

# ***The Derbyshire Scheme for Financing Schools***

**Derbyshire Scheme for Financing Schools - November 2020**

## **Changes since last published**

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Section 2.3.1 Submission of financial forecasts

Section 4.9.1 Schools unable to prepare a balanced budget

Section 10.1 Insurance cover

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## **SECTION 1: INTRODUCTION**

### **1.1 The funding framework**

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

Under the legislation, local authorities determine for themselves the size of their Schools Budget and their non-schools education budget – although at minimum an Authority must appropriate all of 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 an authority's maintained schools. Local authorities may centrally retain funding in the Schools Budget for purposes defined in regulations made by the Secretary of State under s.45A of the 1998 Act. The amounts to be retained centrally are decided by the authority concerned, subject to any limits or conditions (including gaining the approval of their School Forum or the Secretary of State in certain instances) as prescribed by the Secretary of State. The balance of the Schools Budget left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB). Expenditure items in the non-schools education budget must be retained centrally, although earmarked allocations may be made to schools.

Local authorities must distribute the ISB amongst their maintained schools using a formula which accords with regulations made by the Secretary of State, and enables the calculation of a budget share for each maintained school. This budget share is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the 1998 Act. The financial controls within which delegation works are set out in a scheme made by the Authority in accordance with s.48 of the 1998 Act and regulations made under that section. All proposals to revise the scheme must be approved by the Schools Forum, though the Authority may apply to the Secretary of State for approval in the event of the Forum rejecting a proposal or approving it subject to modifications that are not acceptable to the Authority.

Subject to any provision made by or under the scheme, Governing Bodies of schools may spend such amounts of their budget shares as they think fit for any purposes of their school\* and for any additional purposes prescribed by the Secretary of State in regulations made under s.50 of the Act. (\*Section 50 has been amended to provide that amounts spent by a Governing body on providing community facilities or services under section 27 of the Education Act 2002 are treated as if they were amounts spent for the purposes of the school (s50(3A) of the Act.)

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

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

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

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

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

This scheme sets out the financial relationship between the Authority and all community, nursery, voluntary or foundation schools, community or foundation special schools and pupil referral units (PRUs) maintained by the Authority, whether they are situated in the area of the Authority or situated elsewhere. It does not apply to schools situated in the Authority's area which are maintained by another Authority. Nor does it apply to academies. It contains requirements relating to financial management and associated issues, which are binding on both the Authority and on the schools. A list of schools that the scheme is applicable to can be found in Annex A.

## **1.3 Publication of the scheme**

The scheme, and any amendments to it, will be published on a website accessible to the general public ([www.derbyshire.gov.uk](http://www.derbyshire.gov.uk).) Any approved revisions will be published by the date the revisions come into force, together with a statement specifying the date when the revised scheme comes into force.

## **1.4 Revision of the scheme**

Any proposed revisions to the scheme will be the subject of consultation with the Governing Body and the Headteacher of every school maintained by the Authority before they are submitted for approval by members of the Schools Forum representing maintained schools.

Where the Schools Forum does not approve them or approves them subject to modifications which are not acceptable to the Authority, the Authority may apply to the Secretary of State for approval.

It is also possible for the Secretary of State to make directed revisions to schemes after consultation. Such revisions become part of the scheme from the date of the direction.

## **1.5 Financial Duties & Responsibilities of the Director of Finance and ICT**

The Chief Financial Officer is the Director of Finance and ICT and all references in this Scheme to the Director of Finance and ICT can include an authorised representative. The Director of Finance and ICT is responsible for the proper administration of the Council's financial affairs. This includes the responsibility for ensuring an adequate and effective internal audit of maintained schools in Derbyshire.

The Director of Finance and ICT is responsible for preparing and publishing the County Council's financial accounts. The detailed format and content of all financial returns and procedures will be subject to approval by the Director of Finance and ICT.

In order to fulfil his responsibilities, the Director of Finance and ICT has the right of access to any relevant information or data relating to a school's delegated budget, including information held within the school and the right to attend any relevant meeting of a governing body and to speak on financial issues.

## **1.6 Financial Duties & Responsibilities of the Executive Director for Children's Services**

All references in this Scheme to the Executive Director for Children's Services can include an authorised representative. The Executive Director for Children's Services is responsible for ensuring that adequate advice, information and support is available to Governing Bodies to enable them to fulfil their responsibilities.

Following approval, the Executive Director for Children's Services will provide details of the delegated budget share that will be allocated to each school in the following year by applying the relevant distribution formula to the Individual Schools Budget. The Authority must submit final school budget proformas to the Education and Skills Funding Agency and notify the Secretary of State of the proposed Schools Budget by the deadline set each year.

The Executive Director for Children's Services will publish the information required by the 1998 Act in accordance with the regulations and timetables laid down by the Secretary of State for Education. In order to fulfil their responsibilities the Executive Director for Children's Services has the right of access to any relevant information or data relating to a school's delegated budget, including information held within the school.

## **1.7 Financial Duties & Responsibilities of the Governing Body**

In any financial year, once a school's delegated budget share has been confirmed in writing by the Executive Director for Children's Services, the Governing Body may incur expenditure up to the total of the delegated budget share, after allowing for any accumulated surplus or deficit carried forward, for the purposes specified in paragraph 2.13.

The Governing Body has a responsibility to ensure that adequate financial procedures and controls exist within the school to minimise the risk of loss, wastage or

misappropriation and also to fulfil the County Council's statutory responsibilities relating to VAT, income tax, National Insurance, Construction Industry Scheme and any other aspect of the school's finances.

All the powers and responsibilities set out in this Scheme are vested in the full Governing Body. However, subject to the Education Acts and Regulations made under those Acts, the governing body may delegate any power granted to them by this Scheme to a committee of the governing body or to the Headteacher (see paragraph 1.8 below).

Where this Scheme attributes authority or responsibility to the Headteacher, this indicates recommended practice so as to achieve efficient and effective day to day management and control. The Governing Body does have the power to limit the delegated powers of the Headteacher if this is considered to be necessary. Prior consultation with the Executive Director for Children's Services is strongly recommended if such action is under consideration.

The Governing Body has the responsibility to ensure that the school's accounts are accurately reflected in the County Council's statement of accounts. In order to achieve this, the governing body must make arrangements for compliance with guidance produced by the Authority.

### **1.8 Withdrawal of delegated powers**

Where it appears to the Council that a school subject to this Scheme:

- (i) has been guilty of a substantial or persistent failure to comply with requirements applicable under the relevant scheme, or
- (ii) is not managing its delegated budget in a satisfactory manner,

the Council may suspend the Governing Body's right to a delegated budget in accordance with the provisions of Section 51 and Schedule 15 of the 1998 Act. A school's right to a delegated budget may also be suspended for other reasons under Section 17 of the 1998 Act. Any action by the Council under this section will be reported to the Council's Cabinet and to the Secretary of State.

Governing Bodies have the right to appeal to the Secretary of State against suspensions under Section 51, but not under Section 17.

### **1.9 Delegation of powers to the Headteacher**

Although the Governing body may delegate certain financial powers to the Headteacher, the Governing body still retains overall responsibility for any actions taken. Each Governing body is required to 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. **Governors cannot abrogate responsibility for financial control**; and must have regular and meaningful meetings whatever the level of delegation. Changes for April 2004 enabled "functions relating to the first formal budget plan of the financial year" to be delegated to a committee. As

the committee with responsibility for the budget remains accountable to the main Governing body, the Governors may wish to consider which budget responsibilities should remain with the main Governing body.

### **1.10 Maintenance of Schools**

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

## **SECTION 2: FINANCIAL CONTROLS**

### **2.1 The financial framework**

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

In managing their delegated budgets schools must abide by the Authority's requirements on financial controls and monitoring. This document sets out the financial controls that the Authority wishes to see operate. Those schools operating SAP will be able to abide by these regulations by operating existing systems. Any school using a different financial system will be expected to ensure that the requirements of this section are fully complied with.

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

Schools are required to provide the Authority with details of expected (i.e. budgeted) and actual expenditure and income, in a form and at times determined by the Authority. The restriction in 2.3 to a minimum 3 month interval does not apply to schools which are part of an on-line financial accounting system operated by the Authority.

#### **2.1.3 Payment of salaries and wages**

The procedures for these will vary according to the choices schools make about the holding of bank accounts and the buying back of the Authority's payroll system. The Authority's key requirements are set out below and more detailed information provided in Annex C of the scheme.

Where the LA is the employer (i.e. Community and Controlled schools) and the payroll service is undertaken by an external agency, the LA will require returns to fulfil its statutory obligations with regard to tax, National Insurance and pensions.

Where the LA is not the employer and a payroll provider other than the Director of Finance and ICT is used, the school is responsible for these returns.

Where the County Council's payroll system is used, the Headteacher is responsible for ensuring that the Director of Finance and ICT is notified as soon as possible and in the form prescribed by him/her of all matters affecting the payment of such emoluments and in particular:

- (a) appointments, resignations, dismissals, suspensions, secondments and transfers;
- (b) absences from duty for sickness or other reason, apart from approved leave;
- (c) changes in remuneration, other than normal increments and pay awards and agreements of general application; and
- (d) information necessary to maintain records of service for pensions, income tax, National Insurance and such additional information as the Director of Finance and ICT may request.

Where the County Council's payroll system is used, all pay related records must be in a form prescribed or approved by the Director of Finance and ICT and are to be certified by or on behalf of the Headteacher. The names of officers authorised to sign such records must be approved by the Governing Body.

No employee of the County Council or of the Governing Body of an Aided/ Foundation school may certify expenditure or personnel documentation from which they might personally benefit. This applies equally to Governors.

For further information on the payment of salaries and wages, please contact: [pay@derbyshire.gov.uk](mailto:pay@derbyshire.gov.uk) or 01629 535119

#### **2.1.4 Payment of Invoices**

The ordering of goods and services, and the procedure for payment of accounts, shall be in accordance with this Scheme of Financial management, the Council's Financial Regulations (unless otherwise specified) and advice given by the Director of Finance and ICT.

The responsibility for authorising the placement of orders rests with the Governors but the ability to place orders may be delegated to the Headteacher/senior staff. Where the Headteacher or senior staff have been delegated to place orders on behalf of the Governors a financial limit should be fixed by the Governors above which their prior approval should be sought before the order is placed. This limit should apply to individual items or a combination of items which form a single scheme. This delegated power given to the Headteachers/senior staff and subsequent authorisations under this regulation should be formally approved and minuted by the Governors.

All official orders shall be approved in writing or electronically by the Headteacher or by any officer authorised by him/her. This signatory is responsible for ensuring that all rules and regulations are complied with before signing the order.

Official orders shall not be raised for any personal or private purchase, nor shall personal or private use be made of either school contracts, or the Council's contracts, relating to services provided including those under competitive tendering arrangements.

The Headteacher or his/her authorised delegate is responsible for ensuring that all rules and regulations are complied with before authorising the payment of the invoice.

A third person authorisation limit must also have been set and approved by Governors. The Director of Finance and ICT will periodically review the third person authorisation limits and will adjust limits set by schools, if deemed necessary. The third person authorisation limit is an off-line business process whereby approximately 10% of the highest value invoices paid in any one financial year are reviewed.

Further details regarding the payment of invoices are provided in Annex D, if you

require further help please contact [accounts.payable@derbyshire.gov.uk](mailto:accounts.payable@derbyshire.gov.uk)

### **2.1.5 Control of assets and security**

**Inventory** - Governors are responsible for maintaining an inventory, in a form approved by the Local Authority, of the school's moveable non-capital assets and setting out the basic authorisation procedures for disposal of assets. Whilst schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000, they must keep a register in some form. The Headteacher, or his/her designated responsible officer, has a responsibility to maintain adequate records for inventory items. The object of the inventory is to assist in maintaining effective control over items which are portable, desirable, valuable and attractive, such as a camera, through the establishment of a register.

Effective control may be enhanced by the creation of small "sectional" inventories which will be the responsibility of individual officers and, when brought together, will form the complete inventory for the establishment or service concerned. The following requirements must be observed:

- (a) An inventory record should be maintained either using the SAP Inventory module or another asset management system.
- (b) It must be kept up to date.
- (c) It must be formally agreed whenever there is a change in Headteacher. The inventory should be formally agreed by the outgoing and incoming Headteacher.
- (d) It must be checked annually - a physical check must be made at least annually, and certified as correct by an officer independent from the person with day to day responsibility for the maintenance of the inventory, on the prescribed form.
- (e) Amendments must be made promptly.
- (f) Annual list of discrepancies - A list of discrepancies and unserviceable equipment shall be submitted to the Governors who may authorise that the inventory be adjusted provided that any deficiencies are due to fair wear and tear.
- (g) Surplus and obsolete equipment - A list of surplus and obsolete equipment shall be submitted to the Governors who may authorise write off/disposal of items. Transformation Services at County Hall should be contacted regarding physical arrangements for disposal of IT equipment authorised for disposals/write-offs.
- (h) Serial Numbers - Manufacturers' make, model and serial numbers should be quoted where appropriate to assist in identification if the items are lost or stolen.
- (i) Independent Inspection - The officer in charge shall make arrangements for an evidenced verification of all inventories to be completed at least once a year by an independent officer.
- (j) Off-site Register – A record should be maintained of all inventory items that

are assigned to individual staff and taken off-site on a regular basis.

- (k) Disposal - The inventory record should include details of the Governors approving Minute for all authorised inventory amendments.

The following is a list of items which need not be included in the inventory:

- (a) Desks
- (b) Chairs
- (c) Filing cabinets
- (d) Furniture
- (e) Crockery and cutlery

All other items at an establishment provided they are portable, valuable and desirable, e.g. IT equipment, must be included in the inventory. Items that have been donated by voluntary organisations or purchased from private funds must be included in the inventory. Rented equipment, such as telephone systems and photocopiers, should also be included in the inventory.

**Security** - the Governors are responsible for ensuring that proper security is maintained for all buildings, furniture, stocks, equipment, cash, etc. under their control. Governors are responsible for ensuring that there is adequate control of the use of computer equipment. Governors should seek the advice of the Assistant Director of Finance (Audit) on security or where security is thought to be defective.

The Headteacher is responsible for ensuring that suitable arrangements are made for the safe custody of keys to buildings, safes and similar receptacles.

Assets should be used in accordance with the school's approved policies and procedures.

### **2.1.6 Accounting policies (including year-end procedures)**

Schools must abide by procedures issued by the Authority in relation to accounting policies and year-end procedures. The Director of Finance and ICT will issue advice to schools concerning year-end procedures each year. It should be noted that all schools' revenue accounts will have to be completed by the deadlines set, which will be a maximum of two weeks after the end of the period concerned in order that the Authority can meet its statutory reporting obligations.

### **2.1.7 Writing off of debts**

Governing bodies are required to determine a policy concerning the writing off of debts, to include a limit appropriate to their size and circumstances. This policy should include a level for the Governing Body and a lower level for which delegation may be authorised for the Headteacher. Each school must supply a copy of such policy to the Director of Finance and ICT if requested to do so. In the case of larger debts (above the school limit and in any event where the debt is greater than £1,000) the school must consult the Director of Finance and ICT.

## **2.2 Basis of accounting**

All schools must produce an income and expenditure account detailing all relevant items on an accrual basis. This means that all expenditure should be included on the basis of whether the goods/services were received by the financial year-end rather than whether the bill was paid by that time. Schools using SAP will be able to fulfil this requirement with no change to existing arrangements. There remains no requirement for schools using SAP to provide the LA with details of either cash flow or a balance sheet, although the school is not precluded from producing either for its own purposes. SAP schools need only supply such information about its land and buildings as the LA requires from time to time in order to update its own balance sheet.

Non-SAP schools will need to produce an income and expenditure account in the same format as currently operates within the LA. The format will be updated from time to time by the Director of Finance and ICT. This return should be supplied to the LA on a monthly basis. Further details beyond that prescribed, may be held by the school but are not required by the LA. In addition, for non-SAP schools the LA will require a balance sheet of the school to be returned once a year in order to ensure that the LA is aware of the school's overall financial situation.

## **2.3 Submission of budget plans**

The committee with responsibility for the budget remains accountable to the main Governing Body. The Governors may therefore wish to consider which budget responsibilities should remain with the main Governing Body. Each school is required to submit a budget plan, signed by the Chair of Governors or whoever this has been delegated to, together with a copy of the formal minute of approval, by the committee with responsibility for the budget, to the Authority by the second Friday in May each year, showing the school's intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. The deadline can be extended by one month in exceptional circumstances, if agreed by the Authority. The report(s) may be submitted to the LA in electronic format.

For schools operating SAP, the budget plan must be entered on to the school's financial system within two weeks of its approval. Schools not operating SAP will need to adapt their financial reporting structures to provide their reports in the required format. The LA will still require non SAP schools to submit a copy of the original budget set by the Governing Body, signed by the Chair of Governors, or whoever this has been delegated to.

The Authority can require schools to submit revised plans where it deems it necessary. Such revised plans shall not normally be required at intervals of more than once every three months. The Authority will wish to encourage schools to prepare draft budget plans, as part of the budget planning cycle.

The Authority will supply schools with all income and expenditure data which it holds and which is necessary for schools to plan efficiently. Schools are allowed to take full account of estimated deficits/surpluses at the previous 31 March in their budget plan.

A blank Governors Approved Budget Plan (Annex 1) can be found on the Services for Schools website (please note that users need to be logged in first).

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

From the 2021 to 2022 funding year each school must submit a 3-year budget forecast each year, at a date determined by the local authority between 1 May and 30 June. At present this date is the second Friday in May for Derbyshire maintained schools.

These forecasts may be used by the Local Authority as evidence to support the assessment of school's financial value standards or used in support of the authority's balance control mechanism.

## **2.4 School Resource Management**

Schools must ensure effective management of resources and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements outlined in section 2.10.

It is for the Head and Governors to determine at school level how to secure better value for money. However, it is important for schools to review their current expenditure, compare it with other schools and think about how to make improvements.

## **2.5 Virement**

Schools are free to vire between budget heads but Governors are advised to establish criteria for virements and financial limits above which the approval of the Governors is required. Some restrictions on the right to vire money are necessary (see section 2.12), relating to earmarked or grant assisted funding.

## **2.6 Audit**

Schools are required to co-operate fully with both the auditors employed by the Authority (internal audit) and auditors appointed to audit the Authority itself (external audit).

In respect of internal audit, all schools come within the audit regime determined by the Authority.

1. The Director of Finance and ICT has a statutory responsibility for the overall

financial administration of the Council's affairs. The County Council has a statutory duty to maintain an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes. As part of this duty internal auditors are also responsible for auditing accounts relating to the delegated budgets (Regulation 5, Accounts and Audit Regulations 2015).

2. The Assistant Director of Finance (Audit) or his/her authorised representative shall have authority to:-
  - (i) enter at all reasonable times any school premises or land;
  - (ii) have access at all times to such records and documents, including computer data, and correspondence relating to any financial and other transactions of the school as appear to him/her to be necessary for the audit;
  - (iii) require and receive such explanations as are necessary, in his opinion, concerning any matter under examination;
  - (iv) require any employee at the school to produce cash or any other property under his/her control.
3. Cases of suspected fraud, misappropriation of money, materials or equipment, or any mismanagement of money or other assets, or any other irregularities, either official or unofficial, must be reported immediately to the Assistant Director of Finance (Audit).

Where an irregularity is disclosed after investigation, a report will be submitted by the Assistant Director of Finance (Audit) to the Head of Paid Service who will consider any legal proceedings. The Executive Director for Children's Services, Director of Finance and ICT, Director of Legal Services, Assistant Director of Finance (Audit) and the school's Governors will be consulted as appropriate.

4. The Director of Finance and ICT shall approve any new systems for the maintenance of financial records or records of assets of the Authority, including schools, or any changes to such systems. All consultations relating to new systems or changes to existing systems should be undertaken through the Assistant Director of (Audit) who will consider the impact on the Internal Control Framework and report to the Director of Finance and ICT, raising any concerns as appropriate.
5. The Headteacher will, in liaison with Governors, consider and respond promptly to recommendations made by Audit Services' staff and ensure that agreed actions are carried out in a timely and effective fashion.

In respect of external audit, all schools come within the Authority's external audit purview. The requirements set out in paragraph 2 above apply equally to appointed external auditors.

In all cases, schools must maintain a proper audit trail within their financial records

from the source document to the accounts. All financial records should be held in accordance with the Authority's retention of records policies. Any disposal must ensure that confidential items, particularly relating to individuals, must be fully and securely destroyed.

## **2.7 Separate external audits**

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

## **2.8 Voluntary and private funds, including audit requirements**

Where an employee of the Authority, by reason of his or her employment at the school, has any responsibility for a fund other than an official fund, this is deemed a private fund under this regulation (this includes the Private School Fund).

Private funds must be administered and controlled separately from official monies. Income due to the Council must not under any circumstances be paid into an unofficial fund. Proper accounts must be kept of receipts and payments relating to unofficial funds and an annual statement of accounts produced.

The Governors have overall responsibility for all private funds of the school. The Headteacher is responsible for keeping the Governors informed of all private funds at the school. Governors may open suitable bank accounts for any private funds under their control. The Headteacher is responsible for the maintenance of accurate financial records and banking arrangements of all private funds (except in voluntary aided schools).

The Headteacher is responsible for ensuring that a person who is independent of the operation of the private funds undertakes an annual audit and that such audit is carried out in accordance with advice issued by the Director of Finance and ICT (except in voluntary aided schools). The Headteacher is responsible for presenting annually all audited accounts of private funds, including the report of the independent auditor, to the Governors for their approval.

Where it is considered necessary Audit Services shall have the right of access to the records of private funds (except in voluntary aided schools.) On no account must grants from other bodies (e.g. European Union, Central Government etc.) be paid into private funds. All such funds must be paid in to the official, public account of the school.

Payments from the bank account should require the signature of two officers

recorded on the bank mandate.

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

Any school considering setting up a trading organisation must ensure that the Director of Finance and ICT and the Director of Legal Services have approved the relevant arrangements to ensure that the operation is within the legal powers of the school and that the financial arrangements are satisfactory.

## **2.9 Register of business interests**

A Governor, Headteacher or any employee of the school who is in a position to influence a decision of the school, and with a business interest, direct or indirect, in a personal capacity in any contract or proposed contract with the school, shall declare that interest in writing to the Governing Body. In addition, it is the responsibility of Governors and employees of the school to declare any business interest, direct or indirect, of immediate family members in any contract, proposed contract or other matter connected with the school. Such declarations shall be recorded in a register of business interests.

The Governing Body of each school is required to establish a register which lists, for each member of the Governing body and the Headteacher, any business interests that they or any member of their immediate family may have. The register must be kept up to date with any notifications of changes and through an annual review of entries, and must be made available for inspection by Governors, staff, parents and the Authority.

Individual Governors have a statutory responsibility not to take part in the decision making process relating to any contract or agreement in which they have a personal interest (Education (School Government) Regulations 1989). Any such declaration must be minuted.

Hospitality may only be accepted where it is secondary to a specific working arrangement. Where offers are accepted, the receipt should be entered in the school's hospitality book. Invitations of a predominantly social nature, with only a tenuous or unspecific connection with work, should not be accepted. All offers of hospitality, whether or not accepted, should be recorded in the school's gifts and hospitality book.

Gifts of a nominal value, such as calendars, diaries etc. may be accepted only if they bear the company's name or insignia and can therefore be regarded as advertising material. Gifts of more than a nominal value offered to employees by contractors, organisations, firms or individuals should always be declined and the offer reported to the Headteacher and formally recorded in the school's gifts and hospitality register.

Any offer of a gift where it is suspected that an improper motive may exist i.e. the giver is seeking to influence a decision or action, must be reported to the Headteacher or Chair of Governors as appropriate and recorded. This is the case regardless of the monetary value of the offer. In no circumstances should a monetary gift (including gift vouchers) be accepted and again, any instances must be reported to the Headteacher and Chair of Governors and recorded.

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

Schools are required to abide by the authority'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 authority's policies and procedures. Please see [www.derbyshire.gov.uk/procurement/procurement-connections](http://www.derbyshire.gov.uk/procurement/procurement-connections) for information on the Authority's procurement processes and guidance.

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

- a. to do anything incompatible with any of the provisions of this scheme, or any statutory provision, or any EU Procurement Directive;
- b. to seek authority officer countersignature for any contracts for good or services for a value below £60,000 in any one year;
- c. to select suppliers only from an established corporate contract, framework or dynamic purchasing system;
- d. to seek fewer than three tenders in respect of any contract with a value exceeding a total spend of:

£10,000 plus 1% of a school's budget (including Schools Block funding, Post 16 funding; Early Years funding and High Needs Place funding; excluding rates) up to a combined maximum of £30,000\*

\* Schools are advised that, in operating within this increased upper threshold, they should consider:

- setting a generally lower limit at local level;
- tendering below this if they feel it is of benefit on a specific scheme; and
- reviewing their internal authorisation limits regularly as part of SFVS

Schools may seek advice on a range of compliant deals via Buying for Schools <https://www.gov.uk/guidance/buying-for-schools>

Information published by the Department for Education and Crown Commercial services regarding procurement training for schools can be obtained from

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

Each school has the right to opt out of County Council arranged contracts where these are funded through schools' delegated budgets. Before opting into any contract, Governing Bodies should have regard to the terms and conditions and the implications of any change in the school's circumstances during the contract term.

Although Governing Bodies are empowered to enter into contracts, in most cases they do so on behalf of the Authority as maintainer of the school and owner of the funds in the budget share. Other contracts, however, 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.

## **2.12 Central funds and earmarking**

The Authority 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. Such allocations shall be subject to conditions setting out the purpose or purposes for which the funds may be used. Whilst these conditions need not preclude virement except, of course, where the funding is supported by a specific grant which the Authority itself is not permitted to vire, this should not be carried to the point of assimilating the allocations into the school's budget share.

Such earmarked funding from centrally retained funds is to be spent only on the purposes for which it is given, or on other budget heads for which earmarked funding is given, and is not to be vired into the school's budget share. Earmarked funds must be returned to the Authority if not spent in-year, or within the period stipulated by the Authority over which schools are allowed to use the funding if different.

Where funds are earmarked for a specific purpose or must be demonstrated to comply with grant conditions, it will be necessary to account for any costs incurred separately from normal expenditure. All Government, European Union and other agency funding must be accounted for in the schools' and Authority's accounts and not in any unofficial accounts. Further advice on accounting arrangements can be sought from the Authority. Supplementary guidance on the accounting treatment of such funding may be issued from time to time.

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

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

Although s.50(3) of the School Standards and Framework Act 1998 (the SSAF Act

1998) allows Governing Bodies to spend 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, authorities may wish to propose their own restrictions on this freedom, arising from local circumstances.

By virtue of section 50(3A) (which came into force on 1st April 2011), amounts spent by Governing Bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

Under s.50(3)(b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. He or she has done so in the School Budget Shares (Prescribed Purposes)(England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes) (England) (Amendment) Regulations 2010 (SI 2010/190). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools or academies.

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

Governing Bodies are permitted to use their budget shares to meet the cost of capital expenditure on the school's premises. This includes expenditure by the Governing Body of a voluntary aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998. (Please refer also to Section 3.6.)

If the expected capital expenditure from the budget share in any one year will exceed £15,000 the Governing body must notify the Authority prior to committing the school's resources and take into account any advice from the Executive Director for Children's Services as to the merits of the proposed expenditure.

Where the County Council owns the premises, or the school has voluntary controlled status, then the Governing Body shall seek the consent of the County Council to the proposed works. Such consent, however, can only be withheld on health and safety grounds. In addition, for other property/estate matters the following requirements apply:

- (i) Governors shall ensure that lessees and/or other prospective occupiers or users of property shall not be allowed to take possession or enter onto land in the ownership of the County Council until a lease or agreement, in a form approved by the Director or Legal Services in consultation with the Director of Property, as appropriate, has been signed
- (ii) The Director of Legal Services shall have custody of all title deeds of property owned by the County Council
- (iii) The Governors shall ensure that, where there is no contractual obligation, expenditure on rented property is not incurred until consultation has taken place with the Director of Property Services

Schools must follow guidance issued by the LA in respect of expenditure funded from capital grants.

Schools included in the Authority's capital programme with one or more schemes will be required to make a contribution towards the total cost. The Authority's policy is to ask schools to contribute 100% of the appropriate year's Devolved Formula Capital less a 22% deduction for ICT towards any scheme costing in excess of £100,000 and proportionately less for those under £100,000.

## **2.15 Leases**

Before entering into any lease agreement advice must be sought from Children's Services Finance via [CAYA.accountancy@Derbyshire.gov.uk](mailto:CAYA.accountancy@Derbyshire.gov.uk). An operating lease is the only type of lease a school may enter in to. These leases involve the school paying a rental fee for the hire of an asset for a period of time, and are similar to a rental agreement. No other types of lease, such as a finance lease or hire purchase, may be entered in to by the school as this is a form of borrowing.

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

All local authority maintained schools, including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget, must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in the year they wish to complete the form. However, all schools with a delegated budget must submit the form to the Authority before the end of the financial year.

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

## **2.17 Fraud**

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

The Governing Body and Headteacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them; and the consequences of breaching these controls. This information must also be included in induction for new school staff and Governors.

## **2.18 Notice of concern**

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

Executive Director for Children’s Services, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the Authority or the school. Such a notice will set out the reasons and evidence for it being made and may place on the Governing Body restrictions, limitations or prohibitions in relation to the management of funds delegated to it. These may include:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
- insisting that an appropriately trained/qualified person chairs the finance committee of the Governing Body;
- placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the Authority;
- insisting on regular financial monitoring meetings at the school attended by Authority officers;
- potential withdrawal of local banking facilities
- requiring a Governing Body to buy into an Authority’s financial management systems; and
- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

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

## SECTION 3: INSTALMENTS OF THE BUDGET SHARE - BANKING ARRANGEMENTS

For the purposes of this section, references to “budget share” include any place-led funding for special schools or pupil referral units.

### 3.1 Frequency of instalments

The budget share will be made available to the Governing Body monthly. Top up payments for pupils with high needs should be made on a monthly basis following pupils in real time (i.e. not following the profile in the table below) unless alternative arrangements have been agreed with the provider.

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

The proportion of the budget share to be made available to schools will be calculated on the total school budget share for the year, excluding rates expenditure, as follows:-

<i>Month</i>	<i>Standard Profile</i>	<i>Alternative Profile</i>
	<i>% of Total School Budget</i>	
<i>April(1<sup>st</sup> payment)</i>	<i>4</i>	<i>8</i>
<i>April</i>	<i>4</i>	<i>0</i>
<i>May</i>	<i>8</i>	<i>8</i>
<i>June</i>	<i>8</i>	<i>8</i>
<i>July</i>	<i>8</i>	<i>8</i>
<i>August</i>	<i>8</i>	<i>8</i>
<i>September</i>	<i>10</i>	<i>10</i>
<i>October</i>	<i>10</i>	<i>10</i>
<i>November</i>	<i>8</i>	<i>8</i>
<i>December</i>	<i>8</i>	<i>8</i>
<i>January</i>	<i>8</i>	<i>8</i>
<i>February</i>	<i>8</i>	<i>8</i>
<i>March</i>	<i>8</i>	<i>8</i>

### Dates of advances

- Standard Profile* ~ last banking day before 19<sup>th</sup> except April (first payment) will be on 1 April.
- Alternative Profile* ~ notional advance during the first financial week of each calendar month.

The alternative profile will be used for those schools not operating a local bank account. The Director of Finance and ICT will review the profile of budget instalments periodically to ensure that it remains broadly consistent with the profile of funding received by the Authority for schools. Where changes from the current

profile are deemed necessary schools will be advised of this in advance of the start of the financial year to which they relate.

### **3.3 Interest clawback**

Historically, the Individual Schools Budget (ISB) was reduced to fund the interest on balances scheme. The Authority will therefore make no deduction from individual budget share instalments to cover the estimated interest lost by the Authority in making available the budget share in advance.

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

Interest will be added to late payments of budget share instalments, where such late payment is the result of an Authority error. The interest rate will be the prevailing Bank of England base rate.

### **3.4 Budget shares for closing schools**

Budget shares of schools for which approval for discontinuation has been secured will be made available until closure on a monthly basis.

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

All schools may have an external bank account into which their budget share instalments (as determined by other provisions) are paid. Where schools have such accounts they shall be allowed to retain all interest payable on the account, but must meet all charges.

New bank account arrangements may only be made with effect from the beginning of each financial year. The Authority will require three months' notice to open such accounts. Any school requesting a bank account shall not be able to have one until any deficit is cleared.

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

#### **3.5.1 Restrictions on accounts**

If the school decides to open an account for the purpose of receiving budget share payments, only the following banks or building societies may be used:

## **Banks:**

**Santander UK**

**Lloyds Banking Group**

Halifax (HBOS)

Lloyds

TSB

**Barclays Bank Group**

**National Australia Bank**

Yorkshire Bank

**Royal Bank of Scotland Group**

National Westminster

Royal Bank of Scotland

**HSBC Group**

## **Building Societies:**

**Nationwide**

This list will be kept under review and updated to ensure it is consistent with the Authority's Treasury Management policy. If a school wishes to use any other financial institution, an application should be made to the Director of Finance and ICT. However, schools having bank accounts with other banks prior to 1 April 2009 should be allowed to retain those accounts.

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

Schools are allowed to have accounts for budget share purposes, which are in the name of the school rather than the Authority. However, if a school has such an account, the account mandate must provide that: the Authority is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the Authority.

Any money paid by the Authority and held in such accounts remains the property of the Authority until spent (S.49 (5) of the 1998 Act). Accounts in the name of individuals are strictly forbidden. The opening of all accounts must be notified to the Director of Finance and ICT.

The signatories for bank accounts must be restricted to Authority employees or employees of schools maintained by the Authority.

Where a school chooses to operate a bank account, the Director of Finance and ICT will automatically close the existing imprest account and transfer any residual balance to the school budget. The Authority will continue to operate the existing school imprest account system whereby the accounts are in the name of the Authority but specific to each school, for schools which wish to use such

arrangements.

### **3.6 Borrowing by schools**

Governing Bodies may borrow money only with the written permission of the Secretary of State, except under the provisions in the scheme shown under sections 4.9.1 and 4.9.2. This does not apply to Trustees and Foundations, whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing Bodies do not act as agents of the Authority when repaying loans.

Please contact the DfE via the website [www.education.gov.uk/contactus](http://www.education.gov.uk/contactus) for any queries about school borrowing.

Schools must notify the Director of Finance and ICT in advance of any proposed leasing arrangements or any other arrangements to delay or defer payment for goods or services. Any scheme, however described, which effectively spreads the cost of payments across financial years, is likely to fall into this category. Such arrangements may only be entered into after obtaining written approval from the Director of Finance and ICT.

Local Authority schemes may now permit the use of credit or charge cards. However, no interest charged should be incurred by the school, with balances fully cleared on a monthly basis. Currently Derbyshire County Council do not offer this provision.

The Authority, however, has provided a debit card linked to the school's imprest account. Further guidance on the use of these cards can be found on the Schools Net website.

### **3.7 Other Provisions**

Certain leasing arrangements (finance leases) count against the Authority's capital finance programme, consequently schools are not free to enter into such arrangements without specific written authority from the Director of Finance and ICT via [schoolfunding@derbyshire.gov.uk](mailto:schoolfunding@derbyshire.gov.uk)

Careful advice is needed as to what constitutes an operating lease or a finance lease, therefore before entering into any lease agreement advice must be sought from Children's Services Finance.

Schools must not overdraw their bank accounts. An early advance scheme is available to schools if they anticipate that they will become overdrawn. The early advance scheme will be subject to a maximum total early advance of 5% of the school's total budget share.

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

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

Schools will carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school's budget share for the year plus/minus any balance brought forward from the previous year. For bank account schools, unless there are exceptional circumstances, any balance will be transferred on 1 April. This balance will be determined on a provisional basis, pending a later reconciliation. The estimated balance will be forecast by reference to the current expenditure profile against the school's budget.

The amount of a surplus balance would be shown in the relevant out-turn statement published in accordance with directions given by the Secretary of State under S251 of the Apprenticeships, Skills, Children and Learning Act 2009 (although there may be commitments against any figure shown in such a statement).

### **4.2 Reporting on and control of the use of surplus balances**

The Authority appreciates that schools are moving towards greater autonomy and should not be constrained from making early efficiencies to support their medium-term budgeting in a tighter financial climate and should not be burdened by unnecessary bureaucracy. Schools are encouraged to retain, where possible, a modest balance towards future liabilities and potential need for replacement of equipment. In order to allow the Authority to monitor schools' financial positions, Governing Bodies will be asked to report to the Authority on the use which the schools intend to make of surplus balances and will wish to focus particularly on those schools which have built up significant excessive uncommitted balances and/or where some level of redistribution would support improved provision across a local area.

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

Balances held by the Authority on behalf of schools will attract interest on the following basis:

Interest on balances will be calculated on a weekly basis, by comparing the school's total balance of expenditure with the appropriate calculated budget profile, shown at 3.2 above, and credited to the school's cost centre.

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

Deficit balances will be carried forward by the deduction of the relevant amounts from the following year's budget share (see also 4.8 and 4.9)

#### **4.5 Planning for deficit budgets**

Schools may only plan for a deficit budget in accordance with the terms of section 4.9 below.

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

The Authority charges interest on any deficit school balance held by the Authority. Charges for interest on balances will be calculated on a weekly basis, by comparing the school's total balance of expenditure with the appropriate calculated budget profile, shown at 3.2 above, and charged to the school's cost centre. Each school, which doesn't have its own bank account, will receive a six monthly 'interest on balances statement' from the Authority.

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

The Authority has no power to write off the deficit balance of any school.

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

Where in the funding period, a school has been established or is subject to a prescribed alteration as a result of the closure of a school, a local authority may add an amount to the budget share of the new or enlarged school to reflect all or part of the unspent budget share (including any surplus carried over from previous funding periods) of the closing school for the funding period in which it closes.

#### **4.9 Licensed deficits**

The general provision in 3.6 above forbidding Governing Bodies to borrow money shall not apply to the licensed deficits scheme run by the Authority. The Authority will permit schools to plan for a deficit budget, in particular circumstances. The funding to allow such a deficit budget will be provided from the collective surplus of school balances held by the Authority on behalf of schools. Although it is open to the Authority, in circumstances where there is no such surplus, to make alternative arrangements if it can do so within the relevant local authority finance legislation.

The Authority's licensed deficit facility will consider applications for the following reasons:-

- A Governing Body is unable to prepare a balanced budget without seriously jeopardising the school's ability to meet its legal responsibilities;
- Projects where the school demonstrates an ability to repay its investment over more than a single financial year

For deficits allowed under 4.9.2, it will not be expected that the repayments would exceed 5% of a school's normal budget.

The maximum proportion of the collective balances, which are held by the Authority to back these arrangements, will not exceed 25%. The extent to which schools' applications for projects can be supported will be dependent upon the aggregate level of schools' balances at the end of the previous financial year. The Director of Finance and ICT has determined that 25% of the previous year's balances can be used to finance schools' licensed deficits. Where there is a conflict between licensed deficits under 4.9.1 and other applications, those qualifying under 4.9.1 will take precedence.

#### 4.9.1 Schools unable to prepare a balanced budget

Governing Bodies are required to plan to operate within the constraints of their cash limited budget share. In certain circumstances, however, a school may need to make expenditure in one year and partially finance it by anticipating the school's budget for the following year(s). An example might be where urgent maintenance work is required or where action necessary to balance the budget in the current financial year can be demonstrated seriously to jeopardise the school's ability to meet its legal responsibilities. Such an arrangement may only be made with the prior approval of the Authority in accordance with the financial regulations.

The Authority has recognised the legal conflict between the responsibility of Governors to operate within their budget share in any given financial year and, at the same time, maintaining the integrity of their educational provision in an academic year.

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

In terms of the threshold the LA intends retaining its own criteria, shown below. A school which plans to operate a deficit which does not exceed:

- Nursery/primary/special schools  
**BOTH 3% of the budget share\* AND £10,000**
- Secondary schools  
**EITHER 3% of the budget share\* OR £150,000**

will need to seek the approval of the Executive Director for Children's Services.

\*\*'budget share' is deemed to include Schools Block, Post 16 funding; Early Years funding and High Needs PLACE funding; excluding rates.

For deficits in excess of this limit where a school can demonstrate, following rigorous examination by officers from the Children's Services and Corporate Finance, that all alternatives have been exhausted, the Governors may make a formal request to the Cabinet Member for Young People for approval to implement a budget plan to bring the school's finances into balance over more than one year.

In normal circumstances it is expected that a school will have balanced its annual spend and repaid any accumulated deficit at the end of three years: additional years may be granted if, in the opinion of the Executive Director for Children's Services, the school's ability to deliver the national curriculum would otherwise be seriously jeopardised and that no other reasonable course of action is available.

Where the Governors are unwilling or unable to adopt a course of action deemed reasonable by the Cabinet Member for Young People, the Authority will consider the removal of delegated powers to enable the necessary actions to be taken. Appropriate mechanisms will be in place to ensure that a school's deficit is not extended indefinitely.

#### **4.9.2 Project based (maximum 5 years)**

A school Governing Body may apply to the Executive Director for Children's Services for a licensed deficit relating to a specific project at any time during the year. All requests will need to be endorsed by the Executive Director for Children's Services and the Director of Finance and ICT before consideration by the Cabinet Member for Young People. The request will be judged against a number of financial criteria to assess the school's ability to repay the deficit. These will include the schools:

- i) Ability to meet the annual repayments;
- ii) Record of balances;
- iii) Ability to manage its budget; and
- iv) Projected future years' budgets and costs

The normal maximum repayment period will be three years. However, this may be extended to no more than five years in certain circumstances, i.e. where a significant proportion of the repayment is guaranteed by savings generated by the investment or where, in the view of the Executive Director for Children's Services and Director of Finance and ICT, the benefits of the scheme are sufficient to warrant a longer time frame. In any event, the period of the licensed deficit must not be greater than the lifetime of the asset purchased by it.

The Cabinet Member for Young People will wish to consider, in particular, those bids which incorporate a guaranteed saving which covers, or contributes significantly to, the repayment of any licensed deficit. Projects with an environmental aspect will be encouraged, e.g. expenditure resulting in energy savings which will contribute to or actually repay the debt. A licensed deficit in this category can be used only for the purpose for which it has been granted.

#### **4.10 Loans to schools**

This section is a directed change by the DfE. Loans must only be used to assist schools in spreading the cost over more than one year of large one-off individual items of a capital nature that have a benefit to the school lasting more than one financial or academic year. Loans must not be used as a means of funding a deficit that has arisen because a school's recurrent costs exceed its current income. If

loans are made to fund a deficit, the Secretary of State will consider using the power under paragraph 13(4)(d) of Schedule 1 to the Academies Act 2010 to make a direction to the effect that such a loan does not transfer, either in full or part, to the new Academy school in individual cases.

At this time the Authority does not propose offering a formal loan scheme to schools: schools should instead seek to utilise the flexibilities available under 4.9.2.

## **SECTION 5: INCOME**

### **5.1 General**

Schools are required to comply with all guidance issued by the Director of Finance and ICT regarding income.

Schools shall be able to retain income except in certain specified circumstances. The Governors' policy on charging for school activities should be reviewed by them at least annually and any revisions formally approved and minuted. All charges shall conform to current legislation.

Where land is held by a charitable trust, it will be for the school's trustees to determine the use of any income generated by the land.

Charges made for the letting of school premises (other than use for Community Education under Sections 149-152 of the 1996 Education Act) are the responsibility of the Governors. The scale of charges for such lettings should be reviewed annually by the Governors who should formally approve any revised scale of charges.

Charges made for the letting of school premises for adult education or other purposes must be at a rate that sufficiently covers the full marginal cost of the provision made. Governors are responsible for the security, collection and banking of income due to the delegated budget.

The Governors may decide formally whether or not to take action to collect amounts due to the delegated budget which are unpaid.

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

Because of the potential Value Added Tax (VAT) implications of providing services which lead to fees and charges, fund raising activities and the sale of assets, the Authority has established administrative procedures for the collection of income, which are set out below. These procedures will be updated from time to time, in the light of advice from the VAT authorities.

The following procedures must be adhered to:

#### **a) Receipts**

Official receipts must be made out for all official income at the time of receiving the income. Exceptions to this will need the specific approval of the Director of Finance and ICT. All receipt books must be kept securely and used books kept for Audit inspection. Cancelled receipts must be kept in the book and alterations should not be made to receipts. New supplies of receipt books will be obtained from the Director of Finance and ICT. All cheques and postal/money orders shall be crossed on receipt.

## **b) Invoices Raised**

Invoices are raised through a transaction in SAP need to complete an MD15 form so that the invoice can be raised on their behalf. Some charges for services are subject to VAT. Officers sending accounts should refer to the detailed guidance notes which have been issued. These will indicate when VAT should be charged. Any problems or queries regarding VAT should be referred to the Director of Finance and ICT at [VAT.Enquiries@derbyshire.gov.uk](mailto:VAT.Enquiries@derbyshire.gov.uk) .

## **c) Banking of Income**

It is a matter for schools to determine appropriate measures for the secure collection and banking of all income in line with the appropriate insurance policies.

Cash and cheques must not remain unbanked except in exceptional circumstances or where the amount involved is less than £250. In such a case the cash must be securely locked in a receptacle e.g. safe/cabinet/drawer (i.e. not easily moved).

## **5.3 Charging for School Activities**

Sections 449-462 of the 1996 Education Act establish a statutory framework for charging policy in maintained schools. No LA or Governing Body may charge for anything unless it has drawn up a statement of its general policy on charging and remissions. A copy of the Authority's charging policy made under these requirements can be found on the Schools Net website, a précis is provided below.

Where charging for an activity is permitted, the decision as to whether and how much to charge shall be determined:-

- (i) Where the activity is paid for from funds at the disposal of the Governing Body, by the Governing Body.
- (ii) In any other case, by the Authority.

Where a Governing Body adopts a charging and remissions policy less generous than that of the LA in respect of an activity provided by the school for which provision is included in the school's budget share, the Authority will consider deducting the relevant proportion of the income accruing to the school for that school's budget share. (This is necessary in order to ensure that such activities

are not double funded).

Where pupils do not take part in the activity, the Authority may recover part or all of the original funding. Where an activity is provided from expenditure retained centrally by the Authority, Governing bodies are free to remit all or part of any charges made by the Authority from their delegated budgets.

## CHARGING AND REMISSIONS POLICY

	ISSUES	POLICY
<b>A</b>	Residential courses in school time – actual board and lodging costs only. No charges can be made for education provided including supply teacher cover.	Parents are required to meet full cost except children with statements specifying residence and children whose parents receive income support/family credit, where charges should be remitted by school.
<b>B</b>	Activities outside school hours not within National Curriculum	Parents meet full cost, except for children with statements specifying residence when activities take place during normal residential period.
<b>C</b>	Individual instrumental music tuition	School may bring outside tutors in within school hours at a charge to parents. However, if part of National Curriculum, or a prescribed public examination, charges must be remitted.
<b>D</b>	Dual examination entries	Charged to parents
<b>E</b>	Extra examination entries/resits without tuition	Charged to parents
<b>F</b>	Exams not on the list prescribed by the Secretary of State	Charged to parents
<b>G</b>	'Wasted' exam entries	Parents charged when exam wasted without reason acceptable to school, otherwise school pays
<b>H</b>	Ingredients/materials for practical subjects	Parents are encouraged to provide materials for practical subjects; but no child must be disadvantaged because of parents' inability/reluctance to pay. Where necessary, school will pay
<b>I</b>	Lost school equipment, books etc.	Parents may be expected to replace or purchase lost items of school property.

<b>J</b>	Breakages and damage to school buildings, furniture or property	Parents to be made aware that wilful damage to school buildings or property may be charged to parents by the school.
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#### **5.4 Income from lettings**

Schools may retain income from lettings of the school premises which would otherwise accrue to the Authority, subject to alternative provisions arising from any joint use or PFI/PPP agreements. Any such income must be paid into the public, not private account of the school. Schools are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings, provided the Governing Body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. However, schools shall 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.

#### **5.5 Income from fees and charges**

Schools may retain income from fees and charges except where a service is provided by the Authority from centrally retained funds. However, schools are required to have regard to any policy statements on charging produced by the Authority.

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

Schools may retain income from fund-raising activities.

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

Schools may retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds (in which case it should be for the Authority to decide whether the school should retain the proceeds), or the asset concerned is land or buildings forming part of the school premises and is owned by the Authority.

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

Income to the school from the sale of assets purchased with delegated funds may only be spent for the purposes of the school. The disposal of capital assets belonging to the County Council must have the County Council's approval and the income thus generated will accrue to the County Council.

## **SECTION 6: THE CHARGING OF SCHOOL BUDGET SHARES**

### **6.1 General provisions**

The budget share of a school may be charged by the Authority without the consent of the Governing Body only in circumstances set out in 6.2 below. The Authority shall consult a school as to the intention to so charge, and shall notify a school when it has been done. Schools are reminded that the Authority cannot act unreasonably in the exercise of any power given by this scheme, or it may be the subject of a direction under S.496 of the Education Act 1996. The Authority shall make arrangements for a dispute procedure for such charges.

- 6.1.1 A school's budget share must bear the actual cost of salaries for staff that are chargeable to that school.
- 6.1.2 Retrospective claims for the correction of errors and charges whether by a school against the Authority or by the Authority against a school will be limited to the current plus previous financial year.
- 6.1.3 For the avoidance of doubt, the Authority may de-delegate funding for permitted services without the express permission of the Governing body, provided this has been approved by the appropriate phase representatives of the Schools Forum or the Secretary of State for Education.
- 6.1.4 The Authority may also top-slice funding from schools' budgets to pay for specified services provided this has been approved by the Schools Forum or the Secretary of State for Education.

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

- 6.2.1 Where premature retirement costs have been incurred without the prior written agreement of the Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Authority);
- 6.2.2 Other expenditure incurred to secure resignations where there is good reason to charge this to the school (see Annex B);
- 6.2.3 Awards by courts and industrial tribunals against the Authority or out of court settlements, arising from action or inaction by the Governing body contrary to the Authority's advice;
- 6.2.4 Expenditure by the Authority in carrying out health and safety work or capital expenditure for which the Authority is liable where funds have been delegated to the Governing Body for such work, but the Governing Body has failed to carry out the required work;

- 6.2.5 Expenditure by the Authority incurred in making good defects in building work funded by capital spending from budget shares, where the Authority owns the premises or the school has voluntary controlled status;
- 6.2.6 Expenditure incurred by the Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Authority (see also 10.1);
- 6.2.7 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the Authority;
- 6.2.8 Recovery of penalties and interest imposed on the Authority by the Board of Inland Revenue, the Contributions Agency, HM Revenue and Customs, Teachers Pensions, the Environment Agency or regulatory authorities as a result of school negligence;
- 6.2.9 Correction of errors in calculating charges to a budget share (e.g. pension deductions);
- 6.2.10 Additional transport costs incurred by the Authority arising from decisions by the Governing Body on the length of the school day, or failure to notify the Authority of non-pupil days resulting in unnecessary transport costs;
- 6.2.11 Legal costs which are incurred by the Authority because the Governing Body did not accept the advice of the Authority (see also section 11);
- 6.2.12 Costs of necessary health and safety training for staff employed by the Authority, where funding for training has been delegated but the necessary training not carried out;
- 6.2.13 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect;
- 6.2.14 Cost of work done in respect of teacher pension remittance and records for schools using non-Authority payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.
- 6.2.15 Costs incurred by the Authority in securing SEN provision specified in an Education Health and Care Plan (EHCP) or Graduated Response for an Individual Pupil (GRIP) where the Governing Body of a school fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs;

6.2.16 Additional costs to the Authority incurred as a result of the school's failure to provide accurate financial or other Executive data in the format and to the timescale specified by the Authority; also where the Authority incurs a loss due to the failure of a school to provide timely and accurate data in respect of under 5s eligible for grant funding, receiving or scheduled to receive educational provision from the school.

The Authority relies on such data to: -

- a) generate its claim for various grant funding which is available; and
- b) ensure that, before payments for claims are made to private, independent and voluntary providers, pupils are not also registered with its own schools or providers.

It is, therefore, important that the information provided by schools about their pupil populations is accurate and timely in order to ensure that the Authority is both appropriately funded and to check that no erroneous or duplicate payments are made to other providers. The amount of any deduction will be no more than the loss in grant income or the extent of any overpayment resulting from the lateness or inaccuracy of the information supplied by the school.

Each school which admits under 5s is required to maintain appropriate records and submit a termly (or more frequent) return providing details of individual pupils for whom educational provision is being made or is scheduled to be made by the school. The records and returns will be subject to audit. Details of the precise requirements, format and time scales necessary for schools to enable the Authority to claim funding, make substantiated payments to other providers and account for the associated funding, will be notified to schools, as appropriate.

6.2.17 Recovery of amounts spent from specific grants on ineligible purposes;

6.2.18 Costs incurred by the Authority as result of the Governing Body breaching an external contract or arrangement with a Direct Service Organisation (DSO), which has been entered into voluntarily, or those which the scheme locks schools into;

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

6.2.20 Where the Authority provides the cost of a particular activity and the Governing Body decides to levy a charge on parents, the Authority may recover all or part of the funding provided and/or income accruing to the school in respect of that activity;

- 6.2.21 Where a short term loan, in support of a project of a capital nature, is approved by the Authority, the repayments relating thereto;
- 6.2.22 Recoveries of any under-spending relating to earmarked or grant assisted funding, i.e. non-delegated funds credited to the school;
- 6.2.23 Interest applicable under the arrangements set out in Section 4.6 (interest on deficit balances);
- 6.2.24 Where such costs result in the school's budget being overspent the Authority will make an interest charge on the overspending;
- 6.2.25 Amounts agreed under PFI/PPP or similar agreement entered into by the Governing body of a school;
- 6.2.26 Costs of a contractual claim against the County Council where an order had been placed by a school subject to this Scheme.

## SECTION 7: TAXATION

### 7.1 VALUE ADDED TAX

#### 7.1.1 Recovery/Charging of VAT

All schools will be registered for VAT under the County Council's registration number. All schools can therefore recover VAT on purchases made in relation to their educational activities subject to the rules set out by HM Revenue & Customs. The Director of Finance and ICT is available to advise on any issues relating to VAT. All schools must abide by advice given by either HM Revenue & Customs or the Director of Finance and ICT on VAT matters. Further guidance documents are available on the Schools Net website at:

<https://schoolsnet.derbyshire.gov.uk/administration-services-and-support/finance-and-legal/value-added-tax-guide-for-schools.aspx>

To recover the VAT on an invoice, the invoice must show: -

- (i) name and address and VAT Registration Number of the supplier;
- (ii) an identifying number (invoice number);
- (iii) the time of supply (tax point);
- (iv) the date of issue of the document (if different to the time of supply);
- (v) customer's name (or trading name) and address;
- (vi) the type of supply (by sale, on hire), the following types of supply must be identified separately:
  - sale
  - hire purchase, conditional sale, credit sale or similar transactions
  - loan
  - exchange
  - hire, lease rental
  - process (making goods from someone else's materials)
  - sale on commission (for example, by an auctioneer) and
  - sale or return or similar items
- (vii) a description to identify the goods supplied;
- (viii) for each description: the quantity of the goods or the extent of the service, the rate of VAT and amount payable excluding VAT;
- (ix) the total charge excluding VAT (in sterling);
- (x) the rate of any cash discount offered;
- (xi) each rate of VAT chargeable and the amount of VAT chargeable (in sterling) at each rate;
- (xii) the total amount of VAT chargeable (in sterling); and

(xiii) if the invoice contains details of goods/services which are exempt from VAT or zero rated as well as taxable supplies, then these need to be distinguished on the invoice and totalled separately.

An invoice marked “pro-forma” is not a VAT invoice. Please refer to the VAT guides (available on the Schools Net website) before processing.

VAT must be carefully checked on invoices, any queries should be referred to [VAT.Enquiries@derbyshire.gov.uk](mailto:VAT.Enquiries@derbyshire.gov.uk) for advice BEFORE processing. All schools are liable to HM Revenue & Customs’ investigations. The cost of any mistreatment of VAT would fall as a charge to the school’s delegated budget.

Certain supplies made by the school attract VAT, which must be paid to HM Revenue & Customs. Schools using the SAP system must follow existing procedures to ensure that VAT is properly accounted for. Schools not operating these systems must ensure that all VAT charged on income and paid on invoices (outputs and inputs) are separately identified on the returns made to the Authority for financial accounting purposes. The Director of Finance and ICT may issue further detailed guidance from time to time on VAT and other taxation issues, such information will be published on the Schools Net website.

The Authority has established procedures to enable schools to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity. Amounts reclaimed through these procedures will be passed back to the school. For non-bank account schools, the credit will be effective immediately as only the net cost will be charged to the school’s account. For bank account schools, the refund will be effected as soon as practicable through the budget share instalment process. This will normally be by the next instalment, if the detail of income and expenditure forms have been submitted successfully to the Authority at least a week before the date that the instalment is due.

It is absolutely essential that an audit trail exists from the financial return or from the SAP input, back to the source documents.

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

Schools are required to abide by procedures issued by the Authority in connection with CIS. For guidance on the procedures, please contact the Compliance and Control Team by email to [sap.vim@derbyshire.gov.uk](mailto:sap.vim@derbyshire.gov.uk)

## **SECTION 8: THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY**

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

The Authority shall determine on what basis services from centrally retained funds will be provided to schools, but the Authority is barred from discriminating in its provision of services on the basis of categories of schools except in cases where this would be allowable under the school and early years finance regulations or the dedicated schools grant (DSG) conditions of grant. In this context, services include the treatment by the Authority of applications for the funding of existing premature retirement compensation (PRC) and redundancies.

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

The term of any arrangement with a school to buy services or facilities from the Authority shall be limited to a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the later, and periods not exceeding five years for any subsequent agreement relating to the same services. These time-scales are extended to five years and seven years respectively for contracts for the supply of catering services.

There is no minimum period, although arrangements lasting less than 2 years may well be uneconomic.

Where a service is provided for which expenditure is not retainable centrally by the Authority under the Regulations made under section 46 of the 1998 Act, it must be offered at prices which are intended to generate income which is no less than the cost of providing that service. The total cost of the service must be met by total income, even if the schools are charged differentially.

#### **8.2.1 Packaging**

The Authority may provide any service for which funding has been delegated. Where the Authority is offering the service on a buyback basis it must do so in a way which does not unreasonably restrict schools' freedom of choice among the services available and, where practicable, this will include provision on a service-by-service basis as well as in packages of services. The Authority is not, however, obliged to offer a service for non-statutory functions, where it considers that the service could not be offered without making an unacceptable financial loss.

### **8.3 Service level agreements**

The details of services being offered to schools will be made available at an appropriate time prior to the start of the financial year to which they apply and schools will have at least one month to consider the terms of those agreements.

- 8.3.1 If services or facilities are provided under a service level agreement - whether free or on a buyback basis - the terms of any such agreement which started on or after the inception of the scheme will be reviewed at least every three years if the agreement lasts longer than that.
- 8.3.2 Services, if offered at all by the Authority, shall be available on a basis, which is not related to an extended agreement, as well as on the basis of such agreements.

#### **8.4 Teachers' Pensions/Additional Voluntary Contributions (AVCs)**

In order to ensure that the performance of the duty on the Authority to supply Teachers' Pensions with information under the Teachers' Pensions Regulations 2014, the following conditions are imposed on the Authority and Governing Bodies of all maintained schools covered by this scheme in relation to their budget shares.

The conditions only apply to Governing Bodies of maintained schools that have not entered into an arrangement with the Authority to provide payroll services.

A Governing Body of any maintained school, whether or not the employer of the teachers at such a school, which has entered into any arrangement or agreement with a person other than the Authority to provide payroll services, shall ensure that any such arrangement or agreement is varied to require that person to supply salary, service and pensions data to the Authority which the Authority requires to submit its annual return of salary and service to Teachers' Pensions and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required. A Governing Body shall also ensure that any such arrangement or agreement is varied to require that Additional Voluntary Contributions (AVCs) are passed to the Authority within the time limit specified in the AVC scheme. The Governing Body shall meet any consequential costs from the school's budget share.

A Governing Body of any maintained school which directly administers its payroll shall supply salary, service and pensions data to the Authority which the Authority requires to submit its monthly 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.

## **SECTION 9: PUBLIC FINANCE INITIATIVE/PUBLIC PRIVATE PARTNERSHIPS (PFI/PPP)**

The Authority shall have the power to issue regulations from time to time relating to PFI/PPP projects. Amongst other issues these may deal with the reaching of agreements with the Governing Bodies of schools as to the basis of charges relating to such schemes; and the treatment of monies withheld from contractors due to poor performance. The Authority will retain the power to charge to the school's budget share amounts agreed under a PFI/PPP agreement entered into by the Governing Body of a school.

## **SECTION 10: INSURANCE**

### **10.1 Insurance cover**

If funds for insurance are retained by any school, the County Council will require the school to provide reasonable evidence to demonstrate the parity of cover and not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier for cover relevant to the County Council's insurable interests. It may also be necessary for insurance to be in joint names of the Governing Body and the County Council.

In determining the relevant minimum level of cover, the Authority will have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such requirement, rather than applying an arbitrary minimum level of cover for all schools (see also 6.2.6).

From 1 April 2020, schools instead of taking out insurance, may join the Secretary of State's risk protection arrangement (RPA) for risks that are covered by the RPA.

Schools may do this individually when any insurance contract of which they are part expires.

Primary and/or secondary maintained schools could join the RPA collectively by agreeing through the schools' forum to de-delegate funding.

## **SECTION 11: MISCELLANEOUS**

### **11.1 Right of access to information**

Governing Bodies and Headteachers shall supply to the Authority all financial and other information which 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 (e.g. earmarked funds) on the school.

### **11.2 Liability of Governors**

Because the Governing Body is a corporate body, and because of the terms of s.50(7) of the 1998 SSAF Act, Governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

### **11.3 Governors' expenses**

The Authority shall have the power to delegate to the Governing Body of a school yet to receive a delegated budget, funds to meet Governors' expenses

Under section 50(5) of the School Standards and Framework Act 1998, only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002 may be paid to Governors from a school's delegated budget share. Schools are expressly forbidden from paying any other allowances to Governors.

Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional Governors appointed by him to schools under special measures.

### **11.4 Responsibility for legal costs**

Legal costs (i.e. those of legal action, including costs awarded against the Authority) incurred by the Governing Body, although the responsibility of the Authority as part of the cost of maintaining the school - unless they relate to the statutory responsibility of aided school Governors for buildings - may be charged to the school's budget share unless the Governing Body acts in accordance with the advice of the Authority. In circumstances where a Governing Body considers that a conflict of interest exists between the Authority and the Governing Body, it should consult the Executive Director for Children's Services and the Director of Legal Services with a view to agreement being reached as to how the matter, including the issue of costs, should be resolved.

### **11.5 Health and Safety**

In expending the school's budget share, the Governing Body is required to have due regard to duties placed on the Authority in relation to health and safety, and

the Authority's policy on health and safety matters in the management of the budget share.

### **11.6 Right of attendance for the Director of Finance and ICT**

Governing Bodies are required to permit the Director of Finance and ICT of the Authority or his/her nominee to attend meetings of the Governing Body at which any agenda items are relevant to the exercise of her or his responsibilities. Prior notice will be given when such attendance is intended unless this is impracticable. The Director of Finance and ICT's attendance shall normally be limited to items which relate to issues of probity or overall financial management and shall not be regarded as routine.

### **11.7 Special Educational Needs**

In discharging their duties and responsibilities, Governing Bodies are reminded of their duty under Section 317 of the 1996 Education Act to use their best endeavours to ensure that appropriate provision is made for all pupils with special educational needs. They must also have regard to the Code of Practice on the identification and assessment of special educational needs. Governors are also reminded that:

- under the SEN Information Regulations 2001 the Authority is required to publish information about special educational provision it normally expects to be met from school budget shares; and
- under Section 324 of the 1996 Act, the Authority is under a duty to ensure that any special educational provision specified in an Education Health and Care Plan made under that Section of the Act is arranged. In schools where funding for such pupils has been delegated or devolved the Governing body has a duty to ensure that the specified provision is made.

If a pupil with an Education Health and Care Plan, or in receipt of support from the Graduated Response for Individual Pupil process, and who has attracted additional funding from centrally held budgets, transfers between schools during a financial year, the pupil's former school will be expected to pass to the receiving school any transferable special equipment or materials that have been purchased for the pupil's use.

### **11.8 Interest on late payments**

The Late Payment of Commercial Debts (Interest) Act came into force on 1 November 1998. Small businesses can charge interest on outstanding debts. The legislation applies to all invoices issued by a small business on or after 1 November 1998. Any interest cost will fall as a charge to individual schools' budgets. Schools are, therefore, reminded to endeavour to pay invoices within the credit period allowed.

## **11.9 "Whistleblowing"**

The Authority is required to specify within its scheme 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 should be dealt with. Section 2.6 of this scheme covers the general audit provisions and specifically refers to dealing with financial concerns:

“Cases of suspected fraud, misappropriation of money, materials or equipment, or any mismanagement of money or other assets, or any other irregularities, either official or unofficial must be reported immediately to the Assistant Director of Finance (Audit).

Where an irregularity is disclosed after investigation, a report will be submitted by the Assistant Director of Finance (Audit) to the Head of Paid Service who will consider any legal proceedings and/or disciplinary action in consultation with the Executive Director for Children’s Services, Director of Finance and ICT, Director of Legal Services and Assistant Director of Finance (Audit); the school’s Governors will be consulted as appropriate.”

Schools are encouraged to adopt their own “Whistleblowing” policy to enable employees, parents, contractors, suppliers and others involved in activities on behalf of the school to disclose information about malpractice internally and to provide protection from subsequent victimisation, discrimination and disadvantage. The Authority is able to offer advice on this.

### **11.10 Child protection**

The funding for the cost of cover for absence due to child protection case conferences has been delegated to schools as part of the ‘Staff Costs: Other’ allocation. However, if mainstream schools have exceptionally high costs in covering this function, they may apply for support from the re-pooled Contingency. The costs of providing adequate training for the designated child protection teacher, or any other member of staff, shall be a charge against the monies placed under the control of the Governors for staff development.

### **11.11 Redundancy/early retirement costs**

The arrangements for sharing the costs of dismissal would normally be as follows:

- Redundancy – where the Schools Forum has agreed to top-slice funding from schools’ delegated budgets, the costs would be met from the funds collected. Where funding has not been top-sliced, the costs would fall against individual schools’ budgets;
- Pension - lump sum and on-going costs charged to schools’ individual delegated budget shares

It should be noted that schools would be expected to meet the costs of redundancy in full where the Authority’s view was that the dismissals/retirements were not essential as permitted under Section 37 (4) of the

Education Act 2002. The Authority is also conscious that, in order to manage both the process of staffing reductions and schools' finances, a school will need to take early decisions to identify difficulties and may need to initiate the necessary processes before its depletes any balances to avoid falling into deficit; thus worsening the difficulties. Further information can be found in Annex B.

### **11.12 Retention of records**

A guide to retention of Records in Schools is available on the Schools Net website and should be consulted in the first instance. This covers all different types of school records, not just financial ones.

<https://schoolsnet.derbyshire.gov.uk/administration-services-and-support/finance-and-legal/schools-financial-value-standards-sfvs.aspx>

Any disposal must ensure that confidential items are destroyed fully and securely.

## **SECTION 12: RESPONSIBILITY FOR REPAIRS AND MAINTENANCE**

### **12.1 Central Funds**

The Authority retains funding centrally for expenditure on capital works.

### **12.2 Capital Expenditure**

The Authority delegates funding for recurrent repairs and maintenance to schools. Only capital expenditure is to be retained by the Authority. For these purposes, expenditure may be treated as capital only if it fits the definition of capital used by the Authority for financial accounting purposes in line with the CIPFA Code of Practice Local Authority accounting. The actual interpretation of the Code is a matter for the Authority. The Authority may also undertake work under internal insurance arrangements.

### **12.3 Voluntary Aided Schools**

For voluntary aided schools, funding is provided as part of the budget share for general repairs and maintenance. Liability for capital funding is shared between the DfE and the Governing body. Liability of the Authority for repairs and maintenance (albeit met by delegation of funds through the budget share) is the same as for other maintained 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 the DfE to categorise such work, not the *de minimis* limit used by the Authority.

### **12.4 Health and Safety**

Schools are reminded that where they directly employ a contractor using delegated funding, they must ensure that the contractor is competent, adequately insured and has an appropriate health and safety policy and arrangements. The contractor should demonstrate to the school's satisfaction that they have considered all the health and safety implications of working on the school site.

Some work commissioned by schools may fall under the requirements of the Construction Design and Management Regulations 1994 and schools must ensure that all the requirements of these regulations are met.

All maintained schools proposing to carry out capital works using devolved formula capital or other funds should contact their development section to seek approval for the project.

## **SECTION 13: POWER TO PROVIDE COMMUNITY FACILITIES - Scheme Extension**

### **INTRODUCTION**

#### **13.1 Application of schemes for financing schools to the community facilities power**

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

This should be demonstrated by the following:

- Approval by Governing Body of any projected deficit in school run provision.
- Approval by Governing Body of any grant to a community facilities provider or use of premises at no or reduced cost.

Schools which choose to exercise the power conferred by s.27 (1) of the Education Act 2002 to provide community facilities will be subject to a range of controls. First, regulations made under s.28 (2), if made, can specify activities which may not be undertaken at all under the main enabling power. Secondly, the Secretary of State issues guidance to Governing Bodies about a range of issues connected with exercise of the power, and a school must have regard to that.

To reflect changes to the Children and Families Act 2014; a school is no longer required to consult before establishing community facilities, and there is no longer a need for a school to be mindful of a local authority's advice, under section 27 of the Education Act 2002.

Furthermore, under s.28(1), the main limitations and restrictions on the power will be

- a) those contained in schools' own instruments of government, if any; and
- b) in the maintaining authority's scheme for financing schools made under section 48 of the School Standards and Framework Act 1998. Paragraph 2 of Schedule 3 to the Education Act 2002 extends the coverage of schemes to the powers of Governing bodies to provide community facilities.

Schools are therefore subject to prohibitions, restrictions and limitations in the scheme for financing schools.

This section of the scheme does not extend to joint-use agreements; transfer of control agreements, or agreements between the Authority and schools to secure

the provision of adult and community learning.

Although s.50(3) of the School Standards and Framework Act 1998 (the SSAF Act 1998) allows Governing Bodies to spend 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 authorities may wish to propose their own restrictions on this freedom, arising from local circumstances.

By virtue of section 50(3A) (which came into force on 1st April 2011), amounts spent by Governing Bodies on community facilities or services under section 27 of the Education Act 2002 will be treated as if spent for any purposes of the school.

Under s.50(3)(b) the Secretary of State may prescribe additional purposes for which expenditure of the budget share may occur. He or she has done so in the School Budget Shares (Prescribed Purposes)(England) Regulations 2002 (SI 2002/378), which have been amended by the School Budget Shares (Prescribed Purposes) (England) (Amendment) Regulations 2010 (SI 2010/190). These allow schools to spend their budgets on pupils who are on the roll of other maintained schools.

### **13.2 Mis-management of community facilities funds**

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

## **CONSULTATION WITH THE AUTHORITY – FINANCIAL ASPECTS**

### **13.3 Requirement to consult the Authority**

Section 28(4) of the Education Act 2002 requires that before exercising the community facilities power, Governing Bodies must consult the authority, and have regard to advice given to them by their authority.

### **13.4 Requirement to seek Authority advice**

Schools are required to seek their authority's advice. In order that both schools and the authority are alerted to any potential financial and other operational liabilities, this Authority has adopted a formal procedure for considering schools' proposals. This should ensure that, from the outset, both parties are aware of all pertinent issues before any resource commitments are entered into.

This procedure seeks to include reasonable requirements as to timeliness and the amount of information which schools must supply in seeking Authority advice. This procedure will be published to all schools and schools will be advised of any revisions which may, from time to time, be necessary.

### **13.5 Requirements relating to the provision of advice**

The Authority is required to provide schools with advice within 6 weeks of being consulted, although the Authority will seek to offer advice earlier if at all possible. Schools are required to inform the Authority of any action taken following receipt and consideration of the Authority's advice, within 4 weeks of receiving such advice.

## **FUNDING AGREEMENTS – AUTHORITY POWERS**

### **13.6 Funding agreements with third parties**

The provision of community facilities in many schools may be dependent on the conclusion of a funding agreement with a third party, which will either be supplying funding or supplying funding and taking part in the provision. A very wide range of bodies and organisations are potentially involved.

### **13.7 Authority requirements in relation to funding agreements**

The Authority's requirement in relation to funding agreements with third parties (as opposed to funding agreements with the Authority itself) are that any such proposed agreement should be submitted to the Authority for its comments, giving the Authority at least 4 weeks to allow adequate time to consider and respond.

The scheme may not impose a right of veto for the Authority on such agreements, either directly or through requiring a right to countersign the agreement. If the third party requires Authority consent to the agreement for it to proceed, such a requirement and the method by which Authority consent is to be signified is a matter for that third party, not for the scheme.

Schools should be aware that, if an agreement has been or is to be concluded against the wishes of the Authority, or has been concluded without informing the Authority, which in the view of the Authority is seriously prejudicial to the interests of the school or the Authority, that may constitute grounds for suspension of the right to a delegated budget.

## **OTHER PROHIBITIONS, RESTRICTIONS and LIMITATIONS**

### **13.8 Constraints on the exercise of the community facilities power**

The scheme may not give a right of veto either to funding agreements with third parties, or for other proposed uses of the community facilities power. The Authority may, however, require that in a specific instance of use of the community facilities power by a Governing Body, the Governing Body concerned shall make arrangements to protect the financial interests of the Authority by either carrying out the activity concerned through the vehicle of a limited company formed for the purpose, or by obtaining indemnity insurance for risks associated with the project in question, as specified by the Authority.

The Authority is required to operate this provision in a reasonable fashion, imposing such a requirement only where it has good reason to believe that the proposed project carries significant financial risks.

### **13.9 Scheme Provisions**

Section 28 provides that the exercise of the community facilities power is subject to prohibitions, restrictions and limitations in the scheme for financing schools.

The Authority may, if it wishes, propose other scheme provisions which it believes to be necessary for inclusion within this section. This option will be kept under review and, where the Authority feels additional provisions are required to safeguard the financial position of the Authority or school, or to protect pupil welfare or education, it will make application to the Secretary of State for this scheme to be amended.

#### **13.9.1 Property considerations**

In considering any proposals for the provision of community facilities, the Authority will need to be satisfied regarding the use or change of use of buildings, access, fire and other safety aspects, restrictions on use (where covenants on use bar certain activities or limit the use of the building to educational use), provision of additional accommodation by third parties and the maintenance responsibilities and liabilities.

## **SUPPLY OF FINANCIAL INFORMATION**

### **13.10 Agreements between schools and Authority**

On giving notice to the school that it believes there to be cause for concern as to the school's management of the financial consequences of the exercise of the community facilities power, the Authority will require such financial statements to be supplied every three months. If the Authority sees fit, it may also require the submission of a recovery plan for the activity in question.

The Authority requires such information in order to ensure that schools are not at financial risk. Schedule 3 of the Education Act 2002 inserts a new provision into Schedule 15 of the Act to make mismanagement of funds received for community facilities a basis for suspension of the right to delegation of the budget share. The Authority will suspend the right to delegation, if necessary.

These provisions do not preclude the insertion of other provisions in specific funding agreements between schools and the Authority as to the financial reporting requirements arising from the funding in question.

## **AUDIT**

### **13.11 Access to schools' records and staff**

The school is required to grant access to the school's records and staff connected with exercise of the community facilities power, in order to facilitate internal and external audit of relevant income and expenditure.

### **13.12 Access to other records**

In concluding funding agreements with other persons pursuant to the exercise of the community facilities power, schools are required to ensure that such agreements contain adequate provision for access by the Authority to those persons, their records and other property held on the school premises, or held elsewhere insofar as they relate to the activity in question, in order for the Authority to satisfy itself as to the propriety of expenditure on, and income from, the facilities in question.

## **TREATMENT OF INCOME AND SURPLUSES**

### **13.13 Retention of income**

Schools are permitted to retain all net income derived from community facilities except where otherwise agreed with a funding provider, whether that be the Authority or some other person.

### **13.14 Financial year end transactions**

Schools are also permitted to carry such retained income over from one financial year to the next as a separate community facilities surplus, or, subject to the agreement of the Authority at the end of each financial year, transfer all or part of it to the budget share balance.

#### **13.14.1 Schools ceasing to be maintained**

If the school is a community or community special school, and the Authority ceases to maintain the school, any accumulated retained income obtained from exercise of the community facilities power reverts to the Authority unless otherwise agreed with a funding provider.

#### **13.14.2 Recovery of funds**

If there is a deficit on community facilities and the Authority needs to recover funds to meet third party liabilities, this will be charged to the school budget.

## **HEALTH AND SAFETY MATTERS**

### **13.15 Extension of health and safety provisions**

The health and safety provisions of the main scheme are extended to the community facilities power exercised by schools. These include that the Governing Body is required to have due regard to duties placed on the Authority in

relation to health and safety, and the Authority's policy on health and safety matters in the management of the budget share.

Schools are reminded that where they directly employ a contractor using delegated funding, they must ensure that the contractor is competent, adequately insured and that the contractor has an appropriate health and safety policy and arrangements. The contractor should demonstrate to the school's satisfaction that they have considered all the health and safety implications of working on the school site. Some work commissioned by schools may fall under the requirements of the Construction Design and Management Regulations 1994 and schools must ensure that all the requirements of these regulations are met.

### **13.16 Criminal Records clearance**

The Governing Body is responsible for the costs of securing Disclosure and Barring Service clearance for all adults involved in community activities taking place during the school day. Governing Bodies would be free to pass on such costs to a funding partner as part of an agreement with that partner.

## **INSURANCE**

### **13.17 Schools' responsibilities for insurance arrangements**

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

In principle, the insurance issues arising from use of the community facilities power are the same as those which already arise from non-school use of school premises. However, a school proposing to provide community facilities should, as an integral part of its plans, undertake an assessment of the insurance implications and costs, seeking professional advice if necessary. All schools are required to provide information to the Authority to confirm the details of its insurance arrangements/cover for any community facilities provision. This enables the Authority to check that any insurable interest it may have is covered.

It may be necessary for insurance to be in the joint names of the Governing body and the County Council. All schools are strongly recommended to contact the Authority's Insurance Manager for advice on all issues relating to insurance, before they arrange any additional cover. All schools are required to seek the Authority's advice before finalising any insurance arrangement for community facilities.

### **13.18 Authority's insurance responsibility**

The Authority is empowered to undertake its own assessment of the insurance arrangements made by a school in respect of community facilities, and if it judges those arrangements to be inadequate, make arrangements itself and charge the

resultant cost to the school. Such costs could not be charged to the school's budget share. These provisions are necessary in order for the Authority to protect itself against possible third party claims.

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

In general, schools may only make use of the Authority's VAT reclaim facility for expenditure on community facilities when this is from Authority funds and not expenditure from other funds. The Authority will follow HM Customs and Excise guidance (Notice 749 on local authorities) concerning the recovery of VAT where schools use donated funds.

The facility for local authorities to reclaim VAT can be used by schools in spending their budget shares, which by virtue of s.49(5) of the 1998 Act are the property of the Authority. This facility also applies to funding given by the Authority to schools outside the budget share.

Schools should, however, seek the advice of the Authority (and the local VAT office) on any issues relating to the possible imposition of Value Added Tax on expenditure in connection with community facilities; including the use of the Authority VAT reclaim facility. The Authority will make further specific advice available to schools as appropriate.

### **13.20 School/Authority employees**

If any member of staff employed by the school or Authority in connection with community facilities at the school is paid from funds held in the school's own bank account (whether a separate account is used for community facilities or not – see section 11) - the school is likely to be held liable for payment of income tax and National Insurance, in line with Inland Revenue rules.

### **13.21 Construction industry scheme**

Schools are required to abide by procedures issued by the Authority in connection with Construction Industry Tax Deduction Scheme (CIS). For guidance on the procedures please contact the Compliance and Control Team by email to [sap.vim@derbyshire.gov.uk](mailto:sap.vim@derbyshire.gov.uk)

## **BANKING**

### **13.22 Banking arrangements**

Where a school opts to provide community facilities, it must operate the same banking arrangements which it uses for its budget share. Schools will, therefore, either maintain a separate bank account with adequate internal accounting controls or utilise Authority banking arrangements.

The Authority's main Scheme for Financing Schools continues to apply in respect

of banking arrangement for schools, paragraph 3.5 refers.

### **13.23 Bank accounts and signatories**

The Authority's main Scheme for Financing Schools continues to apply in respect of banks which may be used, signing of cheques, the titles of bank accounts, the contents of bank account mandates, and similar matters. Paragraph 3.5.1 refers.

### **13.24 Borrowing by schools**

Governing bodies may borrow money only with the written consent of the Secretary of State. This requirement does not extend to monies lent to schools by their maintaining authority.

**LIST OF SCHOOLS TO WHICH THE SCHEME APPLIES****ANNEX A**

<b>DfE</b>	<b>NURSERY SCHOOLS</b>
1001	Hadfield Nursery School
1002	Gamesley Early Excellence Centre
1012	New Mills Nursery School
1013	Ripley Nursery School
1016	Flagg Nursery School
1018	Pinxton Nursery School
1019	South Normanton Nursery School
1020	Alfreton Nursery School
<b>DfE</b>	<b>PRIMARY SCHOOLS</b>
2000	Leys Junior School
2002	Croft Community Infant School
2003	Woodbridge Junior School
2006	Riddings Infant and Nursery School
2007	Riddings Junior School
2010	Swanwick Primary School
2011	Brampton Primary School
2012	Gorseybrigg Primary School
2013	Chapel-en-le-Frith C E (Voluntary Controlled) Primary School
2017	Ashover Primary School
2018	Aston-on-Trent Primary School
2019	Bramley Vale Primary School
2021	Bamford Primary School
2022	Barlborough Primary School
2041	Blackwell Primary School
2043	Newton Primary School
2044	Westhouses Primary School
2045	New Bolsover Primary School
2046	Brockley Primary and Nursery School
2048	Bolsover Infant and Nursery School
2049	Bradwell Junior School
2050	Cutthorpe Primary School
2051	Wigley Primary School
2052	Brassington Primary School
2053	Firfield Primary School
2057	Henry Bradley Infants School
2058	Burbage Primary School
2060	Buxton Junior School
2061	Buxton Infant School
2062	Harpur Hill Primary School
2068	Combs Infant School
2072	Buxworth Primary School
2076	Holmgate Primary School
2079	Clowne Junior School

2080	Clowne Infant and Nursery School
2082	Crich Junior School
2083	Curbar Primary School
2084	Lea Primary School
2085	Doveridge Primary School
2086	Draycott Community Primary School
2089	Dronfield Junior School
2091	Dronfield Infant School
2092	William Levick Primary School
2095	Birk Hill Infant School
2097	Marsh Lane Primary School
2101	Renishaw Primary School
2102	Ridgeway Primary School
2103	Egginton Primary School
2104	Creswell Junior School
2105	Etwall Primary School
2106	Grindleford Primary School
2107	Findern Community Primary School
2109	Padfield Community Primary School
2113	Grassmoor Primary School
2115	Hayfield Primary School
2124	Marlpool Junior School
2125	Marlpool Infant School
2126	Coppice Primary School
2131	Penny Acres Primary School
2132	Hope Primary School
2138	Cotmanhay Junior School
2139	Cotmanhay Infant School
2141	Granby Junior School
2142	Hallam Fields Junior School
2145	Field House Infant School
2146	Charlotte Nursery and Infant School
2149	Kilburn Infant And Nursery School
2150	Killamarsh Junior School
2151	Killamarsh Infant and Nursery School
2153	Little Eaton Primary School
2157	Harrington Junior School
2159	Parklands Infant and Nursery School
2160	Grange Primary School
2161	Longmoor Primary School
2169	Marston Montgomery Primary School
2172	Darley Dale Primary School
2173	Tansley Primary School
2174	Melbourne Junior School
2175	Melbourne Infant School
2177	Morley Primary School
2178	Morton Primary School

2179	New Mills Primary School
2180	Hague Bar Primary School
2181	Newtown Primary School
2182	Thornsett Primary School
2185	Ashbrook Junior School
2186	Overseal Primary School
2187	Parwich Primary School
2190	Pilsley Primary School (Chesterfield)
2191	Park House Primary School
2196	Anthony Bek Community Primary School
2201	Ripley Junior School
2202	Ripley Infant School
2210	Ladycross Infant School
2211	Scarcliffe Primary School
2213	Palterton Primary School
2219	Brookfield Primary School
2223	Shirland Primary School
2224	Stonebroom Primary and Nursery School
2227	Brigg Infant School
2228	Glebe Junior School
2229	South Wingfield Primary School
2239	Staveley Junior School
2242	Speedwell Infant School
2243	Duckmanton Primary School
2244	Sudbury Primary School
2245	Arkwright Primary School
2253	Newhall Community Junior School
2254	Newhall Infant and Nursery School
2255	Stanton Primary School
2257	Town End Junior School
2258	Tibshelf Infant and Nursery School
2260	Unstone Junior School
2262	Unstone St Mary's Infant School
2266	Wessington Primary School
2268	Whaley Bridge Primary School
2269	Furness Vale Primary School
2270	Whitwell Primary School
2274	Deer Park Primary School
2275	Wirksworth Junior School
2276	Wirksworth Infant School
2277	Middleton Community Primary School
2278	Woodville Infant School
2279	Peak Dale Primary School
2283	Cavendish Junior School
2285	Spire Infant And Nursery School
2286	Spire Junior School
2288	Hasland Junior School

2289	Hasland Infant School
2290	Hady Primary School
2293	Highfield Hall Primary School
2296	Abercrombie Community Primary School
2299	William Rhodes Primary and Nursery School
2306	Park Infant and Nursery School
2307	Brockwell Nursery and Infant School
2310	Dallimore Primary School
2314	Mickley Infant School
2315	Eureka Primary School
2317	Ashbourne Primary School
2321	Heath Fields Primary School
2326	Holmesdale Infant School
2328	Ladywood Primary School
2329	Park Junior School
2332	Northfield Junior School
2333	Ashbourne Hilltop Primary and Nursery School
2336	Copthorne Infant School
2338	Ashbrook Infant and Nursery Community School
2344	Duffield Meadows Primary School
2349	Brockwell Junior School
2351	Hadfield Infant School
2358	Lenthall Infant and Nursery School
2359	Hunloke Park Primary School
2361	Stonelow Junior School
2362	Fairfield Infants And Nursery School
2368	Willington Primary School
2371	Waingroves Primary School
2372	Norbriggs Primary School
2373	Simmondley Primary School
2375	Larklands Infant and Nursery School
2377	Lons Infant School
2511	Heage Primary School
2618	Stenson Fields Primary Community School
2622	Belper Long Row Primary School
2623	Ambergate Primary School
2624	Pottery Primary School
2625	Milford Community Primary School
2626	Herbert Strutt Primary School
2631	Hollingwood Primary School
3002	St Oswald's CE Primary School
3006	Bakewell CE Infant School
3007	Barlow CE Voluntary Controlled Primary School
3008	Sale and Davys CE (Controlled) Primary School
3009	Baslow St Anne's CE Controlled Primary School
3015	Bradley CE Controlled Primary School
3016	Bradwell CE Voluntary Controlled Infant School

3017	Brailsford CE Controlled Primary School
3018	Breadsall CE Controlled Primary School
3019	Fairfield Endowed CE Voluntary Controlled Junior School
3022	Castleton CE (Controlled) Primary School
3024	Dove Holes CE Voluntary Controlled Primary School
3026	Clifton CE Controlled Primary School
3027	Coton-in-the-Elms CE Controlled Primary School
3030	Edale CE Voluntary Controlled Primary School
3032	Creswell CE Infant and Nursery School
3033	Elton CE Controlled Primary School
3034	Eyam C E Controlled Primary School
3035	St Luke's CE Controlled Primary School
3036	Whitfield St James' CE (Controlled) Primary School
3037	Great Hucklow CE Primary School
3038	Rowsley CE Primary School
3039	Earl Sterndale CE Voluntary Controlled Primary School
3040	Biggin CE Controlled Primary School
3041	Hartington CE (Controlled) Primary School
3042	Hartshorne CE (Controlled) Primary School
3046	Corfield CE Infant School
3048	Langley Mill CE (Controlled) Infant School and Nursery
3050	Mundy CE Voluntary Controlled Junior School
3055	Horsley CE Primary School
3056	Hulland CE (Voluntary Controlled) Primary School
3060	Kirk Ireton CE Voluntary Controlled Primary School
3061	Kirk Langley CE Voluntary Controlled Primary School
3062	Kniveton CE (Controlled) Primary School
3065	Mapperley CE Voluntary Controlled Primary School
3069	Cromford CE Primary School
3070	Matlock Bath Holy Trinity CE (Controlled) Primary School
3071	South Darley CE (Controlled) Primary School
3073	Monyash CE Voluntary Controlled Primary School
3074	Netherseal St Peter's CE Controlled Primary School
3075	Norbury C Of E School
3076	Long Lane CE Controlled Primary School
3077	Osmaston CE (Controlled) Primary School
3079	Peak Forest CE (Voluntary Controlled) Primary School
3080	Ripley St John's CE Voluntary Controlled Primary School
3082	Risley Lower Grammar CE Controlled Primary School
3083	Rosliston CE Voluntary Controlled Primary School
3087	Stanley St Andrews CE Voluntary Controlled Primary School
3088	Stanley Common CE Voluntary Controlled Primary School
3090	Stanton-In-Peak C of E (Controlled) Primary School
3093	Stoney Middleton CE (Controlled) Primary School
3094	Stretton Handley CE (Controlled) Primary School
3095	St Georges C Of E Controlled Primary School
3098	Mugginton CE Voluntary Controlled Primary School

3099	Winster CE Voluntary Controlled Primary School
3100	Wirksworth CE (Controlled) Infant School
3101	Woodville CE Junior School
3105	Crich Carr CE Voluntary Controlled Primary School
3106	Crich C Of E Controlled Infant School
3107	The Duke of Norfolk CE Primary School
3110	St Andrew's CE (Controlled) Junior School
3151	Bakewell Methodist Voluntary Controlled Junior School
3156	Church Broughton CE Controlled Primary School
3157	Taxal & Fernilee CE Primary
3161	St John's CE Voluntary Controlled Primary School (Belper)
3162	Calow CE (Voluntary Controlled) Primary School
3163	Charlesworth School (Voluntary Controlled Primary)
3164	Codnor Community Primary School (Church of England Controlled)
3306	Carsington & Hopton (Voluntary Aided) CE Primary School
3312	Fritchley CE (Aided) Primary School
3315	Denby Free CE Voluntary Aided Primary School
3316	Eckington Camms Endowed CE Aided Primary
3317	The FitzHerbert CE Voluntary Aided Primary School
3319	Dinting CE Voluntary Aided Primary School
3321	Hathersage St Michael's CE Voluntary Aided Primary School
3324	Litton CE Aided Primary School
3325	Longstone CE Voluntary Aided Primary School
3326	Bonsall CE (Aided) Primary School
3330	Newton Solney CE Voluntary Aided Infant School
3331	Pilsley CE Aided Primary School
3337	Taddington & Priestcliffe CE Aided Primary School
3338	Bishop Pursglove CE Voluntary Aided Primary School
3342	Weston on Trent CE (Aided) Primary School
3502	St Mary's Catholic Primary School (Chesterfield)
3523	St Andrews CE / Methodist Primary School (Dronfield)
3538	Tintwistle CE Primary School
3540	Youlgrave All Saints CE Voluntary Aided Primary School
3549	St Joseph's Catholic & CE Voluntary Aided Primary School
3551	Sharley Park Community Primary School
5200	Belmont Primary School
5202	Repton Primary School
5204	Linton Primary School
5207	The Curzon CE (Aided) Primary School
5208	Fairmeadows Foundation Primary School
5211	Chinley Primary School
<b>DfE</b>	<b>SECONDARY SCHOOLS</b>
4019	Chapel-en-le-Frith High School
4057	New Mills School Business & Enterprise College
4074	The William Allitt School
4089	Aldercar Community Language College

4173	Tibshelf Community School - A Specialist Sports College
4174	Highfields School
4191	Glossopdale Community College
4192	Whittington Green School
4193	Hasland Hall Community School
4195	Parkside Community School
4505	Anthony Gell School
4509	Dronfield Henry Fanshawe School
4510	Buxton Community School
5404	Belper School and Sixth Form Centre
5411	Lady Manners School
<b>DfE</b>	<b>SPECIAL SCHOOLS</b>
7000	Holly House School
7005	Brackenfield School
7009	Swanwick School and Sports College
7018	Alfreton Park Community Special School

## RESPONSIBILITY FOR REDUNDANCY AND EARLY RETIREMENT COSTS

Schools looking to reduce their staffing should seek advice at an early stage from the Schools HR Service by e-mailing [CS.HRDeptSchools@derbyshire.gov.uk](mailto:CS.HRDeptSchools@derbyshire.gov.uk)

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

Section 37 of the 2002 Education Act says:

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

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

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

The default position, therefore, is that premature retirement costs must be charged to the school's delegated budget, while redundancy costs must be charged to the local authority's budget. In the former case, the local authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy.

Ultimately, it would be for the courts to decide what was a good reason but the examples set out below indicate the situations in which exceptions to the default position might be taken.

Charge of dismissal/resignation costs to delegated school budget:

- If a school has decided to offer more generous terms than the Authority's policy, then the excess would be charged to the school
- If a school is otherwise acting outside the Local Authority's policy

- Where the school is making staffing reductions which the Local Authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit
- Where staffing reductions arise from a deficit caused by factors within the school's control
- Where the school has excess surplus balances and no agreed plan to use these
- Where a school has refused to engage with the Local Authority's redeployment policy

Charge of premature retirement costs to local authority non-schools budget:

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

Costs of early retirements or redundancies may only be charged to the central schools services block of the schools budget, as a historic commitment, where the expenditure is to be incurred as a result of decisions made before 1st April 2013. Costs may not exceed the amount budgeted in the previous financial year.

The Authority can, with the approval of the relevant members of the Schools Forum, retain a central budget within the schools budget to fund the costs of new early retirements or redundancies by a deduction from maintained school budgets (excluding nursery schools). Where such a budget has been agreed, it will be used to fund the cost of redundancies in LA maintained schools subject to the Authority being satisfied regarding individual schools' proposals.

The local authority will discuss the application of its policy with its Schools Forum as required. Individual cases will, however, be considered on their own merits within an agreed framework. Where appropriate it may be reasonable to share costs in some cases.

Where a de-delegated contingency has been agreed by the Schools Forum, this could be used to support individual schools where "a Governing Body has incurred expenditure which it would be unreasonable to expect them to meet from the school's budget share".

For staff employed under the community facilities power, the default position is that any costs must be met by the Governing Body, and can be funded from the school's delegated budget if the Governing Body is satisfied that this will not

interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational achievement. Section 37 now states:

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

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

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

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

## PAYMENT OF SALARIES AND WAGES

- (i) **New Appointments/Secondments/Changes in Post** - the Shared Services Centre must be notified of all new employees on the relevant Starter's forms for schools, with an approved signatory authorising the form. All new salaried appointments must be for a properly authorised vacant post of at least an equivalent grade taking into account any vacancy control procedures that may be in operation. The Shared Services Centre must be notified of all variations affecting an employee's pay on an authorised Adjustments Form for schools.
- (ii) **Timesheets and Claims** - where timesheets or claims are submitted as the basis for payment for the work done, these must be completed and signed by the employee and properly authorised by the appropriate officer; normally the employee's Headteacher can evidence the satisfactory completion of the work for which payment is claimed.
- (iii) **Absences** - the Shared Services Centre must be notified of all absences via the appropriate method and authorised.
- (iv) **Termination of Employment** - the Shared Services Centre must be notified of all terminations of employment on a properly authorised leaver's form for schools. It is important that these forms are submitted by schools, on the basis that the information is supplied by Headteachers, at the earliest possible time. Delays in the submission of a leaver's form can result in an overpayment.
- (v) **Authorisation of documents** - all documents submitted, as the basis of a claim for payment of salaries and wages, must be properly authorised. Properly authorised means certified correct by the Headteacher or other person authorised to do so on his/her behalf. Any documents not properly authorised will be returned to the employing department, which is likely to delay payment.
- (vi) **Prompt submission of documents** - schools must provide the Shared Services Centre with any documents that require processing by the 5th working day of the month. On occasions, it is appreciated that it is not always possible for schools to meet the 'Pay Transactional Deadline' and on these occasions the Shared Services Centre always endeavour to process information received after this date before 'Lockdown'. It is also important that schools refer to and adhere to the 'SAP School Deadline' to ensure that all inputting of hours, payments and absences and the subsequent approval of these are completed by this date. To assist this, a reminder is emailed to SAP inputters and approvers two days prior the deadline data and again on the day of the deadline.

The importance of prompt submission of documents is, therefore, emphasised and any late returns will inevitably result in late payment of salary or wages. The '**School's Monthly Payroll Deadlines**' documents outline the deadlines and

lockdown dates for schools and are available on the Derbyshire Schools Net site.

- (vii) **Benefits and Emoluments** - in order to facilitate the annual submission to the Inland Revenue of the statutory form P11D; schools must return details of all benefits and emoluments received by all employees.

### **Deductions from pay:**

All taxes, National Insurance and pension contributions must be paid before the relevant statutory deadlines. Any costs arising from any failure to do so will have to be met by the school concerned. As the payroll represents the single largest cost to schools, the Governing Body of the school should make all decisions about payroll provision. Any arrangement for payroll must ensure that all legal obligations of the employer (whether the LA or the school) are met.

- (i) **Income Tax (PAYE)** - the responsibility for having a PAYE scheme and making deductions is that of the employer; but for this purpose the employer is the 'person' paying emoluments. Therefore the responsibility would be with the LA if it was making salary payments even if staff are, for other purposes, employed by the school's Governing Body. If the school has delegated payroll administration funds but the salaries are paid from an account in the name of the LA, the responsibility for deductions would still rest with the LA, and the payroll arrangements would need to take that into account. The school is responsible for a PAYE scheme and making deductions if the payment is made from an account which is not a 'sub-account' of the LA.
- (ii) **National Insurance** - responsibility for National Insurance (NI) contributions for employed earners lies with the employer and is administered through the PAYE system. This means that as a rule, the 'employer' will be the one operating the PAYE scheme. Liability for Class 1 contributions arises where the gross earnings paid to or for the benefit of the employee reach the Lower Earnings Limit. Class 1 NI contributions are administered through the PAYE system. Where a member of staff has two employments with the same employer, the earnings must be aggregated for the purposes of NI contributions, unless HM Revenue & Customs has agreed that this is impractical because they are separately calculated.
- (iii) **Teachers' Pensions** - the LA is responsible for remitting pension contributions to the Teachers' Pensions Agency in respect of all those schools maintained by it. This means that any school which has payroll administration handled by an organisation other than the LA will need to make arrangements for supplying contributions to the LA and for enabling the LA to have audit assurance that those contributions are correct. Payment is due to the Teachers' Pensions Agency by the 7<sup>th</sup> of the following month to which they relate. Further information will be circulated regarding the deadline for payment to the County Council. Where the LA is the 'employer' (i.e. the bank account is held in the name of the LA), but the school's payroll administration is not provided by the LA, the school is responsible for ensuring that information regarding deductions from pay are made available to the County Council in good time so that payments can be made by the

following dates:-

**Deduction**

Income Tax and National Insurance  
Local Government Pension contributions  
Council Tax, Attachment of Earnings Orders, Child Support Agency Orders  
Trade Union Subscriptions  
Teachers' Pensions

**Payment Due to Statutory Body by:**

19<sup>th</sup> of the following month to which they relate  
19<sup>th</sup> of the following month to which they relate  
After each payroll run  
After each payroll run  
See note (iii) above

The 'employer' is also responsible for the preparation and submission of year end returns as follows:-

Details of pay, National Insurance & Income Tax to the Inland Revenue by 19 May  
End of year return for the posting of employees' pension contributions (Teachers' Pensions and Local Government Pension Scheme) as soon as possible at the end of each financial year.

The above details must be in the format specified by the County Council. All schools must ensure that they have proper arrangements in place for the administration of the payroll. Further information is available from the 'Human Resources' area on the Derbyshire Schools Net website and on the S4S website under 'Recruitment and Pay'.

For further information please contact: [pay@derbyshire.gov.uk](mailto:pay@derbyshire.gov.uk) or 01629 535119

## PAYMENT OF INVOICES

When an invoice is received a check should be made to ensure that: -

- (a) the goods have been supplied or the services rendered and are of satisfactory quality and correct quantity
- (b) the goods or services have not previously been paid for
- (c) they are in accordance with contract price or estimate where appropriate; and
- (d) invoices charging VAT are legitimate VAT invoices.

A VAT invoice MUST contain the following:

- (i) name and address and VAT Registration Number of the supplier;
- (ii) an identifying number (invoice number);
- (iii) the time of supply (tax point);
- (iv) the date of issue of the document;
- (v) name and address of the person/establishment the goods are supplied to;
- (vi) the type of supply (by sale, on hire);
- (vii) a description to identify the goods supplied;
- (viii) for each description: the quantity of the goods or the extent of the service, the rate of VAT and amount payable excluding VAT (in sterling);
- (ix) the rate of any cash discount offered;
- (x) each rate of VAT chargeable and the amount of VAT chargeable (in sterling) at each rate;
- (xi) the total amount of VAT chargeable; and
- (xii) if the invoice contains details of goods/services which are exempt from VAT or zero rated as well as taxable supplies, then these need to be distinguished on the invoice and totalled separately.

An invoice marked “pro-forma” is not a VAT invoice. Please refer to the Director of Finance and ICT’s VAT support team before processing.

It is important that the persons coding and authorising payment of the electronic invoice verifies that it is being paid to the correct supplier and coded appropriately. Any incorrect or late payment charges will be a cost to the schools delegated budget. If you require any assistance in recovery of payments then please contact Exchequer’s Accounts payable Team for advice.

### Invoice Recording

Once satisfied that the invoice is correct, and you have established that the goods/services have been received, then stamp the invoice and document the schools DfE number, vendor number and the purchase order number if applicable. The first three items and the Governors’ minute number, where applicable, must also be recorded on the invoice. You must then forward the invoice to Exchequer Services, from where it will proceed to authorisation and payment using electronic workflow. SAP Invoice training and user guides are available from the SAP support training team.

## **Retention of Invoice Records**

It is a statutory requirement that financial records are retained for a defined minimum period. Certified paid invoices **MUST** be kept for the current financial year and the previous six financial years to satisfy HM Revenue & Customs' requirements. HM Revenue & Customs also require invoices to be kept in a safe secure environment which will enable easy access. Upon receipt by Exchequer Services invoices are scanned into the finance system for electronic authorisation by the school. They will be retained electronically in accordance with HM Revenue & Customs guidance with the hard copy invoice retained by Exchequer Services for two years plus current in accordance with Audit requirements and ISO retention schedules. If the school may be required to submit original invoices for grants/funding etc. then they should retain the original and forward a copy for payment purposes.

## **VAT**

VAT **MUST** be carefully checked on invoices before processing. Any queries should be clarified with the supplier and if it cannot be resolved then referred to the Director of Finance and ICT's VAT support team for advice **BEFORE** processing. All schools will be liable to HM Customs' investigations. Any fines imposed by HM Customs will be chargeable to the school's delegated budget. The cost of any miscoding will also fall as a charge to the school's delegated budget.

## **Authorisation**

When an invoice has been sent electronically via SAP it must be verified as detailed above and if coded should be forwarded for approval by the schools authorising officer, this could either be the Headteacher or a senior staff member. If the gross amount of the invoice exceeds the third person authorisation limit, then a further off line authorisation may be needed before the payment is processed. If a SAP purchase order was raised the order approval will act as authorisation for payment if the invoice value/goods match the order and once receipted the invoice will proceed to payment in accordance with payment terms. Any discrepancies between order and invoice will require further authorisation before payment can be generated.

The person authorising the payment should not be the same person who places the order or receipts or codes the invoice. Adequate segregation of duties should be maintained by the SAP electronic workflow systems. It is the schools responsibility to ensure that the SAP roles are reviewed with amendment requests actioned promptly. Failure to review may result in late or non-payment of the schools invoices.

## **Payment Processing Restrictions**

The facility **MUST NOT** be used for any of the following transactions:

- a) items of expenditure which have not been formally delegated under the Authority's Scheme of Financial Management
- b) payments to individuals (e.g. for tuition fees and similar services)

- c) salary or travel payments to individuals
- d) payments to another Derbyshire County Council establishment or department, e.g. other schools, property services
- e) payments to private school funds
- f) Payments for any personal or private purchase

For further guidance on any issues relating to the payment of invoices please contact [accounts.payable@derbyshire.gov.uk](mailto:accounts.payable@derbyshire.gov.uk)

**Key changes to the Derbyshire Scheme for Financing Schools**

New scheme para(s)	Change
2.3.1	Directed change of guidance for submission of financial forecasts for at least three years
4.9.1	????????????????????
10.1	Directed change to include the Secretary of State's risk protection arrangement for insurance