	Stow-on-the-Wold Primary School
Park Junior School	Stratton C of E Primary School
Parkend Primary School	Stroud Valley Community Primary School
Parliament Primary School	Swell C of E Primary School
Pauntley C of E Primary School	Swindon Village Primary School
Picklenash Junior School	Temple Guiting C of E School
Pillowell Community Primary School	
Powell's C of E Primary School	
Prestbury St. Marys C of E Junior School	
Primrose Hill C of E Primary School	

Tewkesbury C of E Primary School  
The British School  
The Catholic School of Saint Gregory the Great  
The Croft Primary School  
The John Moore Primary School  
The Moat Primary School  
The Park Infant School  
The Rosary Catholic Primary School  
Thrupp Primary School  
Tibberton Community Primary School  
Tirlebrook Primary School  
Tredington Primary School  
Tredworth Infant School  
Tredworth Junior School  
Tuffley Primary School  
Tutshill C of E Primary School  
Twyning School  
Uley C of E Primary School  
Uplands Community Primary School  
Upton St. Leonards C of E Primary School

Walmore Hill Primary School  
Warden Hill Primary School  
Watermoor C of E Primary School  
Westbury-on-Severn C of E Primary School  
Whaddon Primary School & Early Years Centre  
Whiteshill Primary School  
Whitminster Endowed C of E Primary School  
Widden Primary School  
Willesley C of E Primary School  
Winchcombe Abbey C of E Primary School  
Withington C of E Primary School  
Woodchester Endowed Primary School  
Woodmancote School  
Woodside Primary School  
Woolaston Primary School  
Yorkley Primary School

## Annex B: LA Capital / Revenue Split and items which are the separate responsibility of Governors in VA schools

Illustrative Examples in line with DCSF Interpretation of the CIPFA Code of Practice

NB: Actual Interpretation of CIPFA Code of Practice for these purposes will be for each Local Authority

Element	Capital: As CIPFA Code of Practice	Revenue: Repairs and Maintenance
<b>ROOFS</b>		
<b>Flat</b>	Structure. New (not replacement) structure.	Repair/replacement of small parts of an existing structure.
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure.	Replace small areas of rotten or defective timber; make good minor areas of spalling concrete where reinforcing bars exposed.
	Screed/insulation in a new building/extension.	Repair/replacement of screed/insulation where defective.
	Screed/insulation. Replacement/repair of substantially all. Improve effectiveness of insulation.	Work to improve insulation standards, during work to repair/ replace small areas of roof.
	Finish on new build. Replacement of all/substantially all on existing roof.	Replacement of roof finish on existing building. Re-coating chippings to improve life expectancy.
	Edge trim/fascia on new build.	Repairs/replacement. (uPVC) Repainting.
	Edge trim/fascia, replacement of all/ substantially all on existing roof.	Repairs/replacement. (uPVC) Repainting.
	Drainage on new build.	Clearing out gutters and down pipes. Replacement/repair/ repainting of individual gutters/pipes.
	Other, e.g. flashings, roof lights on new build; replacement of all/ substantially all on existing roof.	Repair/replacement/ cleaning of individual items.

<b>Pitched</b>	Structure. New (not replacement) structure.	Repair/replacement of small parts of an existing structure.
	Structure. Replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure.	Replace/repair small areas of rotten/defective joists, rafters, purlins, etc. Not complete trusses.
	Insulation in a new building/extension.	Repair/replacement/ increasing thickness of insulation in an existing roof.
	Insulation. Replacement/repair of substantially all. Improve insulation to current standards.	
	Roof finishes in a new building/extension, replacement of all/ substantially all on existing roof.	Replace missing/ damaged small parts.
	Bargeboards/fascias in a new building/extension, replacement of all/ substantially all on existing roof.	Repairs/replacement/ repainting.
	Drainage in a new building/extension.	Clearing out gutters and down pipes. Replacement/repairs of individual pipes/gutters.
	Drainage. Replacement of all/substantially all on existing roof.	
Other e.g. flashings, roof windows in a new building/extension, replacement of all/ substantially all on existing roof.	Repair/replacement/ cleaning.	
<b>Other</b>	Provide new covered link, etc. between existing buildings.	Minor repairs, maintenance to existing covered link.
	Rebuild or substantially repair structure of existing covered link.	
	Add porch, etc. to existing building.	Minor repairs, maintenance to existing.
	Rebuild or substantially repair structure of existing porch.	

<b>FLOORS</b>		
<b>Ground Floor</b>	Structure and dpc in new building.	Repair/replacement of small parts of an existing structure.
	Structure and dpc - replacement of all or substantial part of an existing structure to prevent imminent or correct actual major failure of the structure.	
	Screed and finish in new build, replacement of all/ substantially all on existing floor, e.g. replacement of most carpets/tiles in a room.	Replacement and repair of screed and finishes/ replacement of mats/ mat wells. Maintenance, e.g. re-varnishing wooden floors.
<b>Upper Floor</b>	Structure - as ground floor. Screed and finish - as ground floor	As ground floor. Repairs of finishes/ Replacement - as ground floor.
<b>CEILINGS</b>		
<b>Top/only storey</b>	Suspension	Repair/replacement, including from water damage, and necessary decoration.
	Membrane	Repair/replacement, including from water damage.
	Fixed Access panels	Repair/replacement
<b>Lower Storeys</b>	Suspension	Repair/replacement
	Membrane	
	Fixed	Repair/replacement
<b>All</b>	Specialist removal/ replacement of damaged/ disturbed asbestos-based materials, planned or emergency.	Inspection/air testing. Applying sealant coats to asbestos surfaces for protection.

<b>EXTERNAL WALLS</b>		
<b>Masonry/ cladding</b>	Structure	Repairs
	Underpinning/propping for new build	Preventive measures, e.g. tree removal.
	External finish on new build	Repair/replacement of small parts of an existing structure, e.g. re-pointing / re-cladding a proportion of a wall where failure has occurred.
	External finishes on existing build where needed to prevent imminent or correct actual major failure of the structure, e.g. re-pointing / re-cladding work affecting most of a building/replacement build.	
<b>Windows and Doors</b>	Framing - new build	Repair/replacement of individual frames. Repainting frames.
	Framing - structural replacement programme	Repair/replacement of individual windows. Repainting frames.
	Glazing - new build	Replacing broken glass
	Glazing: Upgrading existing glazing	
	Ironmongery	Repair/Repoint
	Improved Security	Upgrading locks, etc.
	Jointing, including mastic joints. Internal and external decorations to new build	Internal and external decoration, to include cleaning down and preparation.
<b>Masonry chimneys</b>	Structure	
	Jointing, including expansion and mortar joints/pointing/dpc	Repair / re-pointing

<b>INTERNAL WALLS</b>		
<b>Solid</b>	Complete including various internal finishes, linings and decorations	Repairs and redecoration to internal plaster/linings, tiles, pin-boards, etc.
	Refurbishment and alterations	Minor alterations
<b>Partitions</b>	Complete structure, including linings, framing, glazing, decoration, etc.	Repairs and redecoration
	Refurbishment and alterations	Minor alterations

<b>Doors Screens</b>	<b>and</b> Framing/screens/doors to new buildings, including glazing, ironmongery, jointing and internal decorations	Internal maintenance and redecoration. Repair/replacement of defective doors and screens.
<b>All</b>	Glazing to meet statutory Health and Safety requirements	Replacement of broken glass
<b>SANITARY SERVICES</b>		
<b>Lavatories</b>	In new buildings provision of all toilet fittings, waste plumbing and internal drainage	Repair/replacement of damaged sanitary ware, fittings, waste, plumbing, etc.
	Large-scale toilet refurbishment	Small areas of refurbishment
	Provision of disabled facilities, and specialist facilities related to pupils with statements	Repair/replacement of damaged fittings, waste plumbing, etc.
<b>Kitchens</b>	Kitchens in new buildings complete with fittings, equipment, waste plumbing and internal drainage.	Maintain kitchen to requirements of LA Cleaning out drainage systems
	Internal finishes and decorations.	Redecoration
	General refurbishment Large and costly items of equipment	Repairs Repairs/replacement parts.
<b>MECHANICAL SERVICES</b>		
<b>Heating/ Hot water</b>	Complete heating and hot water systems to new projects, including fuel, storage, controls, distribution, flues, etc.	General maintenance of all boiler-house plant, including replacement of defective parts. Regular cleaning. Energy saving projects. Monitoring systems
	Safe removal of old/damaged asbestos boiler and pipe work insulation, where risk to Health and Safety.	Health and Safety issues
	Planned replacement of old boiler/controls systems past the end of their useful life	Replacement of defective parts
	Emergency replacement of boiler plant/systems	
<b>Cold Water</b>	Provision of cold water services, storage tanks, distribution, boosters, hose reels, etc. in	Maintenance and repair / replacement of defective parts e.g. servicing pipes. Annual

major projects

servicing of cold water tanks

<b>Gas</b>	Distribution on new and major refurbishment's terminal units	Repairs, maintenance and gas safety All servicing
<b>Ventilation</b>	Mechanical ventilation/air conditioning to major projects	Provision of local ventilation. Repair/ replacement of defective systems and units
<b>Other</b>	Swimming pool plant and its complete installation, including heat recovery systems	Repair / replacement of parts of plant, pumps and controls. Water treatment equipment and all distribution pipework. Simple heat recovery systems. Solar heating plant and equipment.
<b>ELECTRICAL SERVICES</b>		
<b>General</b>	Main switchgear and distribution in major projects	Testing/replacement of distribution boards. The repair and maintenance of all switchgear and interconnecting cables, including that in temporary buildings
	Replacement of obsolete and dangerous wiring systems, including distribution boards	All testing, earthing and bonding to meet Health and Safety. All servicing
<b>Power</b>	Control gear, distribution, fixed equipment, protection, etc.	All testing, repair and replacement of small items of equipment
<b>Lighting</b>	Provision of luminaires and emergency	Replacement of luminaires, all testing adjustments and improvements to emergency
<b>Other</b>	Lightning protection in new build.	Repair/replacement
	Alarm systems, CCTV, lifts/hoists, etc.	Repair/maintenance
	New installation of communication systems, radio/TV, call telephone, data transmission, IT, etc and provision in new build	Repair/replacement/ maintenance, including all door access systems
<b>EXTERNAL WORKS</b>		
<b>Pavings</b>	Provision of new roads, car parks,	Maintenance and repair

	paths, court, terraces, play pitches, steps and handrails, as part of major project, including disabled access	Car park and playground markings.
<b>Miscellaneous</b>	Provision of walls, fencing, gates and ancillary buildings as part of major project.	Maintenance and repair of all perimeter/ boundary/ retaining walls, fencing and gates.
<b>Drainage</b>	Drains, soak-aways, inspection chambers and sewage plant as part of new projects	Maintenance and repair of drains, gullies, grease traps and manholes between buildings and main sewers. Cleaning of the above and unblocking as necessary.
<b>Open Air Pools</b>	Structure, hygiene/safety in new build	Hygiene, cleaning, maintenance and repairs, including replacement parts. Simple energy saving systems
<b>Services Distribution</b>	Heating mains, gas mains, water mains, electricity mains, renewal of any above	Annual servicing

### Notes

This illustrative list is the DCSF interpretation of the CIPFA Code of Practice and Local Authorities should refer to the Code when defining capital and revenue.

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

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## Annex C: Best Value and Schools

1. This annex is intended to assist schools in considering the relevance of Best Value principles to the expenditure of funds from their delegated budget share. When submitting annual budget plans, schools are required to also submit a Best Value statement that sets out how the Best Value principles have been applied.
  - a. Best value is a statutory duty to deliver services to clear standards, covering both cost and quality, the most effective, economic and efficient means available. Legislation is to place a duty on local authorities to secure best value in respect of the way in which they exercise their functions. The new duty is not intended to apply to those functions which are exercised by the governing bodies of authority maintained schools. However, schools will be encouraged to adopt the best value performance management framework.
  - b. In relation to schools an expenditure from delegated budgets, the main features of best value can be summarised as a need for the governing body of a school to ensure:
    - a) The existence of a programme of performance review which will aim for continual improvement. Existing mechanisms such as school development plans and post-OFSTED inspection plans can be developed to satisfy the requirements for review. The reviews should include:
      - Challenging how and why a service is provided (including consideration of alternative providers);
      - Comparison of performance against other schools taking into account the views of parents and pupils;
      - Mechanisms to consult stakeholders, especially parents and pupils;
      - Embracing competition as a means of securing efficient and effective services;
    - b) The development of a framework of performance indicators and targets which will provide a clear practical expression of a school's performance, taking national requirements into account
    - c) That the following are included in school development plans –
      - A summary of objectives and strategy for the future;
      - Forward targets on an annual and longer term basis;
      - Description of the means by which performance targets will be achieved;
      - A report on current performance
    - d) That internal and external audit takes place ensuring that performance information is scrutinised. Authority oversight of school finances provide external review.
4. The independent inspection elements of the best value framework will be the responsibility of other bodies and therefore not relevant to demonstration by a governing body of adherence to best value principles.

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## **Annex D: Gloucestershire County Council Standing Orders**

### **CONTRACT STANDING ORDERS**

**Note:** These Contract Standing Orders do not apply to land transactions, which are covered by separate procedural guidelines approved (from time to time) by the Cabinet, Leader of the Council or a Lead Cabinet Member. Subject to the Fair Funding Scheme for Schools of the Council for the time being made under Section 48 of the School Standards and Framework Act 1998, these Contract Standing Orders apply to Gloucestershire local education authority schools.

#### **Purpose**

The purpose of these Contract Standing Orders is to ensure that all County Council contracts are demonstrably made:

- in compliance with the law and best practice
- maximising fairness, transparency and competition
- to improve quality and value for money
- enabling the County Council to deliver its Procurement Strategy

#### **1. General Provisions**

- 1.1 Every contract with the County Council for the supply of goods or services, or the execution of works, shall comply with these Contract Standing Orders, with Financial Regulations and the law.
- 1.2 It shall be a condition of any contract between the County Council and a third party, who is required to procure and/or supervise a contract on behalf of the County Council that the third party shall comply with these Standing Orders as if he were a Group Director of the County Council save that, where the County Council is part of a procurement consortium and another authority is the lead authority, the contract standing orders of that lead Authority may be used.
- 1.3 Subject to Contract Standing Order 11.5 exceptions to any of these Standing Orders may only be made by express direction of the Cabinet, Leader of the Council or a Lead Cabinet Member or the Chief Executive.
- 1.4 Prior to letting any contract for the supply of goods or services or the execution of works, where the value of the proposed contract exceeds £50,000, the County Council will ask the questions about race relations matters which are, at that time, approved by the Secretary of State under Section 18 Local Government Act 1988.
- 1.5 Group Directors shall ensure that a written record is retained showing compliance with Contract Standing Orders in respect of all contracts.

#### **2. Gateway Review**

- 2.1 This Contract Standing Order 2 applies to all contracts for:
  - 2.1.1 the supply of goods and services exceeding £50,000 in total value,
  - 2.1.2 the execution of works exceeding £150,000 in total value

- 2.2 Any contract to which this Contract Standing Order 2 applies shall:
- 2.2.1 require the commissioning officer to complete and submit to the Director of Strategic Procurement a Gateway Review in the form set out in Appendix A, and
  - 2.2.2 any such contract shall not be advertised or entered into unless previously authorised in writing by the Director of Strategic Procurement under the Gateway Review.
- 2.3 With regard to all contracts that are the subject of Contract Standing Order 2.1 the Director of Strategic Procurement may after consultation with the Director of Law and Administration from time to time:
- 2.3.1 specify such other sums in respect of the total value of the contracts specified in Contract Standing Order 2.1.1 and 2.1.2 as may be deemed appropriate,
  - 2.3.2 specify what information shall be sent to the Director of Strategic Procurement in accordance with the Gateway Review before any such contract is advertised or entered into.
- 2.4 If, in the opinion of the Director of Strategic Procurement, the contract is of significant value, strategically relevant or of high procurement complexity, the Director will refer the matter to the Gateway Review Group for comment before authorising the advertisement or the entering into of that contract.

## **CONTRACTS FOR GOODS AND SERVICES**

### **3. Invitation to Tender**

All contracts for goods and/or services that have a total value or total estimated value in excess of £140,000 shall be tendered in accordance with European procurement law and the provisions of the Public Contracts Regulations 2006 or such other replacement or amending legislation as may from time to time apply.

- 3.2 All contracts for goods and/or services that have a total value or total estimated value of less than £140,000 shall be tendered in accordance with the provisions of these Contract Standing Orders.
- 3.3 Subject to Contract Standing Orders 3.4 and 3.5, tenders shall be invited in accordance with Contract Standing Orders 4, 5 and 6 for all contracts under which the County Council is required to give value for and/or receive the benefit of goods and/or services.
- 3.4 Subject to Contract Standing Order 6 Contract Standing Order 3.3 shall not apply to the following contracts which, subject to Contract Standing Orders 3.5 and 3.6, may be entered into without having first undertaken a tendering process:
- 3.4.1 Contracts under which the County Council makes a gift of money or other value not requiring goods and/or services.

or

- 3.4.2 Contracts entered into under government Central Purchasing Body arrangement such as, OGC or Scat.

*Note: Where there is sufficient information contained in the listing under the Central Purchasing Body arrangement so that the Council can clearly identify the provider that represents best value for money then the Council can enter into a contract directly with that provider, this will usually only relate to the purchase of goods. In all other circumstances a further competition/mini-tender must be undertaken and advice must be sought from Legal Services and the Procurement Team.*

or

- 3.4.3 Contracts the total value or total estimated value of which do not exceed £50,000.

or

- 3.4.4 Contracts where the total value or total estimated value does not exceed £140,000, and

3.4.4.1 the case as to why it is in the best interests of the County Council to enter into that contract, has been submitted to and approved by the Director of Strategic Procurement using Appendix A, and

3.4.4.2 the Group Director or Director or Head of Service after consultation as appropriate with the Leader of the Council, Lead Cabinet Member or Cabinet Member has authorised entry into the contract.

*Note: Contract Standing Orders 3.4 does not obviate the need for compliance with legislation requiring a tendering process to be followed.*

*The completed authorisation record must be sent to the Council's Director of Strategic Procurement who will retain the record in a register kept for that purpose.*

- 3.5 A Group Director or other officer with delegated powers shall not authorise a contract following negotiations with a single contractor for a term exceeding three years without prior approval of the Cabinet, Leader of the Council or a Lead Cabinet Member

- 3.6 A Group Director or other officer with delegated powers shall not authorise an extension to the period of an existing contract that has been awarded as a result of negotiations with a single contractor such that the total term exceeds five years without prior approval of the Cabinet, Leader of the Council or a Lead Cabinet Member.

#### **4. Selective Tendering – Standing Lists**

- 4.1 Subject to Contract Standing Orders 2 and 6 this Contract Standing Order applies where the Group Director has authorised that invitations to tender for a contract are to be limited to contractors on a list compiled and maintained for that purpose. In these cases:

- 4.1.1 Lists shall be compiled in accordance with criteria approved by the Group Director which contain the names of all contractors who are approved for inclusion by the Group Director and show the type and value of the goods and/or services for which each contractor is approved.
- 4.1.2 At least four weeks before any list is compiled an advertisement shall be published on at least one national website e.g. [www.supply2gov.uk](http://www.supply2gov.uk) and also where appropriate in either a local newspaper or a trade journal or similar publication inviting contractors to apply to be included on the list.
- 4.1.3 All lists must be kept under review. Accordingly every three months the existence of the list must be advertised in accordance with Standing Order 4.1.2 and Contractors invited to apply for admission to the list. All Contractors already included must be asked annually if they wish to remain on the list.
- 4.1.4 At least three contractors on the list selected by the Group Director who are appropriate for the type and value of the work shall be invited to tender. If there are fewer than three then all must be asked to tender.

## **5. Selective Tendering – No standing List**

- 5.1 Subject to Contract Standing Orders 2 and 6 this Contract Standing Order shall apply to contracts for which there is no standing list under Contract Standing Order 4. In these cases the Group Director shall compile a list of not less than three appropriate contractors who shall be invited to tender.
- 5.2 Where three appropriate contractors are not known s/he shall advertise in at least one local newspaper and appropriate trade journal stating a closing date for applications to be considered for invitations to tender for the type of work concerned. After the closing date at least three of the contractors, selected after evaluation of their financial standing, technical ability and, where appropriate, innovative approach, shall be asked to tender. If there are still fewer than three, they must all be asked to tender.

## **6. Advertising Contracts**

- 6.1 This Contract Standing Order 6 applies to the following contracts
  - 6.1.1 Contracts the total value or total estimated value of which do not exceed £50,000 but where the contract award might potentially be of interest to economic operators located in other member states within the European Union
  - 6.1.2 Contracts for goods and services the total value or total estimated value of which exceed £50,000 where the contract award might potentially be of interest to economic operators located in other member states within the European Union

*Note : This requirement to advertise applies to all contracts and in particular includes all services referred to in Part A and Part B of Schedule 3 to the Public Contracts Regulations 2006*

*Contracts for the supply of goods and services exceeding £140,000 in total value, are subject to further advertisement requirements*

*A decision whether “the contract award might potentially be of interest to economic operators located anywhere in the European Union” must be based on an evaluation of the individual circumstances of the case, such as the subject matter of the contract, its estimated value, the specifics of the sector concerned (size and structure of the market, commercial practices etc.) and the geographical location of the place of performance. Advice should be sought from Legal Services and the Procurement Team.*

- 6.2 Contracts to which this Contract Standing Order 6 applies shall be advertised to such degree as is sufficient to enable the market to be opened up to competition and the impartiality and transparency of the contract award procedures to be reviewed.

*Note: Advertising must ensure that any economic operator in the European Union has access to appropriate information regarding the contract, before it is awarded, to enable it to express an interest in obtaining that contract.*

## **CONTRACTS FOR WORKS**

### **7. Invitation to Tender**

- 7.1.1 All contracts for works that have a total value or total estimated value in excess of £3.5m shall be tendered in accordance with European procurement law and the provisions of the Public Contracts Regulations 2006 or such other replacement or amending legislation as may from time to time apply.

- 7.2 All contracts for works that have a total value or total estimated value of less than £3.5m shall be tendered in accordance with the provisions of these Contract Standing Orders.

- 7.3 Subject to Contract Standing Orders 7.4 and 7.5, tenders shall be invited in accordance with Contract Standing Orders 8, 9 and 10 for all contracts under which the County Council is required to give value for and/or receive the benefit of works.

- 7.4 Subject to Contract Standing Order 10, Contract Standing Order 7.3 shall not apply to the following contracts which, subject to Contract Standing Orders 7.5 and 7.6, may be entered into without having first undertaken a tendering process:

- 7.4.1 Contracts under which the County Council makes a gift of money or other value not requiring works.

or

- 7.4.2 Contracts entered into under government Central Purchasing Body arrangement such as, OGC.

*Note: Where there is sufficient information contained in the listing under the Central Purchasing Body arrangement so that the Council can clearly identify the provider that represents best value for money then the Council can enter into a contract directly with that provider, this will usually only relate to the purchase of goods. In all other circumstances a further competition/mini-tender must be undertaken and advice must be sought from Legal Services and the Procurement Team.*

or

7.4.3 Contracts the total value or total estimated value of which do not exceed £150,000.

or

7.4.4 Contracts where the total value or total estimated value does not exceed £250,000, and

7.4.4.1 the case as to why it is in the best interests of the County Council to enter into that contract, has been submitted to and approved by the Director Strategic Procurement using Appendix A, and

7.4.4.2 the Group Director or Director or Head of Service after consultation as appropriate with the Leader of the Council, Lead Cabinet Member or Cabinet Member has authorised entry into the contract.

or

7.4.5 In respect of any other contract the Cabinet, Leader of the Council or a Lead Cabinet Member has authorised entry into the contract and the case as to why it is in the best interests of the County Council to enter into that contract has been submitted to and approved by the Director of Strategic Procurement using Appendix A.

*Note: Contract Standing Orders 7.4 does not obviate the need for compliance with legislation requiring a tendering process to be followed.*

*The completed authorisation record must be sent to the Council's Director of Strategic Procurement who will retain the record in a register kept for that purpose.*

7.5 A Group Director or other officer with delegated powers shall not authorise a contract following negotiations with a single contractor for a term exceeding three years without prior approval of the Cabinet, Leader of the Council or a Lead Cabinet Member

7.6 A Group Director or other officer with delegated powers shall not authorise an extension to the period of an existing contract that has been awarded as a result of negotiations with a single contractor such that the total term exceeds five years without prior approval of the Cabinet, Leader of the Council or a Lead Cabinet Member.

## **8. Selective Tendering – Standing Lists**

8.1 Subject to Contract Standing Orders 2 and 10 this Contract Standing Order applies where the Group Director has authorised that invitations to tender for a contract are to be limited to contractors on a list compiled and maintained for that purpose. In these cases:

8.1.1 Lists shall be compiled in accordance with criteria approved by the Group Director which contain the names of all contractors who are approved for inclusion by the Group Director and show the type and value of the goods services for which each contractor is approved.

- 8.1.2 At least four weeks before any list is compiled an advertisement shall be published on at least one national website e.g. [www.supply2gov.uk](http://www.supply2gov.uk) and also where appropriate in either a local newspaper or a trade journal or similar publication inviting contractors to apply to be included on the list.
- 8.1.3 All lists must be kept under review. Accordingly every three months the existence of the list must be advertised in accordance with Standing Order 8.1.2 and Contractors invited to apply for admission to the list. All Contractors already included must be asked annually if they wish to remain on the list.
- 8.1.4 At least three contractors on the list selected by the Group Director who are appropriate for the type and value of the work shall be invited to tender. If there are fewer than three then all must be asked to tender.

## **9. Selective Tendering – No standing List**

- 9.1 Subject to Contract Standing Orders 2 and 10 this Contract Standing Order shall apply to contracts for which there is no standing list under Contract Standing Order 8. In these cases the Group Director shall compile a list of not less than three appropriate contractors who shall be invited to tender.
- 9.2 Where three appropriate contractors are not known s/he shall advertise in at least one local newspaper and appropriate trade journal stating a closing date for applications to be considered for invitations to tender for the type of work concerned. After the closing date at least three of the contractors, selected after evaluation of their financial standing, technical ability and, where appropriate, innovative approach, shall be asked to tender. If there are still fewer than three, they must all be asked to tender.

## **10. Advertising Contracts**

- 10.1 This Contract Standing Order 10 applies to the following contracts
  - 10.1.1 Contracts the total value or total estimated value of which do not exceed £150,000 but where the contract award might potentially be of interest to economic operators located in other member states within the European Union
  - 10.1.2 Contracts for works the total value or total estimated value of which do not exceed £3,500,000 but where the contract award might potentially be of interest to economic operators located in other member states within the European Union

*Note: This requirement to advertise applies to all contracts and in particular includes all services referred to in Part A and Part B of Schedule 3 to the Public Contracts Regulations 2006*

*Contracts for the provision of works exceeding £3,500,000 in total value are subject to further advertisement requirements*

*A decision whether “the contract award might potentially be of interest to economic operators located anywhere in the European Union” must be based on an evaluation of the individual circumstances of the case, such as the subject matter of the contract, its estimated value, the specifics of the sector concerned (size and structure of the market, commercial practices etc.) and*

*the geographical location of the place of performance. Advice should be sought from Legal Services and the Procurement Team.*

- 10.2 Contracts to which this Contract Standing Order 10 applies shall be advertised to such degree as is sufficient to enable the market to be opened up to competition and the impartiality and transparency of the contract award procedures to be reviewed.

*Note: Advertising must ensure that any economic operator in the European Union has access to appropriate information regarding the contract, before it is awarded, to enable it to express an interest in obtaining that contract.*

## **11. Submission and Opening of Tenders for Goods, Services or Works**

- 11.1 Subject to Contract Standing Order 11.5 no tender under these Contract Standing Orders will be considered unless it is in a sealed envelope marked "Tender" followed by the subject to which it relates. The envelope may identify the Tenderer. The invitation to tender shall state these requirements.
- 11.2 The tenders shall be kept in the custody of the Group Director or an officer designated by him/her concerned until the time and date specified for their opening. In the case of electronic tenders they shall remain closed until that time.
- 11.3 No tender received after the time specified in the invitation shall be accepted or considered under any circumstances subject only to Contract Standing Order 11.5 below.
- 11.4 All tenders received relating to the same matter shall be opened and recorded at the same time and in the presence of the Group Director concerned or an officer designated by him/her and the Director of Law and Administration or an officer designated by him/her who shall certify the record as correct.
- 11.5 No exception shall be made to Contract Standing Orders 11.1-4 above unless this has been authorised by the Director of Law and Administration who shall be satisfied that there is sufficient evidence to show that the tenders concerned have not been tampered with nor that there has been any opportunity for other impropriety.

Such authority shall be given by the Director of Law and Administration personally or by an Assistant Director of Law and Administration personally but shall not be given by any other person.

- 11.6 Tenders may be submitted electronically through a carefully controlled process supervised by the Director of Strategic Procurement. Electronic tenders shall remain closed until the time and date specified for opening. Thereafter they shall be validated by the Group Director concerned in the presence of the Director of Law and Administration or their designated representatives. All tenders relating to the same matter, electronic and written, shall be opened/validated at the same time.

## **12. Acceptance of Tenders for Goods, Services or Works**

- 12.1 The tender which is the most economically advantageous tender, if payment is to be made by the County Council or the highest, if the County Council is receiving payment, shall be accepted, unless a report justifying this action by showing that the acceptance of some other tender is in the best interests of the County Council, is prepared in consultation with the Director of Strategic Procurement and retained for audit purposes by the appropriate Group Director. Acceptance of the tender shall be

authorised in accordance with the County Council's Constitution and a record of that authorisation retained.

- 12.2 The most economically advantageous tender shall be determined by an evaluation process which takes into account a combination of price and quality factors, is demonstrably fair to all tenderers, has been prepared in advance of receipt of tenders with the assistance of the Director of Strategic Procurement.

### **13. Contract Conditions for all contracts for Goods, Services or Works**

- 13.1 Every contract shall be in writing, including those entered into by e-mail of which a printed hard copy must be kept; and

13.1.1 where exceeding £50,000 in total value signed by at least two officers of the Council, being the relevant Group Director or Director and one other officer above Salary Scale Point 33; and

13.1.2 where exceeding £140,000 in total value shall be under the Common Seal of the Council.

*Note: This requirement for signature/seal is separate from the need to have the contract authorised.*

- 13.2 All contracts of the Council shall specify the following:

13.2.1 the goods or services to be supplied and the work to be executed;

13.2.2 the price to be paid together with a statement as to the amount of any discounts or other deductions;

13.2.3 the periods within which the contract is to be performed; and

13.2.4 such other conditions and terms as may be agreed between the parties which shall include, where relevant, a reference to continuous improvement in accordance with the best value legislation.

- 13.3 In appropriate cases, after consultation with the Director of Law and Administration, the contract shall provide for the payment of liquidated damages by the contractor where he/she fails to complete the contract in accordance with the terms of the contract including within the time specified.

- 13.4 In appropriate cases, after consultation with the Director of Law and Administration, the contractor shall be required to give sufficient security for the due performance of his contract.

- 13.5 Every contract must state that all goods and work must comply with any relevant European standards or, where no European standards exist, with British Standards or British Standard Code of Practice for the time being in force.

- 13.6 Every contract must state that the Council can cancel the contract and recover any resulting losses if the contractor or his/her employees or agents, with or without his/her knowledge:

13.6.1 does, or has done, anything improper to influence the County Council to give him/her the contract;

13.6.2 commits an offence under the Prevention of Corruption Acts 1889 to 1916 or Section 117(2) of the Local Government Act, 1972.

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## **Annex E: Accounting Instructions (derived from the County Council's Accounting Instructions)**

### **1. Financial Procedures**

- 1.1 All financial systems and procedures operated within schools shall be subject to approval by the Council's Chief Financial Officer.
- 1.2 The Chief Financial Officer may require such arrangements as are considered necessary for the safe and efficient financial administration of schools.

### **2. Provision of Financial Information**

- 2.1 The Governors shall provide promptly to the Group Director, Children and Young People, or Chief Financial Officer such financial information as may be required.

### **3. Budget Administration**

- 3.1 On receipt of the delegated budget from the Authority, the Headteacher shall ensure that estimates of expenditure and income are prepared for the approval of Governors.
- 3.2 Expenditure shall not be incurred unless there is adequate provision in the approved estimates.
- 3.3 Transfers shall be made between heads of estimates under arrangements approved in writing by the Governors.
- 3.4 Approval by the Governors, of the estimates of the school, is deemed to be approved for the expenditure to be incurred.
- 3.5 Balances of delegated budgets will be carried forward from the financial year concerned to the next, except when a school closes (see para 4.1)

### **4. Accounts for Payment**

- 4.1 Headteachers shall be responsible for ensuring that accounts for payment are authorised and processed in accordance with arrangements approved by the Chief Financial Officer.

### **5. Internal Audit**

- 5.1 The Chief Financial Officer or representative shall have a right of access at all times to documents, records and assets relating to the school's accounts and shall be entitled to receive from any Governor or officer such information and explanation as he considers necessary for the purpose of audit.
- 5.2 Any defalcation or irregularity or suspected defalcation or irregularity in dealing with Council monies or property shall be reported immediately to the Chair of Governors, the County Council's Head of Audit and Financial Standards, the Chief Financial Officer and the Group Director, Children and Young People.

### **6. Banking Arrangements**

- 6.1 Bank accounts shall only be opened on the authority of the Chief Financial Officer.

## 7. Income

- 7.1 All sums shall be collected and paid over in accordance with arrangements approved by the Chief Financial Officer. The Governors shall advise the Chief Financial Officer of all sums not so collected and paid over and the reasons for this.
- 7.2 All sums collected shall be banked promptly and intact. No payments shall be made from the sums collected except with the specific approval of the Chief Financial Officer.
- 7.3 Third party cheques shall not be cashed out of any monies collected.
- 7.4 All official receipt forms, bank paying-in-slips, cheques, tickets of value and all documents representing money or money's worth shall be ordered under arrangements approved by the Chief Financial Officer.

## 8. Purchasing and Ordering Procedures

- 8.1 Headteachers are responsible for all orders emanating from their school. Orders shall only be placed on official school or County Council order forms.
- 8.2 Headteachers are required to obtain value for money in respect of all goods and services ordered.
- 8.3 For orders in respect of the supply of goods and services costing less than £50,000 the following procedures shall be adopted unless the Headteacher is satisfied that it would not be practicable to do so (in which case a record of each waiver to this Instruction must be authorised and retained on file):
  - (a) £1,000 - £5,000 - a minimum of 3 prices shall be obtained and the details recorded by the purchasing officer
  - (b) £5,000 - £50,000 - independent written evidence of at least 3 prices shall be retained for examination.

**Note:**

**Orders for the supply of goods or services exceeding £50,000 must be in accordance with Standing Orders.**

- 8.4 The value of individual purchases from petty cash accounts shall be limited to £50, or £100 in exceptional circumstances.

## 9. Remuneration and Pensions

- 9.1 All procedures relating to the payment of salaries and wages shall be approved by the Chief Financial Officer.

## 10. Stores and Equipment

- 10.1 The Governors shall be responsible for the security and control of equipment and stores.
- 10.2 Inventories and stores records must be kept under arrangements approved by the Chief Financial Officer.

## **11. Disposal of Surplus Equipment**

- 11.1 Any item of equipment considered to be surplus to requirements by a school must be disposed of in accordance with arrangements approved by the Group Director, Children and Young People.

## **12. Insurances**

- 12.1 All arrangements relating to insurances shall be approved by the Chief Financial Officer.
- 12.2 The Headteacher shall notify the Chief Financial Officer or the school's insurer where the school has chosen a delegated insurance budget, promptly of all new risks, and properties and of any changes affecting existing risks and insurances, indicating the amount or variation in the amount of cover required.
- 12.3 The Headteacher shall notify the Group Director, Children and Young People and the Chief Financial Officer immediately after any accident, fire or other event occurs which may involve the Authority in liability or in a claim for loss.

## **13. Leasing**

- 13.1 The Chief Financial Officer shall be responsible for arranging all lease or other finance facilities for schools in respect of all vehicles, plant and items of equipment that are to be financed in this way.

## **14. Data Protection**

- 14.1 Headteachers are responsible for controlling access to the computer installations and to all computer data within their schools in accordance with advice and guidance issued by the Authority in relation to the requirements of the Data Protection Act.

## **15. Right of Attendance at Meetings**

- 15.1 The Chief Financial Officer or his representative has the right to attend meetings of governing bodies to advise or report on financial matters.

## **16. Interpretations and Variation**

- 16.1 Any question arising regarding the interpretation of any of these Accounting Instructions shall be referred to the Chief Financial Officer for advice. The Authority may at any time revise these Instructions.
- 16.2 In the event of any difference of opinion arising concerning the application of these Instructions the Chief Financial Officer shall adjudicate.

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