

Schools Finance Manual

Finance Business Partnering
Schools & Education Finance

October 2022



Contents

1 Introduction	6
1.1 Purpose of the Manual.....	6
1.2 How to Access the School Finance Manual.....	6
1.3 Key Education Finance Contacts	7
1.4 Other LA Contacts	7
2 Financial Management and Responsibility	8
2.1 Delegation of Local Authority	8
2.2 Internal Control and SFVS	9
2.3 Schools Financial Value Statement	9
2.4 Governors Finance Handbook.....	11
2.5 School Accounting System	11
2.6 Document Retention	12
2.7 Fraud.....	12
2.8 Internal and External Audit	13
2.9 Federated Governing Bodies.....	14
3 Financial Reporting	15
3.1 Introduction.....	15
3.2 School Budget Plan.....	15
3.3 Integrated Curriculum and Financial Planning.....	16
3.4 Reporting to the Governing Body	16
3.5 Summary of Returns to Local Authority.....	17
3.6 Monitoring the Budget.....	17
3.7 VAT Return	18
3.8 Outturn.....	19
3.9 Balances Above the Threshold	19
3.10 Benchmarking and Consistent Financial Reporting (CFR)	20
3.11 Whistle Blowing.....	20
4 Income and Collection	22
4.1 General Introduction	22
4.2 Charging and Remissions Policy	23

4.3 Lettings Policy and Charges.....	23
4.4 Fundraising including Raffles	24
4.5 Staff Reimbursements.....	24
4.6 Electronic Payments and Parent Pay	24
4.7 Debt Management	25
5 School Bank Accounts	26
5.1 Introduction.....	26
5.2 Monthly Advances.....	26
5.3 Cheques.....	26
5.4 BACs.....	27
5.5 Credit Cards	28
5.6 Purchase/Commercial Cards	28
5.7 Internet Banking.....	29
5.8 Cash Flow and Investments.....	29
5.9 Rolling Credit Agreement (RCA)	30
5.10 Bank Reconciliation	30
6 Procurement	32
6.1 Introduction.....	32
6.2 Governing Body Responsibility	32
6.3 Compliant Procedure	33
6.4 Achieving Value for Money	33
6.5 Rental Agreements and Leasing.....	34
6.6 The Formation of Companies.....	34
6.7 Purchasing Strategy.....	35
6.8 Specification	35
6.9 Sourcing a Supplier.....	36
6.10 Quotations and Tenders.....	37
6.11 Procurement Thresholds.....	38
6.12 Requirements over PCR Threshold	39
6.13 Accessing a Framework.....	39
6.14 Call Off from Existing Approved Contract	40
6.15 Advertising and Publishing.....	40

6.16 Pre-Tender Market Research and Consultation.....	41
6.17 Exceptions and Application and Waiver of the Rule.....	41
6.18 Receipt and Opening of Tenders.....	42
6.19 Tender Evaluation	42
6.20 Errors in Tenders	42
6.21 Negotiation.....	42
6.22 Contract Award and Execution	42
6.23 Notification to Successful and Unsuccessful Bidders.....	42
6.24 Procurement by Consultants.....	43
6.25 Contract Extension	43
6.26 Termination of Contract.....	44
6.27 Contract Documents	44
6.28 Letter of Acceptance & Limited Liability	45
6.29 Signature	45
6.30 Bonds, Parent Company Guarantees and Insurances.....	45
6.31 Declaration of Interests.....	46
6.33 PFI/PPP Contracts.....	47
6.34 Contracting Services and TUPE	47
6.35 Ordering goods, services and works	48
6.36 Receipt of Goods, Services and Works.....	49
6.37 Process for all invoices - for services, goods or works.....	50
6.37 IR 35 – Rule 27.....	50
6.38 Payments in Advance	51
6.39 Scam Invoices	51
6.40 Late Payment legislation	51
7 Asset Management	52
7.1 Introduction.....	52
7.2 Asset Register	52
7.3 Loan of Assets.....	53
7.4 Disposal of Assets.....	53
7.5 Disposal of Assets – Land and Buildings.....	54
7.6 IT Assets and Security.....	55

8 Capital	56
8.1 Definition of Capital Expenditure	56
8.2 Capital Funding.....	57
8.3 Furniture and Equipment Funding	58
8.4 Voluntary Aided Schools Capital	58
9 Private and Voluntary Funds.....	60
9.1 Introduction.....	60
9.2 Banking Arrangements	60
9.3 Expenditure	60
9.4 Audit	61
9.5 Insurance	61
9.6 VAT	61
9.7 Gift Aid for Charities.....	61
10 Insurance.....	63
10.1 Minimum cover	63
10.2 Governor-Run Extended School Activities	64
10.3 Insurance – Contractors and Consultants	64
10.4 Types of Insurance	64
10.5 Mandatory Insurance Areas	65
10.6 School Trips	66
10.7 Laptops	66
10.8 Staff Business Car Use	66
10.9 Making Insurance Claims	66
10.10 Dealing with claims against you	67
10.11 Record Keeping	67
11 Value Added Tax (VAT)	68
11.1 Introduction.....	68
LBE’s VAT registration number	68
11.2 VAT Rates	68
11.3 Reporting/Returns.....	69
11.4 Specific Categories	69
Lettings	69

Catering.....	70
Clothes/school uniforms	71
Donations.....	71
Fuel and energy	72
Internet purchases.....	72
Purchases from non-UK suppliers	72
School photographs.....	72
Schools trips.....	73
11.5 Purchases Under or Over £250	73
11.6 Voluntary Aided (VA) Schools	74
11.7 Academies	75
12 Leasing.....	76
12.1 Introduction.....	76
12.2 Definition.....	76
12.3 Types of Lease	76
12.4 Other Things to Consider	77
12.5 IFRS 16	78
12.6 LA’s Loan Scheme as an Alternative to Leasing	79
12.7 Year-End Accounting	79

1 Introduction

Schools have a statutory duty to provide quality education for pupils within a structured finance plan. The Governing Body and Headteacher have responsibility for the day-to-day financial management of the school which includes the maintenance of accurate records and ensuring that sound internal controls are in place. The purpose of the Enfield Schools Finance Manual is to clearly define and document effective financial controls and processes for Enfield schools so that education professionals are clear about their responsibilities in meeting their statutory requirements and the risk of procedures not being correctly implemented is minimised.

1.1 Purpose of the Manual

The Manual is relevant to all staff with responsibilities and duties involving financial administration and they should all be aware of the contents of this Manual and have access to it. The Manual also supports continuity and consistency in where there is a change in key finance personnel or in cases of long-term absence.

The Manual also supports the Executive Director of Resources to fulfil their responsibility under The Local Government Act 1972 and The Local Government Finance Act 1982 to ensure the stewardship of public funds. The Manual provides a framework for the Governing Body and Headteacher to ensure that their decisions and conduct ensure:

- Financial probity and stewardship
- Value for Money
- Accountability for Schools
- Protections for all involved in school finances
- Clarity in the expectations of schools

1.2 How to Access the School Finance Manual

The Local Authority will carry out periodic reviews of the Manual to keep it up to date and ensure that it reflects the latest legislation and guidance for schools and local authorities. Governing Bodies and Headteachers will be informed when there are any updates.

This manual is written in conjunction with the Scheme for Financing Schools which sets out the financial relationship between the Local Authority and the maintained schools that it funds.

The latest Scheme for Financing Schools can be accessed here –

<https://traded.enfield.gov.uk/public-assets/attach/6505/Scheme-For-Financing-Schools-2021-22-v2.pdf>.

If you require any clarification of the terminology in this document, please refer to the Glossary of Terms and Abbreviations.

The Glossary of Terms and Abbreviations can be accessed here –
<https://traded.enfield.gov.uk/public-assets/attach/6499/Glossary-of-Terms-Abbreviations.pdf>.

1.3 Key Education Finance Contacts

Role	Contact Name	Telephone No	E-mail Address
Senior Management			
Director of Education	Peter Nathan	0208 379 5492	Peter.nathan@enfield.gov.uk
Director of Finance	James Newman	0204 526 5191	James.newman@enfield.gov.uk
Schools & Education Finance Team			
Finance Manager	Louise McNamara	0208 132 1272	Louise.mcnamara@enfield.gov.uk
Senior Finance Officer	Mahfuza Khanum	0208 132 1275	Mahfuza.khanum@enfield.gov.uk
Senior Finance Officer	Stefanie Smith	0208 132 1385	Stefanie.smith@enfield.gov.uk
Education Resources			
Education Resources Manager	Sangeeta Brown	0208 132 0450	Sangeeta.brown@enfield.gov.uk
VAT			
Corporate Accountant	DeMarco Benjamin		taxenquiries@enfield.gov.uk

1.4 Other LA Contacts

Role	Contact Name	Telephone No	E-mail Address
Procurement			
Head of Policy & Contract Development	Claire Reilly	0208 132 2027	Claire.reilly@enfield.gov.uk
Payroll			
General Payroll Enquiries			Individual contacts for each school
Pensions			
General Pension Enquiries			zpensions@enfield.gov.uk
Schools Personnel			
Head of Schools Personnel Service	Sarah Fryer	0208 132 1846	Sarah.fryer@enfield.gov.uk
Governors Services			
Lead Governance Advisor	Sujal Zaveri	0208 132 2772	Sujal.zaveri@enfield.gov.uk
Internal Audit			Internal.audit@enfield.gov.uk
Audit and Risk Manager	Lisa Byrne	0208 132 1064	Lisa.byrne@enfield.gov.uk
Insurance			
Insurance Manager	Kay Osborne	0208 379 1476	Kay.osborne@enfield.gov.uk
Data Protection			
Data Protection Officer	Rezaur Choudhury	0208 078 5903	Rezaur.choudhury@enfield.gov.uk
Counter Fraud			
Counter Fraud Manager	Bob Cundick	0208 132 1878	Bob.cundick@enfield.gov.uk
Emergency Planning Team			
Business Continuity Team			business.continuity@Enfield.gov.uk
Schools Capital Team			
Capital Delivery Team	Bob Seera	0208 132 0282	Bob.seera@enfield.gov.uk

2 Financial Management and Responsibility

The Governing Body is responsible for the financial management and control of the school's budget and compliance with the Scheme for Financing Schools and the Council's Financial Regulations. However, for the Governing Body and school to operate effectively, it is vital that decisions are taken by the appropriate people or bodies and that they are given the appropriate Local Authority.

2.1 Delegation of Local Authority

In practice, to ensure the smooth operation of the school, the Governing Body will delegate Local Authority to Sub-Committees, an individual governor, the Headteacher or other staff employed by the school. This must be formally documented in the Organisational Arrangements or Terms of Reference, which must be updated and agreed by the Governing Body on an annual basis. The document should reference:

- What Local Authority has been delegated
- To whom it is delegated (e.g. committee, governor, headteacher or another officer)
- What the limits of the Local Authority are (values, timescales or specific areas)
- What reporting arrangements are required

In addition to the Organisational Arrangements document, schools must also have an internal Scheme of Financial Delegation in place that details the financial processes within a school and the delegation and authorisation arrangements for each of these. Delegation of Local Authority will vary from school to school and may be dependent on factors including size and type of school, annual budget allocation and staffing structure but whilst there is no set structure for the Scheme of Financial Delegation, the Governing Body must be involved in the following areas:

- Approval of Annual Budget
- Review of Budget on Quarterly Basis
- Approval of Staffing Structure
- Approve Budget Virements over an agreed limit (e.g. £50k Sec/£25k Prim/Spec)
- Approve the charging policy for lettings and other income
- Authorise the disposal of assets above a set limit
- Ensure that the Register of Business Interest is regularly updated
- Authorise contacts over an agreed limit
- Ensure the school's Asset Register is maintained

The standard 2022-23 Governing Body Organisational Arrangements document can be accessed here – <https://traded.enfield.gov.uk/public-assets/attach/6490/2022-2023-Standard-Organisational-Arrangements.doc>.

A model Scheme of Financial Delegation can be accessed here – <https://traded.enfield.gov.uk/public-assets/attach/6503/Model-Scheme-of-Financial-Delegation.docx>.

2.2 Internal Control and SFVS

The Governing Body must be assured, by delegating to the Headteacher, that there are appropriate and sound internal controls in place to ensure that the risks of error or fraudulent activity are minimised. These controls can include:

- Staff expertise
- Segregation of duties
- Appropriate documentation
- Register of Business Interests
- Financial accounting records
- Authorisation levels for procuring good and services

These controls should be documented and will be reflected in the Scheme of Financial Delegation.

2.3 Schools Financial Value Statement

The Schools Financial Value Statement (SFVS) is a statutory requirement for schools and governing bodies to carry out an annual self-assessment of the school's financial management systems, processes and procedures. Governing bodies must be assured that the internal controls in place to manage these are sound, robust and compliant to enable the optimisation of the use of resources for the education of pupils at the School.

The local requirement for the SFVS submission is for governing bodies to consider and give their approval to:

- SFVS Checklist
- Report from the Integrated Curriculum Financial Planning (ICFP) tool
- Summary of related party transactions

The SFVS Checklist

The Checklist is split into four different sections related to financial management and requires an action plan to be agreed for any areas of concern, improvement or change are identified. One of the key elements of the Checklist is to assess whether schools and their governing bodies have the appropriate skills for their roles.

The Checklist seeks responses and evidence on a number of questions for each of the four areas. Governing Bodies must be given time to assess the information and evidence detailed in the Checklist and ensure any areas of concern, improvement or change are identified in the action plan.

More information and the latest template for the Checklist can be found on the DfE Website via this link [SFVS](#).

Report from the Integrated Curriculum Financial Planning (ICFP) tool

The Local Authority has developed a local budget planning tool for schools to use based on the principles of ICFP. The ICFP tool provides a report, which summarises the impact of the school's spending plans against the income available. This highlights any areas of concerns, which the school should review and, if required, address to set a balanced budget.

Schools are required to present with their SFVS Checklist and Action Plan, the report from the ICFP tool using their agreed three year working budget return to their Governing Body.

The template can be obtained from the Local Authority via Sangeeta.Brown@enfield.gov.uk.

Schools have been encouraged to attend training on how to use the ICFP tool as the Local Authority does not have resources to provide individual support.

Summary of Business Interests and Related Party Transactions

Governors and schools will be used to completing Register of Business Interest and keeping their information up to date. The reason for maintaining a Register of Business interest is a safeguard that:

- Avoids conflicts of interest
- Ensures benefits not accepted from third parties
- Declares interest in proposed transactions or arrangements

The register must include all relevant business/pecuniary interests of governors, senior employees, those with financial responsibility and family members. There is no exact definition of what constitutes a business/personal interest but as a general principle an interest is anything that could put an individual at risk of being biased by putting private considerations above the public interest or seeking preferential treatment for themselves or the people/bodies they are related to. The general principle is 'if in doubt record it!' Where an individual has no interests to declare, a nil return must be made.

Schools must publish and keep up to date on their website all interests of governors, alongside attendance at all meetings down to committee level for the past twelve months. Governors should also be given the opportunity to declare any interests at the start of each Governing Body or committee meeting and this should be recorded in the minutes of the meeting.

There is also now a requirement for a schedule to be held on related party transactions (RPTs). RPTs are those transactions or contracts where there is a conflict of interest for a member of staff or governor. The regulations now require schools to maintain and submit a record of all RPTs to the Local Authority.

Schools are required to submit a summary report detailing all RPTs and if there are no RPTs, then a nil report must be submitted.

The template for schools to record the information for submission is available from Sangeeta Brown.

Submission to the Local Authority

Following approval by the Governing Body, the Local Authority requires the following documents to be submitted by 31st December at the latest.

- SFVS Checklist
- Report from the Integrated Curriculum Financial Planning (ICFP) tool
- Summary of related party transactions

The submission should be by email to the Chair of Governors, Headteacher and sangeeta.brown@enfield.gov.uk should be copied into the email.

Review and Audit

All returns will be reviewed to ensure documents have been completed appropriately and are compliant. Any areas of concern will either be followed up directly or via the internal audit programme and / or the financial management training programme.

2.4 Governors Finance Handbook

The Local Authority produces a Governors Finance Handbook which is updated on an annual basis. This handbook will support a school's Resources/Finance Committee to ensure that the school is using their available funding in the most efficient and cost-effective way to provide high-quality teaching and learning for all pupils. It will also support governors to plan their cycle of meetings to ensure that their responsibilities are managed in a timely manner both to support the school and to provide information to the Local Authority by required deadlines. The handbook also provides various background and supporting information to help governors better understand the funding cycle and relationship between the Local Authority and schools.

The Governor's Finance/Resources Committee Handbook can be accessed here - <https://traded.enfield.gov.uk/public-assets/attach/6500/Governors-Finance-Handbook-v2.pdf>.

2.5 School Accounting System

The Local Authority does not recommend or support a particular finance system and schools have the flexibility to choose an accounting system that meets their needs. The Governing Body is required to ensure that the school maintains this system and that it is fit for purpose. The system will need to record income and expenditure, process transactions and provide useful and timely financial reports for the school and meet any budget setting, monitoring

and closedown reporting requirements of the Local Authority. The system will also need to generate various reports for submission to the Local Authority in the format that they prescribe.

The Local Authority has nominated the school records as the prime accounting records and it is therefore essential that these are accurate and up to date. At the year-end, a summary of these records must be made available in a format specified by the Council to upload to the Council's financial system (SAP).

The computerised financial records must be regularly backed up (at least monthly). The backup information should be regularly tested (annually or when there has been a change in hardware or software) to ensure that the information can be retrieved. The period end back-up should be tested each month. The back-up information must be stored in a secure, fire-proof place, away from the prime information. A duplicate copy should also be taken off-site. Access to the computer system must be limited to authorised staff only. Passwords must not be disclosed and must be changed regularly.

2.6 Document Retention

Financial records (bank statements, budget monitoring, orders, invoices etc.) must be kept for the period stated in the Document Retention Policy. As a general rule, financial documents should be retained for 6 years plus the current year. They need to be available for inspection if required by the Executive Director of Resources, internal and external audit and external bodies such as HM Revenue and Customs.

A model Data Retention Policy can be accessed here – <https://traded.enfield.gov.uk/public-assets/attach/6495/Data-Retention-Policy.pdf>.

The Governing Body must ensure that the financial records are stored securely to avoid loss, destruction or unauthorised alteration. The documents should be saved in a systematic way so that they can be easily retrieved when requested. When documents are disposed of, care must be taken regarding sensitive information.

It is good practice for schools to document their key financial procedures and practices so that in periods of change or staff absence, continuity can be maintained. Such documents should include:

- Scheme of Financial Delegation
- Completion of monthly VAT Returns
- Completion of Quarterly Monitoring Returns
- Year End Processes

2.7 Fraud

Governing Bodies must ensure that their schools have a robust system of controls in place to safeguard themselves against fraudulent activity and improper use of public money and

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

All staff and governors with responsibility for financial management should undertake fraud awareness training. A session is run every October by the Audit and Risk Management Service which governors are strongly encouraged to attend. There is also a Fraud Awareness eLearning course available on iLearn and fraud awareness information available via the Schools Hub.

Council employees, including staff at maintained schools, are duty-bound to give immediate notification of any irregularity, or suspected irregularity, that may affect the Council's finances, including losses through fraud.

In the event of a fraud being discovered, this should be reported to the Council's Counter Fraud Team (via fraud.Team@enfield.gov.uk or by calling 0208 379 3166). The Team will be able to provide advice and assistance with any investigation that may be required.

2.8 Internal and External Audit

The Executive Director of Resources has an internal audit function carried out by the Audit and Risk Management Service. The Governing Body must ensure that any information and documents required by the Service are made available, along with any explanations requested.

As part of the Council's Annual Audit Plan, Internal Audit will carry out regular compliance audits of schools to ensure that adequate systems of control are in place and are being adhered to. The frequency of audits will be dependent on risk:

- Schools perceived to pose a greater risk will be subject to more regular audits focusing on the risks identified. Examples include high turnover of key financial staff, poor financial management, delays in returning financial reporting information
- Schools assessed as lower risk may be selected for a review less frequently
- Schools may also be selected as part of a sample for testing as part of a themed audit e.g. procurement or pupil premium

All schools should receive some form of internal audit coverage at least once every four to five years. The scope and timing of each school's audit will be discussed and cleared with the Headteacher or other nominated person prior to the commencement of the review. Details of the Audit Framework is available on the Hub.

The Governing Body should view an audit as a tool to help them improve the financial controls of the school. The audit report produced at the end of the audit will provide an evaluation of the current controls and actions agreed with the Headteacher and School Business Manager for implementation

As well as periodic individual reviews carried out by Internal Audit, schools will also form part of the annual external audit review of the Local Authority's statement of accounts. A sample of transactions will be selected by auditors to ensure the accuracy and consistency of the schools closedown information. This process will be coordinated by the Schools Finance Team and schools are expected to respond promptly and provide supporting documents or other information as required.

In addition to the audit carried out by the Executive Director of Resources (Internal Audit and Risk Management), the Governing Body can arrange for independent auditors to undertake audits or to assist in the preparation of the financial accounts.

2.9 Federated Governing Bodies

There are two types of federation:

- **A Soft Federation** – where individual schools form a collaborative federation and work closely together on shared projects such as procurement arrangements, but they maintain their own Governing Bodies and budgets are entirely separate.
- **A Hard Federation** – where federated schools report to a single Governing Body (often in place for federated infant and junior schools). The budgets of the 2 or more individual schools become the responsibility of one Governing Body. In-year monitoring can be reported for the federation as a whole and at year end, one set of final accounts and CFR returns can be submitted.

3 Financial Reporting

3.1 Introduction

The purpose of financial reporting is to monitor the use of school's resources against the educational priorities set out in the school's School Improvement Plan. The budget set for the year should have clear links to the aims and objectives of the school rather than a simple incremental process from one year to the next. Schools must regularly report their financial position to governors and the Local Authority Education Finance Team. This should be on a quarterly basis as a minimum. Schools should also produce regular finance reports for the school leadership Team and internal school budget holders in order to facilitate effective financial management and control.

The Governing Body must ensure that there is an adequate process in place for controlling expenditure and monitoring it against the approved three-year financial plan.

3.2 School Budget Plan

Each school must submit a 3-Year Budget Plan to the LA Education Finance Team by the last Friday in May, before the summer half-term holiday. The plan should be submitted in the format prescribed by the Local Authority and should be balanced, or show a surplus, and include the closing balance from the previous financial year. Where the school is unable to set a balanced budget, and is projecting a deficit in Year 1 of the plan, this should be highlighted to the LA when the budget is submitted, particularly if the school is projecting a deficit position for the first time. If the 3-Year Budget Plan shows a deficit in future years, the document and minutes should be annotated with the phrase "the Governing Body is aware of the future year deficit as shown on this plan and will take action to address it".

The 3-Year Budget Plan must be ratified by the full Governing Body and the relevant discussion and agreement should be detailed in the formal minutes of the meeting. In practice, the budget is often considered by the Resources/Finance Committee in the first half of the summer term in order to meet the May deadline and is then forwarded to the full Governing Body meeting for formal ratification. Schools should submit the budget in the excel template format prescribed by the Education Finance Team and submit a signed PDF version as soon as this is available.

The 3-Year Budget Template can be accessed here – <https://traded.enfield.gov.uk/public-assets/attach/6489/3-Year-Budget-Template-22-23.xls>.

The 3-Year Budget Plan should be linked to the School Improvement Plan and Premises Development Plan. The Headteacher and School Business Manager should highlight where changes in the use of resources is linked to the School Improvement Plan and Premises Development Plan over the next three years, ideally in a supporting document presented and discussed at committee and Governing Body meetings. Governors should also be provided with details of assumptions included in the Budget Plan including:

- Projected pupil numbers and link to formula funding allocation
- Pay and Pension increases including pay awards and increments
- Other inflationary factors
- Changes in Service Level Agreements
- Staffing structure changes
- Expected changes in income

Where there are changes required to the 3-Year Budget Plan during the year, a budget virement needs to be approved (this is a simple movement of one budget to another). Where the virement is above a certain limit, as detailed in the Financial Scheme of Delegation, it must be approved by governors via a Resources Committee or Governing Body meeting.

3.3 Integrated Curriculum and Financial Planning

Local Authority schools are encouraged to use integrated curriculum and financial planning to ensure that they are providing the best curriculum for pupils within the funding available. This process should involve subject leaders within the school as well as the Senior Leadership Team and be linked to school priorities. The link to DfE guidance is [Integrated Curriculum Financial Planning \(ICFP\)](#).

To support schools with this process and budget planning, the Local Authority provides a budget and curriculum planning tool. This supports schools in ensuring that funds are being used effectively to support pupils and that they have a financially viable curriculum and staffing structure in place. The completed document must be returned annually with the schools SFVS submission as detailed in the [SFVS section of the manual](#).

3.4 Reporting to the Governing Body

Regular and succinct budget monitoring reports must be reviewed by the Governing Body on at least a quarterly basis. These reports should provide information on individual budget allocations, the current up-to-date position and any outstanding commitments.

The reports that it receives will depend on the level and nature of delegation that is in place. However, a typical Governing Body would receive the following reports on the frequency defined in their Financial Regulations:

- 3-Year Budget
- Annual Financial Plan/Working Budget
- Quarterly financial monitoring reports
- Virements – as per scheme of delegation
- Disposed assets
- Debts written off
- Audit reports and action plans
- SFVS
- Any Waiver of Contract Procedure Rules

3.5 Summary of Returns to Local Authority

The Local Authority requires schools to submit financial returns periodically during the financial year so that they can monitor the financial position of individual schools and the maintained sector.

The table below summarises the key returns required to be submitted to the LA with the corresponding deadlines. Governing Bodies should plan for these when setting the workplan for their meetings so that they are reviewed and signed off in time to meet the deadlines.

Frequency	Return	Deadline
Monthly	VAT Return	22 nd of following month
Quarterly	Financial Monitoring Return Q1	31 st July
	Financial Monitoring Return Q2	31 st October
	Financial Monitoring Return Q3	31 st January
Annually	3-Year Budget Plan	Summer Half-Term
	Request to Retain Balances >5% and £100k	Spring Half-Term
	Outturn Return	As per annual closedown guidance
	SFVS Checklist and Action Plan, Related Party Transaction Report and SFVS report from the ICFP tool	31 st December

The LA School Finance Team monitors that the required returns are submitted accurately and on time. Where schools are experiencing exceptional circumstances, they should raise this with the Finance Team and agree an extension. Persistent failure to provide financial returns by the specified deadlines, particularly in relation to statutory returns such as VAT and final accounts, may result in the initiation of a special internal audit review and, in extreme cases, the issuing of a notice of concern or even suspension of delegated management. Refer to the Scheme for Financing Schools for more information on the circumstances where a Notice of Concern may be issued.

3.6 Monitoring the Budget

Once the budget has been set, it is essential that all expenditure and income be monitored against it. This allows the Governing Body to measure financial performance and take remedial action where necessary.

The LA provides a template for schools to use to provide quarterly financial monitoring returns and it is useful for schools to use these for their internal monitoring to ensure a consistent approach.

The Quarterly Monitoring Template can be accessed here –

<https://traded.enfield.gov.uk/public-assets/attach/6504/Quarterly-Return-Template-22-23.xls>.

The financial monitoring return includes a number of columns that need to be completed.

1. **Original Budget** – This is the budget as set by the Governing Body and these figures will not change throughout the year.
2. **Latest Budget** – This is the latest budget agreed by the Finance Sub-Committee, including any virements agreed by Governors or the Headteacher since the Original Budget was set.
3. **Actual to Date** – This is the expenditure and income that has been spent or received up to the end of the period/quarter. It can be recorded in cash terms (how much has been physically paid out or received to date) or on an accrual's basis (the goods and services and income due to be received during the period). Schools should complete and retain reconciliations of the data reported in their CFR returns to the underlying finance system records to demonstrate that there have been no errors or manual changes/manipulation.
4. **Projected Outturn** – This is the amount that you are predicting will be spent at the end of the financial year. This is the critical column, as it will highlight any changes between the budget and the school's current financial position.

Schools should plan their Resources/Finance meeting dates so that the quarterly monitoring returns can be reviewed and discussed by governors in a timely manner and in order to meet the return deadlines set by the LA Finance Team. Returns should be submitted in both Excel format and as a signed PDF copy.

3.7 VAT Return

A VAT analysis report must be produced monthly, showing the VAT paid and received by the school in the preceding month. The VAT analysis report must be used to complete the electronic VAT Return workbook which needs to be submitted to the LA School Finance Team by the 22nd of the following month. The school must investigate and rectify any errors on the return, prior to closing the current period on the school's financial software.

The Monthly VAT Return can be accessed here – <https://traded.enfield.gov.uk/public-assets/attach/6510/VAT-Master-Template-2223.xlsm>.

The Council requires this information monthly in order to include the net VAT incurred by schools in the overall Local Authority's monthly return to HM Revenue & Customs. The Council can claim back VAT that it has paid out in the period, netted down by the amount of VAT that it has received in that period.

Usually, the school's computerised finance system will be able to generate a report that will provide the information required. It is the responsibility of schools to provide monthly VAT information in the format specified by the LA which shows input and output tax separately and differentiates between the various tax rates.

If HM Revenue & Customs fines the Council as a result of a school not complying with these requirements, that fine will be passed on to the school concerned.

3.8 Outturn

At the year-end, the Executive Director of Resources, via the School Finance Team, will request certain information from the schools so that their accounts can be incorporated into the Local Authority's overall published Statement of Accounts. This information must be provided by the deadlines stipulated and, in the format, required as detailed in the School Closedown Guidance document which is updated and circulated on an annual basis. Examples of information needed are:

- Consistent Financial Reporting return for the financial year
- Bank Statement showing balance as at 31st March
- Creditor and debtor reserves
- Information on Capital expenditure
- Leasing information

School accounts should be recorded on an accrual basis and creditor/debtor reserves should be completed in the school's finance system as part of the year end process. A breakdown of the creditor/debtor reserves owed to or by the Local Authority should also be prepared.

Schools must also complete a bank mandate, giving the Local Authority's external auditors authority to confirm their end of year bank balance. The mandate will need to be updated where there is a change in bank account or signatories and where the Local Authority's external auditors change. Guidance about this process will be provided in the school Closedown Guidance.

The latest version of the School's Closedown Guidance can be accessed here – <https://traded.enfield.gov.uk/public-assets/attach/6508/Schools-Closedown-Guidance-2021-22.pdf>.

3.9 Balances Above the Threshold

The Scheme for Financing Schools requires the Governing Body to provide details on the intended use of balances where the total accumulated balances at the end of the financial year exceed 5% of the budget share for the year. A request to retain balances must be submitted to the LA on the Friday before the spring half-term break, detailing the intended use of these funds.

Schools should consider the level of balances recorded in their Quarter 3 monitoring return and submit a request to retain balances if balances are above or near the threshold.

These requests will be considered by the Education Resources Group at the March meeting and use of the balances will be reviewed/judged against set criteria. Schools will be informed of the outcome of their request in writing as soon as a decision has been reached. Any balances judged not to meet the criteria will be recycled for redistribution to all schools.

The Balance Retention Request Form can be accessed here – <https://traded.enfield.gov.uk/public-assets/attach/6491/Balance-Retention-Request-Template-22-23.docx>.

3.10 Benchmarking and Consistent Financial Reporting (CFR)

The Consistent Financial Reporting Framework (CFR) was created in April 2015 to provide schools with a framework of accounts to enable comparisons with other schools for their income and expenditure. The framework is reviewed annually to reflect any changes in income and expenditure streams. Where school receive income or incur expenditure for the first-time, reference should be made to the [latest CFR guidance](#) so that funding is recorded against the appropriate heading.

This has allowed the DfE to hold a national benchmarking database from which schools can select local suppliers, named or common statistic comparators and generate reports for the Governing Body. It is updated each year with the preceding year's information. It is good practice for schools to review this information at least annually, usually as part of the Schools Financial Standard process. The link to the Schools Financial Benchmarking site is as follows [Schools Financial Benchmarking](#).

The DfE have also developed a [View My Financial Insights \(VMFI\)](#) tool which provided enhanced analytics on the financial performance of schools and an assessment for potential areas for improved resource management.

Schools should also refer to the [ESFA School Resource Management](#) document for more information on effective resource management tools.

3.11 Whistle Blowing

The Public Interest Disclosure Act 1998 establishes a person's right to raise qualifying concerns ("whistleblowing") and provides individuals with protection from victimisation, dismissal or any other detriment provided they have a reasonable belief that what they have reported is true and the report is in good faith.

The Council will not tolerate any harassment or victimisation (including informal pressures) from colleagues, peers, managers, or from external sources, and will take appropriate action to protect individuals when they raise a concern in good faith; the Whistleblowing Policy should set out how this will be achieved.

The policy should cover:

- A clear definition of what constitutes whistleblowing;
- How the whistle-blower will be protected, including the maintaining of confidentiality;
- How the whistle-blower can raise concerns within the organisation, outside of the existing line management structure if required;
- Points of contact for raising concerns independently outside of the organisation if necessary.

Where a school is made aware that a concern has been raised under the Whistleblowing Policy, a summary of the concerns raised should be reported to the Schools' Personnel Service (SPS) in order that they can have oversight that the issues have been dealt with properly.

A model policy is produced by the SPS which can be adopted by the Governing Body or amended to reflect the specific requirements of individual schools. This policy must be shared with staff as part of their induction.

The model Whistle Blowing Policy for Schools can be accessed here – <https://traded.enfield.gov.uk/public-assets/attach/6509/Schools-Model-Whistleblowing-Policy-January-2022-.pdf>.

4 Income and Collection

4.1 General Introduction

The Governing Body has overall responsibility for ensuring all income due to the school is properly accounted for and the procedures in place should be clearly defined. All income should be banked promptly and in full. Prior to banking, the income must be held in a secure location. For limits on amounts of cash held at any one time in the safe, please refer to the limits of your insurance policy. As soon as income has been received it should be recorded in the school's finance system and should be coded to an income code even if it is planned to offset expenditure.

Parents should be encouraged to make payments to the school online but where payment is made by cash or cheque this should be made to the School Office rather than to staff in the classroom environment. This policy is not always viable, but payment should only be made to non-office staff as a last resort.

Segregation of duties must be applied to the invoicing and receipt of income and to the recording and banking of receipts. The arrangements for this must be included in the scheme of delegation. Receipts should be issued for all cash and cheque payments received by the school except where there are a large number of small transactions in connection with a particular activity such as a non-uniform day when the issuing of receipts is neither viable or economic. In these cases, it is good practice if a composite receipt is issued by the school office to the person who had collected the funds.

Most schools have now moved to electronic payment methodology and should encourage parents and other debtors to make payments through these routes wherever possible but the above will still apply to any cash or cheque payments received.

Income may be generated subject to the provisions of the Education Act 1996. Schools typically generate income from a variety of sources including:

- School dinner sales
- Wrap around care
- Bank account interest
- School trip contributions
- Lettings
- Fundraising activities
- Sale of assets

Schools retain all income they generate unless it relates to:

- the sale of certain assets (such as land and buildings owned by the LA, or assets funded by bodies who may impose conditions, e.g. charitable concerns, lottery funding); or
- income from a Public/Private Partnership (PPP) or Private Finance Initiative (PFI), which are subject to a specific agreement

4.2 Charging and Remissions Policy

Each school must have a written Charging Policy in place. The policy must consider each type of activity charged for (including lettings) and provide an explanation of the charges made. Schools must present the policy annually to Governors for approval. The DfE provides information about the activities that schools can charge for here [Charging for School Activities](#).

A model Charging Policy and Remissions Policy can be accessed here – <https://traded.enfield.gov.uk/public-assets/attach/6494/Charging-and-Remissions-Policy.docx>.

4.3 Lettings Policy and Charges

A letting may be defined as '**any use of the school premises by either a community group or a commercial organisation**', regardless of whether a letting fee is charged. It must not interfere with the primary activity of the school, which is to provide a high standard of education for all its pupils. Due to increasing budget pressures, many schools are aiming to maximise lettings both to utilise their facilities and generate income to support the school budget.

Each school must have a Lettings Policy in place which details the arrangements for school lettings, the conditions of hire and the charges applied to different types of lettings.

Lettings charges must be:

- Reviewed annually as part of the Lettings Policy
- Calculated to cover all costs – staffing, utilities, etc.
- Comparable in price to neighbouring facilities
- Approved by the governors

Lettings must be:

- Paid for in advance to avoid bad debts
- Accompanied by written agreements with the hirer signed by both parties
- Insured by the hirer, who will also take full responsibility for safeguarding checks of anyone involved with the letting
- Administered by the school or via an external letting's agency (through a Service Level Agreement)

VAT implications can be found in the [VAT section](#).

A model Lettings Policy/Hire Agreement can be accessed here – <https://traded.enfield.gov.uk/public-assets/attach/6506/School-Lettings-Policy.docx>.

4.4 Fundraising including Raffles

Where schools intend to hold a raffle as part of fundraising activities they must apply for a “lottery licence” from the Council’s Licensing Unit. Enfield schools can apply for a licence by visiting this page: <https://www.enfield.gov.uk/services/business-and-licensing/lottery-registration>.

4.5 Staff Reimbursements

Many schools have now become cashless with all reimbursements made to staff via cheque or BACs payment. Where however, a cash-based Petty Cash system is in place, the Governing Body must agree an appropriate level of cash to be held on the school premises, within the insurance limits. The cash should be kept in a secure, locked location at the school.

Only authorised staff may have access to petty cash. Payments must be limited to minor items for which there is proper authority and provision in the budget and all payments must be supported by invoices or receipts. Schools should have a limit for cash reimbursements with payments above a certain limit, e.g. £20 being made by cheque or BACs. Replenishment of petty cash must be made through the correct bank account and not through other sources of income collected by the school.

The petty cash must be reconciled monthly against the school’s financial accounting system. The reconciliation should be reviewed and countersigned by an independent member of staff. Personal cheques must not be cashed from the petty cash fund.

A reimbursement claim voucher should be completed for all refunds. These should be held in sequential order and receipts identifying any VAT paid, must support all expenditure from the fund. The refund voucher must be signed by the recipient to confirm a true and correct claim and countersigned by an authorised member of staff. Any receipt of cash refunds must be signed for by the recipient.

Reimbursements should be claimed in a timely manner so that the expenditure is reflected in the period in which it is incurred. Ideally this should be within a month of the expenditure being incurred. Staff must not use personal credit cards to incur expenditure and then claim back from the school, as these can generate rewards/points which could be judged to be a benefit in kind.

4.6 Electronic Payments and Parent Pay

Most schools have now moved away from cash and cheque income and are using web-based systems such as Parent Pay and electronic card readers. These systems hold an electronic record of the school's income and link directly to the school’s main bank account.

Where schools are using these methods, they should complete a reconciliation process at least monthly to ensure that income is applied to the correct budget/CFR heading within their financial management system and that they have supporting reports and information to back

up the individual postings. Some of these systems charge a fee on transactions and schools should account for this when budgeting for income collection.

Schools that use electronic card readers should be familiar with the Payment Card Industry Data Security Standard (PCI DSS) to ensure security and data protection issues are maintained. There are various online checklists that schools can use to check compliance, or this may be provided through their bank. An example checklist can be found here [PCI Compliance Guide](#). Any devices should be stored securely when not in use.

The Governing Body should be aware of the arrangements surrounding electronic payment collection including triggers for reminder letters, credit limits for school meals, debt management arrangements (see Debt Management below).

4.7 Debt Management

The Governing Body must have a policy for the collection of any monies due to the school. Debt collection is the responsibility of schools, and they must act promptly in recovering debt and have a firm Debt Collection Policy in place which should be reviewed annually. The policy should include:

- The normal settlement period and the actions taken once this period has passed
- Other actions such as withdrawal of facilities
- Whether additional costs associated with debt recovery should also be recovered
- Whether any individual or the Governing Body have the right to exercise discretion for specific debts
- A process for debt write-off

Debt in schools can often relate to parent debt for school meals and other activities and the process in place for the recovery of this debt should also be detailed in the policy.

Periodically, at least annually, the Governing Body should be informed of the level of debt at the school broken down by activity and length the debt has been outstanding. The Headteacher should also provide information about the measures the school has taken to recover the debt.

The Governing Body can write-off debts owed to the school up to a value of £500. Individual debts above that level, but not exceeding £2,500, may be written off with the approval of the Director of Education. All debts above £2,500 may only be written-off with the additional approval of the Director of Education and Executive Director or Resources. Where schools wish to request a debt write-off in excess of £2,500, they should in the first instance, contact the Schools Finance Team in writing with details of the request.

A model Debt Recovery Policy can be accessed here – <https://traded.enfield.gov.uk/public-assets/attach/6496/Debt-Recovery-Policy.docx>.

5 School Bank Accounts

5.1 Introduction

The Governing Body can use any high street bank or building society to provide a banking service for the school. The Local Authority's own bankers, HSBC, offer a specific service for Enfield schools and most schools are part of this scheme. The Local Authority should be notified of all bank accounts a school uses to hold public funds and if a school decides to change their banking arrangements, with the agreement of the Governing Body, this should be communicated in writing at least a month before the change is made. All bank accounts relating to public funds should include London Borough of Enfield and the school name as part of the description.

A bank statement should be received at least monthly, and most schools now have access to this information online which aids cash flow management. A bank reconciliation should be completed monthly which reconciles the bank balance with the school's financial management system. Any discrepancies should be investigated and rectified.

Schools cannot borrow money or use overdraft facilities, but they can operate with more than one bank account so that any surplus funds are kept in an account that attracts higher interest. Where schools are in deficit, all funds should be moved to their main school bank account and all other accounts should be closed. This includes private fund accounts. This will support schools with financial management and cashflow planning and keep any banking charges to a minimum. Schools can retain all interest earned on their accounts.

5.2 Monthly Advances

The Local Authority makes a monthly cash advance to schools directly into their bank account. This equates to approximately one twelfth of their annual formula allocation and pupil premium grant. Other grants and payments are added monthly on an ad hoc basis as information becomes available during the financial year. Schools receive a notification at the time of payment providing a breakdown of the income by CFR heading and schools should use this information to correctly record the income on their financial management system.

The advance is made on the 28th of each month to coincide with the school payroll direct debit (except for the earlier December pay date) being processed. Where the 28th is at the weekend, the payment will be made the Friday before. The advance will include an element for VAT which supports schools in making payments without cash flow implications. At the year end the Local Authority will reconcile the net amount of VAT incurred by the school with the VAT advanced and an adjustment for the difference will be made in the new financial year.

5.3 Cheques

Most schools are moving away from making payments by cheque and are now using BACs, but the following arrangements still apply.

All cheques must be signed by 2 authorised members of staff, not governors. The persons signing the cheques must not be the same as those authorising orders, certifying payments or preparing the cheques. It is recommended that schools have a pool of at least three authorised signatories to choose from. Signature stamps/machines must not be used.

The Governing Body should ensure that the school takes all the reasonable steps it can to minimise fraudulent activity. Measures should include:

- All cheques must be crossed and marked 'a/c payee'
- Blank cheques, both printed cheques for the schools accounting system and chequebooks, should be kept in a secure place and should not be pre-signed
- Any cancelled cheques must be clearly marked 'CANCELLED' and retained for audit purposes.

Any standing orders or direct debit arrangements must be authorised in accordance with the school's current bank mandate i.e. by two of the cheque signatories.

5.4 BACs

Most schools have now transitioned to making payments via BACs. This method has the benefits of being more secure, less time consuming and meets the requirements of suppliers, many of whom no longer require/accept cheque payment. Schools should however, be aware that BACs can be subject to other risks such as bank mandate fraud.

As with cheque payments, payments by BACs still require segregation of duties to be in place. Please refer to the [BACs Guidance for Schools](#) for further details. The banking information relates to HSBC as this is the Local Authority bank and is used by most schools. Schools using other banks should check queries and information directly with their bank but the general principles relating to BACs and banking will apply.

Frequently Asked Questions Regarding Banking can be accessed here – <https://traded.enfield.gov.uk/public-assets/attach/6492/Banking-FAQs.pdf>.

HSBC have created user guides on how to complete certain processes on HSBCnet. This document shows [how to access the Help Directory](#).

There are also support guides for file upload formats based on the finance system is used at your school. The links are in the table below.

Finance System	Format Guide Link
RM Finance	https://traded.enfield.gov.uk/public-assets/attach/6498/File-Upload-Format-Guide-Hex4w-RM-Finance-.pdf
SIMS FMS	https://traded.enfield.gov.uk/public-assets/attach/6497/File-Upload-Format-Guide-BACs-Standard-18-FMS-.pdf

The [HSBCnet charges](#) can be found in the letter already circulated to schools. Schools will be notified of any changes.

5.5 Credit Cards

Schools cannot use credit cards or store cards, where the balance is not paid off monthly, under any circumstances, as these are a form of borrowing which is not permitted for schools.

5.6 Purchase/Commercial Cards

Schools can use a purchase/commercial card connected to their bank account. This is a charge card which operates in a similar way to a debit card but the charges on it will be automatically taken from the school's bank account on a monthly basis. When applying for these cards, schools must select the option to pay the balance off monthly so that no credit is accrued. These cards can be a useful means of facilitating online purchases.

Most schools now have a purchase card in place but any new card requests and any changes relating to current cards, including adjusting the maximum limits, should be reported to the Governing Body, and recorded in the minutes of the meeting. In reaching a decision on the use of Purchase Cards, the Governing Body must ensure that purchases are made in line with the requirements of the Scheme of Financial Delegation and there are controls in place to guard against any misuse of the card.

An annual charge is usually made by the bank for each card provided. The card must bear the name of the school and the person authorised to use the card.

The Governing Body determines the limit on the card, but the Local Authority suggests that this is set at a maximum limit of £10,000 unless there are specific circumstances where this needs to be higher.

The Executive Director of Resources requires that:

- The safe custody of the card(s) must be always ensured.
- The card must not be used to extract cash from cash point machines or through cash back services in stores.
- A VAT invoice will still be needed for transactions where VAT is payable. Without it, VAT cannot be reclaimed.
- The balance outstanding on the account must be paid in full at the end of each month.
- The monthly statement should be reconciled to the vouchers issued at least monthly with any discrepancies being investigated and rectified
- The card must not be used for personal use in any circumstances
- If a card is lost or stolen, this must be reported to the bank immediately.

For internet purchases, card details must be sent in encrypted form. A confirmation of the transaction should be printed which should be attached to the payment voucher.

When using a purchase card, the usual rules regarding procurement of good and services still applies i.e. segregation of duties, authorisation controls etc.

Schools may also use Fuel Cards for purchases in relation to school minibuses. These operate in a similar way to a Purchase Card. Schools should have the use of these cards agreed by the Governing Body who should ensure that appropriate controls are in place and that delegation is detailed in the school's Scheme of Delegation for the use, authorisation, and reconciliation/monitoring of the account. The balance must be paid off each month so that no credit is involved. This same process should be followed for other trade and store account cards such as Screwfix and Trade UK.

The [FAQs](#) include information about purchase cards so refer to these in the first instance. If your query cannot be resolved here, please contact HSBCnet.Queries@enfield.gov.uk.

5.7 Internet Banking

Schools banking within the HSBC Scheme, and those using other banks, will have the facility to use telephone and internet banking. This will allow schools to stop cheques, order bank statements and raise any other banking enquiries. Using internet banking will allow schools to download bank statements and obtain their current bank balance. All of these functions are also available on HSBCnet.

5.8 Cash Flow and Investments

The Governing Body must ensure that there are sufficient resources available to meet immediate commitments (via cheque, BACs, standing order, direct debit, or debit card). For schools within the Local Authority's HSBC Scheme, all public funds must be left in that account. The school should at no point be in an overdrawn position.

Where a school operates a bank account outside the Council's banking scheme with HSBC, the Governing Body can approve procedures to make investments. This must be in line with the Local Authority's own Treasury Policy on approved Financial Institutions. The investments must be recorded in sufficient detail and this information will include:

1. The date of purchase,
2. The cost, and
3. A description of the investment.

Investments can only be made where it can be shown that there is no risk to the capital sum invested. This means that no investments can be made in stocks and shares and the school cannot lend money to third parties. The Governing Body should ensure that the school manages their cash flow to maximise income by investing funding but ensuring that there are sufficient resources available to meet current payments. The Governing Body should also ensure that the scheme of delegation gives authorisation to allow the appropriate person to make such investments.

Schools should monitor their cash flow position carefully to avoid going into an overdrawn position, but should this situation arise, they should notify the Local Authority's School Funding Team and Treasury Team as soon as possible. In exceptional circumstances and

where the situation is temporary, for example due to large one-off payments, the Local Authority may be able to bring forward some of a future month's advance to rectify the situation. This will be agreed in liaison with the school and the Executive Director of Resources (School Finance Team and Treasury Team). Where however, the overdrawn position is linked to a deficit budget position and likely to be sustained, the school will need to request funds from the Local Authority's Rolling Credit Agreement to ensure that they have sufficient funds to prevent the bank account going into an overdrawn position.

5.9 Rolling Credit Agreement (RCA)

Where a school is in a deficit budget position, they will reach a position where even with careful cashflow management, they will be unable to maintain a credit bank position. In these circumstances, the school will need to request a cash advance to cover the cash deficit. Schools applying for funds through this scheme should make an application in writing to the Executive Director of Resources (School Finance Team), detailing the amount of funding required and this should be signed by the Headteacher and Chair of Governors. The request should be supported by a Deficit Recovery Plan which will include a cashflow statement. Schools should apply at least 2 weeks before they require the funds so that the necessary cash advance can be arranged.

This scheme is only available to schools with an HSBC Bank Account (the LA's bank). Interest will be charged on the outstanding RCA balance on a monthly basis, and this will be deducted from the school's advance payment. The interest charged will be at 0.5% above the base rate.

Schools should aim to repay some, or all of their RCA as soon as possible in line with their deficit recovery plan and improved financial position. When a school is able to do this, they should notify the School Finance Team in writing of the amount to be repaid and this will be adjusted via the next appropriate advance or the school can pay the LA back via a bank transfer.

5.10 Bank Reconciliation

Schools should complete a bank reconciliation for their main school account at least monthly which should reconcile the bank statement to the school's finance management system. The reconciliation should be signed and dated by the person completing the reconciliation and reviewed and countersigned by another independent member of staff as detailed in the school's Scheme of Financial Delegation. This signed copy should be retained by the school as part of their prime records and made available for inspection during an audit or as required. This process:

- Enables the school to identify any errors or fraudulent activity in relation to the bank account and take relevant action;
- Ensures records are up to date to allow the School Business Manager, Headteacher and Governing Body to undertake their financial management role; and
- Provides the school with information to support cash flow planning.

Regular reconciliations of other bank accounts held by the school including Private and Governors Accounts, should be carried out on a regular basis as determined by the school, dependent on the level of transactions. This must be at least quarterly.

If any fraud or impropriety is suspected by the Governing Body, they must inform the Executive Director of Resources (Internal Audit and Risk Management) immediately. This includes instances of fraud or where the Council's Standing Orders, Financial Regulations or the school's Scheme of Delegation are not complied with.

6 Procurement

6.1 Introduction

The Scheme for Financing Schools requires all maintained schools to comply with the Council's [Contract Procedure Rules \(CPRs\)](#) and the [Procurement Manual](#) for the procurement of goods, works and services. A summarised version providing the key information for schools is set out below and full, detailed information can be found on the Schools Hub [Procurement Services](#).

The CPRs set out the procedures which must be adhered to in order to;

1. ensure proper procurement practices are used;
2. comply with procurement legislation;
3. demonstrate that schools achieve Best Value;
4. show competition in the award of public contracts; and
5. be open and fair in spending public money.

The requirement to comply with CPRs applies when the provision of the goods, works and services is being sourced from an organisation which is external to the Council. However, schools must ensure that Best Value is achieved even when using Council services especially when the school does not seek alternate tenders from external suppliers.

For the purposes of the CPRs, the Council's service providers are those included in the Traded Services to Schools brochure, plus any other Joint Venture or partnership arrangement agreed by the Council.

Wherever possible, schools should procure works, goods and services using the [Government Procurement Services](#), and other frameworks, as these arrangements have already been established following competitive tendering processes. Schools must comply with the terms of any framework agreement when using the framework: use of frameworks saves procurement time and cost.

6.2 Governing Body Responsibility

The Governing Body is responsible for the purchasing within their school and has the responsibility for ensuring compliance with the legislation, regulations and guidance as defined within:

1. The Scheme for Financing Schools
2. The [Council's Contract Procedure Rules](#) and [Procurement Manual](#)
3. The Finance Manual for Enfield schools
4. The DfE "Governance Handbook (Oct 2020)"
5. Any formal guidance issued by the Executive Director of Resources
6. UK legislation in force in England.

The Governing Body may delegate Local Authority for purchasing within their school to the Headteacher and other school staff. Any such delegation must be recorded in school's Scheme of Delegation as detailed in section 2.1 of this manual.

6.3 Compliant Procedure

The Governing Body must ensure that all procurement and contracts are let under the CPR's and obtain the best terms, which are reasonably obtainable for each contract. This requires the Governing Body to obtain the most advantageous tender. This must be done via a competitive process if over £25,000 or using a framework.

All contracts must be in writing; preferable under the Councils Terms and Conditions and be signed. Over £500,000 they must also be sealed by Legal Services.

In an emergency, an order for goods, services and works may be given orally where the contract value is not over £25,000, but this must be confirmed in writing as soon as possible after the event. Over £25,000 then a waiver is needed as a competitive process should be followed. Schools should complete the Waiver of CPR for Schools Template which can be accessed here – <https://traded.enfield.gov.uk/public-assets/attach/6511/Waiver-of-CPR-for-Schools-Template.pdf>.

Before any procurement is started, Local Authority to procurement must be given by the relevant person under the school's scheme of delegation, and again for award. There also needs to be budget provision for the contract.

There are many requirements placed on the Governing Body when letting contracts, both from the Council in terms of its constitution and from UK. In some cases, grant funding organisations also impose grant conditions relating to procurement. It is the Governing Body's responsibility to ensure that all these requirements are met. It is therefore recommended that advice be sought from the Council and/or external professionals when the school is letting a large contract.

For guidance on property related issues, please contact the Capital Delivery Team.

6.4 Achieving Value for Money

As responsibility for providing more services is delegated to schools, along with the associated funding, and the market for schools' services widens, there is an increasing need for schools to seek value for money. "Value for money" recognises that cheapest is not necessarily best and being expensive does not guarantee quality.

Before starting a procurement project, you should ensure that you have read the [Contract Procedure Rules](#), [Procurement Manual](#) and this document. Before starting any procurement project, you should ask yourself:

- Is this procurement really needed?

- Is this procurement going to support [Council Outcomes and Priorities](#) and schools outcomes and priorities?
- Are there existing contracts in place that I can use?
- Could I use a framework to provide what I need?
- Can I work with other Council Services or other councils to go to market?
- Should this be led by another Council department (e.g., CMFM)

Make sure that you understand what the ‘need’ is and how that need will be met via a procurement. The Council has a duty to protect the public purse and ensure that all the money we spend is making a difference.

The purpose of the Contract Procedure Rules is to ensure that the Council is compliant to all UK and Council rules and legislation. Bidders can take legal action where the Council does not apply the rules and therefore it is important to protect yourself and the Council from risk of challenge.

Make sure that where we are offering contract opportunities that this is done transparently, equally, and fairly. Wherever possible we should offer opportunities to local suppliers to support the Council’s plan ‘an economy fit for everyone’

6.5 Rental Agreements and Leasing

Please refer to the [Leasing Section](#) for specific guidance.

6.6 The Formation of Companies

The Education Act 2002 allows Governing Bodies to form companies (as defined by the Companies Act 1985) for the purpose of purchasing or supplying goods, services and works to schools. Before setting up such a company, the Governing Body must receive consent from the Council in writing.

The company would purchase collectively goods and services for member schools. This could lead to savings through economies of scale. It would also allow schools to share experience and expertise and to provide staff with development opportunities through supporting other schools.

The Council must give its permission for a Governing Body to join or form a company. That permission can be refused if the school is subject to special measures, has serious weaknesses, has weak management or has participated in a company that failed to act in accordance with the regulations within the previous three years.

The Council, if it denies permission, must provide written reasons to the Governing Body for its decision.

If a Governing Body would like to consider joining or setting up a company, please refer to the Act or contact the Director of Education.

6.7 Purchasing Strategy

In order to deliver the priorities within the School Improvement Plan, the Governing Body must use the resources available to it in the best possible way. It is therefore essential to have a purchasing strategy that fits in with the improvement plan and with the working budget. To do this, schools should:

1. Have a list of existing contracts with start and end dates and value.
2. Decide which of these contracts are to be re-procured at expiry and plan the re-procurement into the work plan for that year, ensuring plenty of time to carry out the procurement
3. Decide which contracts will end.
4. Look to save money by reducing scope of contracts, negotiating at extension dates.
5. Look to work with other schools for consolidation of spend.
6. Allow time for market engagement and market research to support your specification writing.

Using a contract register will provide a 'pipeline' of work in regard to new procurements, extensions and contracts ending.

6.8 Specification

The specification should be clear and concise and written in plain English.

The specification for goods, works or services is a description of what is required. It is best to focus on service or product outcomes rather than inputs to allow reasonable scope for innovation. It should be clear, to the point and jargon free.

Colleagues or other local authorities or organisations may be able to provide you with examples of specifications related to your procurement. Frequently far too little time is spent compiling the specification, and yet this is the core part of the tender documents and if this is not properly prepared the contract will not deliver exactly to your requirements. A clear and concise specification will reduce the number of queries you will get from tenderers. Where possible the specification should be output based.

As far as possible research your market to establish what is available and to check that your service or product is available. You may send the specification to interested parties and ask for comments. It may be appropriate to consult with a small number of proposed tenderers on the specification before finalising the details, particularly where there is no established market for your service/product. When doing this be careful not to write the specification in such a way as to appear to give favour to one provider over another. Ensure that your specification does not deviate from the details provided in the national or PCR advertisements.

Refer to Specifications section in the [Procurement Manual](#) for more information.

6.9 Sourcing a Supplier

Obtaining Best Value for money is an underlying requirement of the CPRs. The complexity of the procurement procedures that must be followed will vary depending on the value and risk of the purchase.

The Total Value of the procurement is defined as the total anticipated contract/purchase value (gross value) and this will be calculated as follows:

- Where the contract is a capital or one-off purchase or for a fixed period, by taking the total price to be paid or which might be paid during the whole of the period of the contract, including any inflationary elements or scope creepage.
- Where the purchase involves recurrent transactions for the same type of items, by aggregating the value of those transactions over the contract period, including any allowable extension periods or options to vary the purchase e.g. stationery, cleaning products, agency staff
- Where the total contract value over the full duration, of the contract (not just the annual value) is uncertain, by multiplying the monthly payment by 48. Every contract must have an end date, and therefore 48 months is the term to be used where unknown.
- Where the service has not previously been the subject of a competitive tender, the contract value is calculated by multiplying the annual value by the number of years since the contract was first awarded, or where lots of '1 year' contracts have been let.
- For Framework Agreements with no guaranteed commitment the contract value will be the estimated value of orders placed/commissions let under the Framework Agreement over the full duration of the contract;
- Where an in-house service provider is involved, by considering TUPE workforce matters, redundancy and similar/associated costs,
- For income generation contracts the Total Value will be the estimated revenue stream payable to the School over the period of the contract.

The value must be calculated in pounds sterling inclusive of Value Added Tax.

Where schools use 'spot procurement' to procure goods, a contract will be needed once spend exceeds £25,000 over a 48-month period. This includes the use of Market Sites, such as Amazon and eBay and agency staff. Where a school regularly uses agency staff, and the spend exceeds £25k, then a contract must be procured.

Contracts must not be artificially underestimated or divided into two or more separate contracts, either in scope or length of contract, where the effect is to avoid the application of these Contract Procedure Rules or UK Legislation by dis-aggregation. The School should make the best use of its purchasing power by aggregating purchases wherever practical.

External consultants and technical officers engaged to supervise contracts must follow these Rules as applicable and their contracts for services must state this requirement. Schools are

advised to check how familiar the consultant is with Public Contracts Regulations and preferably CIPs accredited.

All contracts for external consultants and advisors shall explicitly require that the consultants or advisors provide without delay any or all documents and records maintained by them relating to the services provided on request of the authorised officer, and lodge all such documents and records with the appropriate officer at the end of the contract.

The authorised officer shall ensure that any consultant working for the school has appropriate indemnity insurance.

Where consultants also arrange for the provision of goods or services or undertake works, any tender must differentiate between the cost of the consultancy services and the cost of providing the goods or services or undertaking the works. Any invoices received using these arrangements must show the consultant's fee separate from the cost of any goods, services or works.

6.10 Quotations and Tenders

The requirements for purchases and contracts are determined by value. These are set out in the Contact Procedure Rules under Rule 14. Please refer to CPRs for the most up to date version.

Estimated Contract Value	Tendering Requirements	Method of completion of contract
Up to £25,000	At least one written quotation must be received. Where practicable an eligible quotation from a local supplier must be sought. (For practicable purposes, in the event a written quote is not possible for smaller items, evidence of purchase in the form of a till receipt or invoice would suffice. The individual making purchases at this level must be able to satisfy their organisation that they have obtained value for money). For purchases above the Headteacher's delegated limit, the purchase must be approved by GB/Committee as per school's Scheme of Financial Delegation and recorded in the minutes of the relevant meetings.	Use of Purchase Order unless high risk.
From £25,001 to £100,000 (for supplies and	At least three written quotations, two of which to be sought from a local organisation where possible. (Schools	Use of Purchase Order or Standard

services) or £500,000 (for Works)	must retain sufficient evidence to demonstrate compliance and best value, an oral quotation is not acceptable). If less than three quotes are received Governing Body must approve the award subject to discussion with the Headteacher to determine if Value for Money has been demonstrated. The decision must be recorded in the minutes of the Governing Body or Finance Committee if responsibility has been delegated and all documentation supporting the decision retained.	Contract for more complex requirements
Contracts above £100,000 (for supplies and services) or £500,000 (for works)	At least five written quotations, two of which to be sought from a local organisation where possible. (Schools must retain sufficient evidence to demonstrate compliance and best value, an oral quotation is not acceptable). If less than five quotes are received Governing Body must approve the award subject to discussion with the Headteacher to demonstrate if Value for Money has been demonstrated. The decision must be recorded in the minutes of the Governing Body or Finance Committee if responsibility has been delegated and all documentation supporting the decision retained.	<u>Up to £500,000</u> Signature on Standard Contract or sealed by Legal Services if required <u>Over £500,000</u> Sealed by Legal Services (contact Legal Services in advance for advice re these cases)
Above the PCR threshold	Follow the Public Contract Regulations Procurement Thresholds for latest information	<u>Bespoke contract</u>

6.11 Procurement Thresholds

The value of the contract determines what level of procurement needs to be carried out. The threshold values for goods and services are different to those for works. These thresholds are to be **inclusive of VAT**. The value drives the minimum number of quotations needed to be compliant.

The guidance is a **minimum** amount of quotations; and in all cases, more should be obtained to ensure that best value has been demonstrated, and to account for bidders not responding. This may save time later if too few bids are returned and may need a second procurement if best value cannot be demonstrated.

It is a good idea to consider market engagement prior to going out to the market. This will determine the market and whether the final bids are likely to over the predicted threshold.

If returned bids are higher than the PCR threshold, or for the process followed, then the procurement will need to be abandoned and started again following the PCR procurement process, or correct process for the value.

See rule 14 in the procurement manual for more information.

6.12 Requirements over PCR Threshold

Defined as intended purchases for goods, services and works that exceeds the current [Public Contracts Regulations 2015 thresholds](#) for goods and services and works . The contract value must be inclusive of VAT for tendering purposes, and it is recommended that an above threshold process is considered where the value is within 10% of the PCR threshold.

Over the threshold specific PCR, the school must choose which procedure to follow. Remember that the suppliers can challenge procurements that do not follow the PCR procedure, and contracts can be put aside.

All Procurement over the PCR threshold must be carried out electronically. Access to the Councils e-tendering system can be agreed (contact Procurement.support@enfield.gov.uk) Where the school uses a 3rd party to carry out procurement, check that they are adhering to the Public Contract Regulations 2015 and using an electronic tendering method, and adhering to advertising and publication requirements. Access to the procurement records post award must also be available for retention.

All above threshold activity must be advertised on Find a Tender, and at award on Contracts Finder.

Social Value and elements such as Modern Slavery, Equalities, and Climate Action should be included in the specification or evaluation criteria.

6.13 Accessing a Framework

Frameworks are available from Central Government (CCS) Department of Education Procurement, or other purchasing organisations. These can be accessed by schools if they meet the access criteria.

When using a framework, the terms and conditions of the framework must be used, and the rules of the framework must be followed to access it. Therefore, direct award is only permissible if stated or where the 'cheapest rate' can be selected. Otherwise, a 'mini competition must be carried out.

- Purchasing organisations such as Eastern Shires Purchasing Organisation (ESPO), Yorkshire Purchasing Organisation (YPO) and London Contracts and Supplies Group (LCSG), provided that the protocol of the framework provider is maintained

- On-line framework contracts through the [Government Procurement Services, DfE Buying for Schools](#)

6.14 Call Off from Existing Approved Contract

Existing contracts can be used where the goods or services are within the ‘main supply’ of the contract and formed part of the specification. Where the supplier can provide goods or services, but this did not form part of the specification, then a new procurement should be considered or a variation to the contract e.g. a stationery contract was let, based on stationery provision. If the school now want to buy furniture from the same supplier – as no furniture was mentioned in the specification, this would be considered outside of the contract scope and a new provision should be sought.

6.15 Advertising and Publishing

All requirements over PCR threshold must be publicly advertised through at least two of the following:

Estimated Contract Value	Advertising of Opportunity
Contracts up to the PCR Threshold	No advertising needed.
Contracts above PCR thresholds	<ul style="list-style-type: none"> • Publication in the Find a Tender. • E-Tendering Portal • Contracts Finder (via the Council’s e-tendering portal – www.londontenders.org), where applicable.

Where a competitive process has taken place contracts to be awarded, as a minimum must be published as follows:

Estimated Contract Value	Publication of Award
Contracts over £5,000 up to the PCR threshold	<ul style="list-style-type: none"> • E-Tendering Portal • Contracts Finders
Contracts above PCR thresholds	<ul style="list-style-type: none"> • Publication on Find a Tender • E-Tendering Portal • Contracts Finder (via the Council’s e-tendering portal – www.londontenders.org), where applicable.

Procurement Services are expanding their guidance on this area and updates will be issued via The Hub. For any specific queries please contact procurement.support@enfield.gov.uk

6.16 Pre-Tender Market Research and Consultation

Schools may review the market for a proposed procurement through discussions with suppliers and other research; but may not:

- Base any specification on one supplier's offering such as to distort competition;
- Make any indication or commitment to suppliers that their offering may be preferred by the school;
- Suggest any procurement route which is not consistent with these rules; or
- Enter into negotiations about price where a competitive procurement process has yet to take place.
- Any pre-market research undertaken, including discussions with contractors and others must be fully documented on file.

6.17 Exceptions and Application and Waiver of the Rule

The CPR's apply to all contracts for Supplies, Works or Services entered into by the Council, except where a Waiver of all or part of the Rules is approved. Waivers should only be sought in **exceptional circumstances** given the general presumption that competition is the best way to demonstrate VFM.

It must be noted that where the value of the contract is over the PCR threshold the Council must comply with the requirements of Public Contract Regulations 2015 therefore it is not possible to waive these requirements, and contracts let in this way will be in breach of the Regulations.

All Waivers must be approved by the Governing Body under the school's scheme of delegation. The school must keep a written record of any waiver of the Rules. Application of a waiver can be made in writing and will be reviewed and approved by the relevant person.

A contract waiver template can be accessed here – <https://traded.enfield.gov.uk/public-assets/attach/6511/Waiver-of-CPR-for-Schools-Template.pdf>.

Contracts let via a Waiver must have documentation to record this on the school's Contract Register. Waivers will only be issued for a period of 12 months, unless agreed otherwise by the Governors.

Exceptions are covered in rule 15 of the CPR's and only those situations listed in the exceptions can be applied. Again, exceptions need to be made in writing and approved by the relevant person on the scheme of delegation.

All waivers and exceptions should be classed as contracts, and have a written, signed contract in place and be placed on the school's contract register.

6.18 Receipt and Opening of Tenders

All Tenders over the PCR threshold must be done electronically as per the regulations.

6.19 Tender Evaluation

Tenders must be assessed in accordance with the pre-determined evaluation criteria and weightings. Evaluation should be carried out by a minimum of 2 officers to demonstrate probity and objectivity.

The results of the tender evaluation must be retained on the tender file.

A financial reference should be taken up for all contracts with an anticipated value of over £100,000.

6.20 Errors in Tenders

Where financial error is identified in a tender for works contracts the tenderer is required to standby or withdraws their tender. This is applicable for single stage tenders or quotes where the evaluation criterion is lowest price

6.21 Negotiation

Negotiation can only be carried out for over threshold procurement, where the procedure includes a negotiation phase.

Below threshold it is a good idea to state negotiation in the RFQ.

Please refer to Rule 23 in the [Procurement Manual](#) for more information.

6.22 Contract Award and Execution

Contracts must be awarded in accordance with the Contract Procedure Rules and UK regulations. The CPR's follow the Public Contract Regulations and ensures that the Council is compliant in letting contracts.

In all cases approval to award contracts should be sought and must be from the appropriate level of Local Authority under the school's scheme of delegation. This evidence should be retained.

Awarded contracts must be signed and where necessary sealed by legal.

6.23 Notification to Successful and Unsuccessful Bidders

At the end of the procurement process bidders must be notified in writing if they are successful and unsuccessful. If the procurement was over the PCR threshold then this must be in line with PCR guidance on what must be included in the letter

Below threshold there is no legal requirement to debrief suppliers, but you may want to point out in the unsuccessful letter where their bid was weaker. For above threshold then bidders can ask for a debriefing. Refer to the Public Contract Regulations for advice.

For above threshold procurement, then you will need to adhere to the 'standstill' period after issuing letters before executing the contract.

6.24 Procurement by Consultants

Where the School uses consultants on its behalf in relation to any procurement, then the school shall ensure that the consultants carry out any procurement in accordance with these contract procurement rules

No consultant shall make any decision on whether to award a contract or whom a contract should be awarded to unless specifically empowered to do so in writing by the Governing Body or body authorised to confer that power

The school must ensure that the consultant's performance is monitored.

6.25 Contract Extension

Any changes to contract must be in line with the CPR's, the Public Contract Regulations 2015 and properly recorded. Over threshold must be in line with rule 72 of the PCR's. In general, consider:

- The need for modification has been brought about by circumstances which a diligent contracting Local Authority could not have foreseen.
- The modification does not alter the overall nature of the contract
- Any increase in price does not exceed 50% of the value of the original contract or framework agreement.

Below threshold should look to follow these principles. If the contract is let via an under threshold the variation cannot take the value over the PCR threshold.

The school must seek legal advice for any intention to extend a contract.

Remember that the variation of a contract to include additional requirements may be a lack of competition and may be challenged by other suppliers. In all cases best value must be obtained.

Variations must first:

- Have budget approval
- Demonstrate best value
- Have appropriate approval to proceed
- Be in line with the existing contract
- Be made in writing

Contracts that have lapsed cannot be extended or varied. Contracts that have no extensions within the provision cannot be extended and a new contract must be procured.

All variations and extensions to contracts must be documented and records kept with the contract file and the contract register updated.

6.26 Termination of Contract

Termination of any contract may be carried out by the school in accordance with the terms of the contract. However, the school must seek legal advice prior to terminating the contract.

6.27 Contract Documents

Schools must seek legal advice on the wording of contract terms and conditions, especially if the contractor wants to use their company contract. A suite of standard tender forms and terms and conditions of contract are available from Legal Services.

For below threshold procurement an RFQ template can be obtained from Procurement.support@enfield.gov.uk. For above threshold schools need to ensure they use the Selection questionnaire if doing a restricted process.

As good practice all quotation and tender packs over PCR threshold must, as a minimum, state clearly:

1. Description of the goods required or the scope of works or services to be provided (specification)
2. That the supplier may not assign or sub-contract without prior written consent;
3. Any insurance requirements;
4. Ombudsman requirements;
5. Requirements relating to legislative requirements;
6. That charter standards are to be met if relevant;
7. Compliance with the law on health and safety at work;
8. Race relations, disability, anti-discrimination and equalities requirements;
9. A right of access to relevant documentation and records of the contractor for monitoring and audit purposes;
10. Pricing mechanism and arrangements for payments;
11. Right of termination;
12. Protection against the contractor's defective performance by default provisions which are appropriate to the contract;
13. The contract period;
14. Data Protection;
15. Social Value and Climate Action elements

6.28 Letter of Acceptance & Limited Liability

In exceptional circumstances and with prior legal approval a letter of acceptance can be issued to allow work to commence in advance of contract completion.

Letters of acceptance are generally not used by the Council. There are situations where these are necessary. Agreement from Head of Legal Services or Director of Legal and Governance Services should be obtained.

Letters of acceptance must be set out on a proper template agreed by Legal.

Please refer to Rule 21 of the Procurement Manual for more information.

6.29 Signature

The officer responsible for signing the contract must have been granted the appropriate Local Authority under the school's scheme of delegation and they must ensure that the person signing for the other contracting party has Local Authority to bind for it.

6.30 Bonds, Parent Company Guarantees and Insurances

All contracts must have some form of Financial Security:

£500,000 - £1,000,000	£1,000,000 and over
Sufficient security from the Supplier should be considered at this value to manage risk. Evidence of the form of security required, or why no security was required, must be stored and retained on the E-Tendering Portal for audit purposes.	The Supplier must be required to provide sufficient security. Evidence of the form of security required, or why no security was required, must be stored and retained on the E-Tendering Portal for audit purposes.

Sufficient security shall take one of the following forms:

1. Parent company, ultimate holding company or holding company guarantee where their finances prove acceptable;
2. Director's guarantee or personal guarantee where their finances prove acceptable;
3. Performance Bond, retained funds or cash deposit; or
4. Any other security as determined by Financial Management Services and/or Legal Services
5. Schools must never give a bond.

For all works contracts, the appropriate officer or Head Teacher must notify in writing the

school's insurance officer giving full details of the nature, duration and value of the works being undertaken on any particular project.

For contracts over £1,000,000 where the Supplier cannot provide Security, but the Council has no acceptable alternative provider or has decided to accept the level of risk, then the School must approve this in line with their scheme of delegation.

6.31 Declaration of Interests

Any employee who has a pecuniary or other interest in any actual or potential Council contract must declare it in writing to the Headteacher. All hospitality, gifts or other inducements received shall be recorded in the school's hospitality register.

Suppliers taking part in any procurement activity should be asked to declare any interest in writing to the procuring officer and where an interest is declared this should be reported to the Head Teacher. All declarations must be stored with the procurement documentation.

6.32 Managing Contracts

To ensure VFM throughout the lifetime of the contract, and that the school receives the goods, services or works as procured, schools are expected to carry out effective contract management.

Schools must ensure, specifically for high value, high-risk contract:

- (i) A signed copy of the contract is held in the central contract file;
- (ii) Is on the schools Contract Register; and
- (iii) Has performance Key Performance Indicator's and regular reviews, both for performance and commercial elements.

Evidence of managing these contracts should be held in the contract file.

All contracts over the value of £100,000 and those of a complex nature below this value must have a designated contract manager whose name should be notified to the supplier. Likewise, the supplier must have a designated contract manager, i.e. the Headteacher. These resources must be identified and agreed before the contract is awarded.

During the life of the contract the contract manager must monitor the contract in respect of:

- Performance against contract standards
- Compliance with specification and Contract terms and conditions
- Cost

- Any Value for Money requirements
- User satisfaction and risk management where appropriate

and record such information on a regular basis, proportionate to the risk and value of the contract. Refer to Rule 26 of the Procurement Manual.

6.33 PFI/PPP Contracts

Where services are being provided to a school under a PFI/PPP contract the LA will discuss with the governing body the basis of apportionment of the annual charge between the LA and the school.

The apportionment of the charge will be calculated by the LA and will be based on the following general principles: -

1. The school's share of the annual charge will be related specifically to the elements of the service provision for which the school holds the delegated budget.
2. The school's share will be calculated with reference to the cost information provided by the PFI/PPP operator.
3. The indexation of the school's share will be calculated in accordance with the PFI/PPP contract and the elements of the costs subject to indexation.
4. The school will benefit from payment deductions relating to performance and availability in so far as they relate to delegated services and also from any income sharing arrangements.
5. The school's share of the unitary charge will be adjusted to take account of increases or decreases in costs that arise from agreed variations where these relate to services for which the school has delegated responsibility.

6.34 Contracting Services and TUPE

If the school is intending to contract out services that are currently provided by Council staff (e.g. Catering), or changing their current regular service provider, they should be aware of the responsibilities that they have to consult with the staff involved, even though the school does not directly employ them. In particular, the school must take into consideration the Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE) that safeguard the rights of employees when businesses change hands between employers. Schools must ensure that when any employee or contractor arrangement may be affected by any transfer arrangement under TUPE that advice is obtained from the Corporate Procurement Team and Legal Services before proceeding with inviting tenders or quotations. Schools must consult Pensions and Payroll concerning all TUPE and pension issues before the advert for the contract opportunity is placed, as this will affect the financial value of the contract.

If the school decides to terminate existing arrangements and change the contractor for these services, these regulations will apply to the staff currently carrying out these services. The contractor taking on the service would be obliged to take on these staff, under the same terms

and conditions that currently apply. This may affect the cost quoted for the service provision by the contractor.

If the school fails to take TUPE into consideration, it could be liable to any costs associated with the transfer of staff, and even the redundancy and pension costs of these employees, if they cannot be re-deployed elsewhere within the organisation.

It is therefore important that schools must obtain advice, in writing, on both the legal and human resource implications, before starting the process of contracting out these services. Schools should also contact the existing contractor who will be able to advise them on these issues and would be able to provide information on the employees involved.

6.35 Ordering goods, services and works

The authorised signatory must be satisfied that the goods, services or works are appropriate and needed, that there is adequate budgetary provision available and that contract procedures have been correctly adhered to.

Official orders must always be raised before any goods and services are purchased.

All orders must be made on official school order forms. It is the responsibility of the school to ensure that all suppliers are made aware of the LBE Schools' Purchase Standard Terms & Conditions. Official, pre-numbered orders should be used for all goods and services except utilities, rents, rates, direct debit payments and staff reimbursements. Where urgency requires an oral order, this should be confirmed by a written order.

The standard terms & conditions for a School Purchase Order can be found here – <https://traded.enfield.gov.uk/public-assets/attach/6507/School-Purchase-Order-T-C.PDF>.

The official order forms are controlled stationery and as such must be securely retained when not in use. If applicable, records must be maintained of blank order forms, which are issued to staff.

Completed order forms must be signed and dated by an authorised signatory. The completed order form must be ruled off to avoid any additions at a later date. In order to comply with the Scheme of Delegation, the order form must have a value, and not be 'open' or have an upper limit (limit order).

When an order is placed, the estimated cost should be committed against the appropriate budget allocation, on the school's accounting system, so that it features in subsequent budget monitoring.

The details that must be included in the order are:

1. The name and address of the supplier (and fax number if appropriate)
2. The delivery date and address
3. The school contact name and telephone/fax numbers

4. A clear description and specification of the goods and services (including the quotation or tender reference)
5. The quantity
6. The unit price
7. The total cost
8. Any discounts that are expected
9. The relevant code to charge the expenditure to
10. The terms and conditions of the order
11. The dated signature of the authorising person.

A completed order form must be ruled off after the last item on the order. This is to ensure that nobody (either at the school or at the supplier) can add items to the order once it has been authorised.

The ordering stationery, both manual orders and any pre-printed orders to use with the computer system, must be stored securely when not in use. Access to the stationery should be limited to authorised personnel.

When an order is placed, a commitment must be raised on the financial system. This will help the monitoring process by providing financial information on where the school has entered into a contract to supply goods or services and, assuming those goods or services are received, how much of the budget remains for further orders etc.

Orders should be used only for goods and services provided to the school. Individuals must not use official orders to obtain goods or services for their private use. Purchase Orders should be against suppliers that have been compliantly procured. Therefore, purchase orders individually, or in aggregation cannot exceed the contracted value over the term of the contract.

6.36 Receipt of Goods, Services and Works

The goods, services and works received must be checked immediately to ensure that they are in accordance with the order. This should be evidenced with the date and a signature of the person receiving the goods or monitoring the service, and not the person who signed the order.

Incomplete, disputed or unsatisfactory deliveries should be noted on the order.

The actual goods or services received should be checked against the delivery note (where applicable) and the copy order to verify quality and quantity. Incomplete, disputed or unsatisfactory deliveries should be noted on the order before it is passed to the officer responsible for making the payment.

Where goods are returned to the supplier, there should be clear systems and documentation. This will ensure that no payments are made for goods already sent back, or that refund are requested where payment has already been made.

6.37 Process for all invoices - for services, goods or works

Payment, manual or by BACS, can only be made upon the receipt of a proper VAT invoice. The invoice must be in the name of the school and must be checked against the order to ensure the goods have been received, that the price is correct and that all discounts have been considered.

All invoices must be paid within 30 days of receipt, unless specific arrangements have been made with the supplier and noted on the order/invoice

An authorised member of staff must certify the invoice for payment. This should be a person other than the person who signed the order or the person who checked the receipt of the goods or services. This is in line with the practice of segregation of duties, making the likelihood of fraud or error smaller

The payment must be recorded in the school's accounting system as soon as the cheque is drawn, or BACS payment is made.

Payment cannot be made against a photocopied or faxed invoice. Payment can be made against a Certified Copy Invoice, where the school has requested one.

Before an invoice can be paid, the following checks must be made:

1. The invoice is arithmetically correct.
2. The goods or services were actually ordered.
3. The goods or services have actually been received.
4. The invoice is chargeable to the school
5. The supplier is charging the correct price after taking account of qualifying discounts.
6. The invoice has not been duplicated and already passed for payment. Payments should not be made on the basis of statements, copy invoices, photocopies or delivery notes.
7. The invoice complies with the requirements of a VAT invoice where appropriate (see chapter on VAT)

An example template is available, but schools can develop their own checklist as long as it covers the points listed above.

The Council has a policy to pay all suppliers within 30 days of receipt and is monitored against this measure. As school expenditure accounts for a large proportion of the total expenditure of the Council, it is essential that schools try to achieve this target.

6.37 IR 35 – Rule 27

In April 2017 the government introduced new taxation rules affecting those people who are self-employed/suppliers, including personal service companies i.e. 'one-man band' who trades through a company. It is important if you are letting a contract for services that you ensure that IR35 is considered, especially if you are going to contract with a small SME. If you

apply the rules incorrectly the Council is liable to any miscalculation of tax and will suffer reputational.

Refer to Rule 27 in the Procurement Manual for more information.

Remember that the risk now sits with the Local Authority and we will be liable for any unpaid NI; therefore, if there is any doubt please speak to HR. <https://www.gov.uk/guidance/check-employment-status-for-tax>

6.38 Payments in Advance

No payments can be made to any supplier prior to receiving the goods or services.

Any payments made in this manner would be against financial regulations as prescribed by the Scheme of Financing Schools. Governing bodies are advised to follow the guidelines included with the Scheme of Delegation and any breaches to these arrangements may lead to an audit investigation.

6.39 Scam Invoices

It is important that there are appropriate processes and procedures are in place for the procurement of goods and services. This would include ensuring all invoices received by the school are matched against the order placed on the financial system and there is confirmation that the goods or services have been received to ensure that payment is not made in respect of invoices without the school's purchase order or receipt of goods and services.

Governing bodies should review with the school staff the procedures and processes in place for the purchasing and paying of goods and services.

Nonadherence to Financial Regulations and Standing Orders may constitute breaches of the school's Code of Conduct and therefore may result in disciplinary action.

6.40 Late Payment legislation

The Prompt Payment regulations stipulates those payments must be made within 30 days, or suppliers may claim interest. Please refer to the [prompt payment legislation for guidance](#).

7 Asset Management

7.1 Introduction

The Governing Body is responsible for the proper management and security of the school premises and the custody and physical control of all other assets including machinery, furniture, equipment, stock and other assets such as cash.

Schools will have items of equipment that are desirable and at risk of being stolen including IT equipment, televisions and video equipment. It is essential that these items are kept under suitable control. All such equipment should be suitably marked with the school name and address and other security measures should be put in place such as ensuring IT suites, classrooms and offices are locked when not in use.

The school will hold other stocks and consumables that are harder to control and keep secure, but schools should monitor usage to identify any unusual patterns which could suggest misuse of resources.

Any theft should be reported to the police and to the school's insurers as soon as possible.

7.2 Asset Register

Schools are required to maintain an Asset Register of all portable, valuable and desirable goods. Schools are free to determine their own arrangements for keeping this register but must keep a record in some form. Where the record is kept electronically, a hard copy of the register must be kept in a safe, fireproof place and be available for inspection when required. The Local Authority states in the Scheme for Financing Schools that all assets with a value of £1,000 or more should be included in the register but schools can determine whether they also wish to record lower value items.

The register should include the following information for each asset:

- A description of the asset
- Any serial numbers/unique ID marks
- Date of acquisition
- Cost excluding VAT
- Location of asset
- Planned disposal details if known
- Details of leases in place for asset where applicable

The Governing Body must ensure that the register is kept up to date and is reviewed at least once a year. This should include an annual check between the register and a sample of the physical items which should be carried out by an independent member of staff i.e. not the person who maintains the register. When reviewed, the register should be certified and dated. Any discrepancies identified by the check must initially be followed up with the person responsible for maintaining the register and other members of staff as appropriate. If items

have been stolen or misappropriated, the school should contact the Police and the crime number should be recorded in the register.

The register must be updated promptly for all new assets and for the disposal of obsolete assets as soon as ownership changes hands. An independent annual review of the register should be undertaken, with all significant discrepancies reported to the Governing Body.

The register is also an important management tool that enables the Headteacher and other members of staff to monitor the assets of the school. It is useful if the register details the expected life span of the asset as this can identify when replacements will be needed, and schools can then factor this into their budget planning. The register can also support insurance claims for stolen and damaged items.

7.3 Loan of Assets

Items of school property must not be removed from school premises without the appropriate delegated authority. The school must make a record of any loan which is updated when the asset is returned. Equipment should only be loaned for educational purposes and not private use.

Loans of equipment should be authorised by the Headteacher, or a member of the Senior Leadership Team, and this should be documented in the record with an intended return date. The member of staff receiving the equipment should sign the records to show that transfer of responsibility is accepted. The record should be signed again by both parties when the equipment is returned, and this also acts as confirmation that there has been no damage. Where the Headteacher wishes to borrow equipment, the authorising officer should be the Chair or Vice-Chair of Governors.

If assets are loaned to individuals on a regular basis or for extended periods of time, the situation may give rise to a benefit in kind. This has implications, both for tax purposes for the individual and for the proper use of public funds. If clarification on the tax implications is required, it is recommended that advice be sought from the Executive Director of Resources (Payroll), your own payroll provider or HM Revenue and Customs.

Members of staff who borrow equipment should ensure that they have relevant home insurance cover, in the event of a loss of the item whilst on loan. This should be confirmed with the member of staff before the loan takes place.

7.4 Disposal of Assets

For the disposal of assets other than land and buildings, the school's Scheme of Delegation should detail that assets up to a particular value can be written off and disposed of by the Headteacher. Where the value of assets is above this limit, the school should prepare a list of items that they want to dispose of and present it to governors for approval. The decision made by governors should be recorded in the minutes of the meeting. With rapid changes in technology, these write off requests are often likely to refer to obsolete IT equipment.

If the asset to be disposed of is leased or was purchased with grant funding, the school should check the lease agreement or grant conditions to determine whether there are any restrictions on the disposal or treatment of proceeds. Please refer to the Executive Director or Resources (School Finance Team) if in any doubt.

The Governing Body must ensure that the school receives the best price possible for the disposed items, after deducting the costs associated with the disposal. Where the assets are sold, VAT must be charged as appropriate and accounted for accordingly. If there is any doubt as to the VAT chargeable, please refer to the Executive Director of Resources (VAT Accountant). The income from the sale must be paid into the school's main bank account and recorded in the school's financial management system against the appropriate budget heading and CFR code.

Where the IT equipment and other items are obsolete and have no residual value, the school may recommend that they are given to charities or other organisations. This recommendation must be agreed by governors who should ensure that the school has ensured that all school and personal data has been erased from the equipment to ensure compliance with the Data Protection Act 2018. Schools should also ensure that they adhere to the latest WEEE (Waste from Electrical and Electronic Equipment) legislation, which sets out the requirements for disposing of electrical/electronic equipment [WEEE Legislation](#).

Disposals must be recorded in the Asset Register. The entry should include the reason for the disposal, the Local Authority under which it was disposed and, if applicable, the sale proceeds and the person/organisation receiving the asset. Any documentation relating to the disposal should be retained for 6 years.

7.5 Disposal of Assets – Land and Buildings

The Governing Body must not dispose of any land or buildings without consulting with the Director of Education (Asset Management and Development) and the Executive Director of Resources (School Finance Team). Depending on how the asset was purchased/funded there may be some conditions regarding the treatment of any sale proceeds.

The procedures for the disposal of land and buildings will depend on who currently owns the assets and how the assets were originally funded. The Secretary of State will also be involved in the furtherance of his responsibility to safeguard the disposal of assets purchased or improved using public funds and the Council will also have an interest as the owner or former owner of the assets. It is essential that any school considering the disposal of land and buildings contact the Director of Education (Asset Management and Development) for advice before entering into any commitment.

The ownership of the school land and buildings under the framework is set out in the table below:

Community Schools	Assets owned by the Council
Voluntary Aided Schools	Assets owned by the trustees except where the Council continues to own certain subsidiary premises such as for the provision of meals.
Foundation Schools	Assets owned by the governing body where there is no foundation constituted or by the trustees where the school forms or joins a new foundation.

7.6 IT Assets and Security

In addition to the guidance above, particular vigilance should be applied to protect IT assets and the information held on them. Where possible equipment should be not visible from outside the building or to the general public. Portable items including laptops and tablets should be kept in a locked room when not in use, particularly overnight. File servers must be kept in secure rooms, with access limited to authorised members of staff.

To protect software and data, equipment should be turned off when not in use or returned to the password screen. Passwords should be used to stop unauthorised access to information and schools should have a clear process in place for issuing and renewing passwords and ensuring that they are of sufficient complexity. The process should also detail the withdrawal of access as soon as staff leave.

Schools must have a recovery plan in the event of loss of accounting or financial data, which may be part of their overall Business Continuity Plan. The plan is required by the SFVS and should be ratified by governors. It should outline the need for and frequency of electronic back-up, secure storage of back-ups (if possible, off-site), and manual procedures to provide support for key processes where normal system usage is not possible.

A model Business Continuity Plan for Schools can be accessed here – <https://traded.enfield.gov.uk/public-assets/attach/6493/Business-Continuity-Plan-School-template.doc>.

For additional support with business continuity matters please contact business.continuity@enfield.gov.uk.

To minimise the danger of data corruption by viruses an anti-virus solution must be implemented for all networked PCs and servers, and this should be checked on a regular basis. There is a continuing threat from previously undetected viruses, so the school should advise staff of protocols regarding the use and download of software.

Web filtering should be installed to automatically block any inappropriate websites from being accessed. Employees must not release information or computer data, particularly that of a personal or sensitive nature, to unauthorised persons and should ensure that paper copies are suitably filed and that confidential waste is shredded.

Please contact the Data Protection Officer for more information about data protection issues and model policies.

8 Capital

8.1 Definition of Capital Expenditure

All capital expenditure must meet the capital criteria as defined by the DfE below.

Capital expenditure is expenditure that results in the acquisition or construction of a fixed asset (land, building, vehicle, equipment) or enhancement* of an existing fixed asset.

*Enhancement is where money is spent on an existing asset which substantially increases its value or lengthens its useful life. It excludes routine repairs and maintenance. For example, re-roofing a building would normally count as capital expenditure whereas replacing missing tiles would not.

Schools are required to record capital expenditure in line with the Consistent Financial Reporting (CFR) guidance issued by the DfE which is reviewed and updated on an annual basis. The latest definition is as follows:

CE01 – Acquisition of Land and Existing Buildings

- cost of land acquisition including fees and charges related to the acquisition
- cost of acquiring existing buildings, including fees and charges related to the acquisition

CE02 – New Construction, Conversion and Renovation

- cost of new construction, including fees
- cost of conversions and renovations
- costs of extension to existing premises

CE03 - Vehicles, Plant, Equipment and Machinery

- any capitalised expenditure, including the acquisition, renewal or replacement of vehicles, equipment or machinery to be used at the school

CE04 – Information and Communication Technology

- purchase of computer hardware and software where these are to be capitalised

The Chartered Institute of Public Finance & Accountancy (CIPFA) advocates the use of de minimis levels to apply to a scheme when defining capital expenditure. In Enfield, only building projects costing in excess of £50,000 (CE01 or CE02), and furniture, equipment and vehicles costing in excess of £10,000 (CE03 or CE04) for a single item should be treated as capital. For VA schools the de minimis level is £10,000 (from April 2013) where the devolved formula grant received directly from the DfE is being used.

If appropriate, low value works can be amalgamated into a single project, which can then be considered for capitalisation. These arrangements will also apply to kitchens.

Under the scheme of delegation, the Council is responsible for certain capitalised repairs and maintenance items. The determination of priorities is undertaken in accordance with the Local Policy Statement of the Council's Asset Management Plan. For VA schools these limits would only apply to buildings on playing fields.

Where schools have capital schemes, they will need to be funded by the schools themselves where the expenditure is lower than the de minimis limits. As detailed in the Scheme for Financing Schools, the agreed de minimis limits, which will be applied over the next two years, are sums greater than:

Years	Primary and Special	Secondary
22/23 & 23/24	£15,000	£25,000

These limits will be reviewed and increased in line with the building price indices at the start of each multi-year period. Schemes costing more than the de minimis limits will be funded by the Council, subject to resources being available.

In addition to revenue works, schools continue to retain responsibility for various works, which were previously part of the extended scheme of delegation, irrespective of the cost.

These are:

1. Internal painting
2. External redecoration
3. Drainage
4. Playgrounds
5. Boundary fencing and walls

8.2 Capital Funding

Capital expenditure can be funded in various ways and this is reflected in the CFR Guidance as follows

CI01 – Capital Income

- capital funding from public sources, which is managed by the governing body, including devolved formula capital (DFC)
- proceeds from the sale of fixed assets
- loans from the Local Authority to fund specific capital schemes
- VA schools should record DFC received even if the funds were sent to the diocese

DFC for maintained schools is allocated by the ESFA on an annual basis, based on a lump sum and weighted amount per pupil. DFC is funding **to help schools maintain and improve the condition of their school buildings, grounds and infrastructure**. It is allocated to individual schools, to spend on capital projects that will support their own improvement priorities.

The DfE recognises that individual schools may not wish to undertake relatively small schemes each year and so the allocations may be carried forward to be spent in the following two

financial years. Schools must spend DFC within 3 financial years, with year 1 being the financial year that payment is made.

CI03 – Voluntary and Private Income

- voluntary or private income including donations dedicated for use as capital funds

Voluntary or private income for capital purposes is the amount that is raised by the school, or donated to the school, for the sole intention of using the funds for investment at the school.

CI04 – Direct Revenue Financing

- the amount from revenue expenditure applied to capital financing within the school: this is a match to amounts in E30 for capital expenditure undertaken by the school (not any amount transferred to a Local Authority reserve or contributed to the liabilities of the governing body of a voluntary aided school under E30).

Under the CFR framework, schools can only vire revenue funding for formally agreed capital schemes and it should be limited to the amount agreed to be transferred. It should be noted that the capital balances cannot be transferred back to revenue.

8.3 Furniture and Equipment Funding

Major capital developments being undertaken by the Council usually include funding to provide furniture and equipment. This will usually be devolved to the school to spend. Schools will usually be required to provide the Council with a list of items that they propose to purchase from the capital budget.

Once the expenditure has been incurred, schools will be required to submit copies of paid invoices to the Local Authority's Capital Delivery Team. Once these have been checked and confirmed, schools will be reimbursed through the monthly advance process.

8.4 Voluntary Aided Schools Capital

Voluntary Aided (VA) schools are Local Authority maintained schools and often, but not always, have a religious character. These schools are eligible for capital funding grants, but the Governing Body must usually pay at least 10% of the costs of capital work.

VAT cannot be reclaimed for capital expenditure by Voluntary Aided Schools. See [VAT section](#) for further details.

Certification will need to be provided at the end of the year:

1. To show how the capital has been spent or whether the money is being carried forward to next year. If only part of the money is being carried forward, then confirmation of this amount will be needed.
2. To show how the 10% statutory contribution has been made
3. Compliance with local planning and other approvals e.g. Building Regulations has been carried out

4. VAT has been paid (where relevant) and will not be reclaimed
5. Trustees of the buildings have been consulted about any work to the school premises (N.B. Church of England schools are under a legal responsibility to do so).

The de-minimis level for Voluntary Aided Schools is £10,000 from 1 April 2013.

VA governing bodies are liable for:

1. The existing school buildings (internal and external)
2. Those buildings previously known as “excepted” (kitchens, dining areas, medical/dental rooms, swimming pools, caretakers’ houses)
3. Perimeter walls and fences, even if they are around the playing fields
4. Playgrounds
5. Furniture, fixtures and fittings – and ICT hardware but not software.
6. Other capital items (which can include boiler replacements and replacement of services)

The Council is liable for:

1. Playing fields (including sports pitches and hard surfaced games areas e.g. tennis courts unless also used as playgrounds)
2. Buildings on those fields or anything related to their use

Regarding revenue expenditure, there is no difference in the arrangement between VA or maintained schools.

Voluntary Aided Schools should refer to the DfE guidance [VA Schools Capital Funding](#) for more details and links to supporting forms and information. Further information can also be obtained from the Diocesan representative (where appropriate) or from the LBE Capital Delivery Team (details are in the table in Section 1.4).

9 Private and Voluntary Funds

9.1 Introduction

The Executive Director of Resources (Treasury Management) must be informed of the existence of any private or voluntary fund held by the school, the name(s) of the person(s) responsible for its operation and the bank account details.

The guidance in this section deals with private funds held by the school. Other funds held by bodies who may be associated to the school but not part of the school, such as parent teacher associations, are excluded from this guidance and should be held completely separate from any school funds. Where schools are in deficit, any funds held in private accounts should be transferred to the main account to support the deficit position.

9.2 Banking Arrangements

The same rules apply to private fund banking arrangements as to the school's main bank account e.g. segregation of duties and the headteacher should ensure that the same standards of financial accounting which apply to income and expenditure for the school's delegated budget are applied to the voluntary funds.

9.3 Expenditure

The DfE, through CFR, has deemed that any expenditure from Private Funds on behalf of the school must be recorded in the school's financial records i.e. the main school accounts and it should be included in the CFR return made at the year-end. The funds should be transferred over from the private fund to the school's Council funds and recorded as income e.g. a donation. Private Funds are generally used for specific purposes within a school and in most cases, balances are reducing but any balance held at the year-end, 31 March, should be recorded in the Annual Statement of Account.

In practice, most expenditure should go through the main bank account. Any employee expenditure should go through the school's payroll service and therefore the bank account. Any goods and services that attract VAT should go through the bank account so that it can be reclaimed. Expenditure through the private fund is not subject to the same VAT exemptions.

Therefore, the most efficient way of operating the private fund is to put all educational expenditure through the main bank account and then record the donation from the private fund as income. Non-educational expenditure such as purchasing flowers for an individual should be paid from the private fund. However, guidance from the DfE states that even this type of expenditure can go through the main bank account and appear on the CFR as long as the cost is met by a donation from the private fund.

Funds cannot be moved from the school's main bank account to the private fund.

All receipts and invoices to support expenditure must be retained in an appropriate format.

9.4 Audit

An Annual Statement of Account in the form of a receipts and payments account, showing the financial position of the account, must be produced and certified by approved auditors. The certified statement must be received and approved by the Governing Body on an annual basis.

The Governing Body must appoint the auditors. Suitably qualified, independent persons appointed by the Governing Body, who have professional indemnity cover in respect of such work, must carry out the annual audit of these funds. This should ideally be a qualified accountant who is registered for such work. They cannot be employees of the school or related to any members of staff. Governors are also excluded from auditing the private and voluntary fund accounts

The auditor must prepare a certificate at the conclusion of their work, showing the standard to which, they have completed the work and the basis on which they have formed their opinion. This certificate along with the accounting statements must be presented to the Governing Body on an annual basis. Any audit fees incurred in the preparation of these statements must be charged to the private account, which has been audited.

The Executive Director of Resources reserves the right to undertake an audit of any unofficial (private) funds and to inspect related records where considered appropriate, including bank statements, cash books and vouchers. Internal Audit will look at private fund records as a matter of course in each individual school audit.

9.5 Insurance

The Governing Body must ensure that the school has appropriate insurance cover for the unofficial school funds and parent/teacher association funds. The amount covered should equate to the maximum amount likely to be held at any time. The PTA funds are not covered by the Insurance held at the schools. The school must ensure separate insurance is taken out to cover any funds held by the PTA. These costs must be met by the PTA.

9.6 VAT

Schools' Private Funds are not part of the Council's VAT registration and need to be separately VAT registered if the total annual taxable turnover exceeds the statutory threshold which is currently £85,000. HM Revenue & Customs do not allow schools' Private Funds to be disaggregated in order to keep each individual "fund" or accounts below the transaction threshold.

9.7 Gift Aid for Charities

School charities (that is schools run by charities, charities associated with schools and charitable groups that support schools - for example, a charitable Parent Teacher Association) often find Gift Aid is an effective way of boosting funding. While many donations made to

school charities are eligible for Gift Aid it often goes unclaimed as school charities are unaware of what they can claim or feel Gift Aid is too complicated.

HM Revenue and Customs (HMRC) have published guidance to help school charities make the most of Gift Aid and Payroll Giving. It provides a summary of how Gift Aid and Payroll Giving work and which donations qualify including simple examples relating to funds received by school charities. You can find further advice from the DfE via this link: [Gift Aid](#).

10 Insurance

10.1 Minimum cover

The school must demonstrate that, under a policy arranged by the Governing Body, it has obtained adequate cover of the Local Authority's insurable interest, consistent with the Local Authority's minimum requirements. The required level will have regard to the actual risks, which might reasonably be expected to arise at individual schools concerned. The Local Authority would expect:

1. The cover is commensurate with the cover provided under the Local Authority's own insurance programme;
2. A copy of the insurance documents should be made available to the Local Authority, Executive Director of Resources (Insurance Manager), upon request along with confirmation that the premium was paid;
3. The Local Authority's insurable interest is noted and evidenced either by the Local Authority's interest being noted on the policy documents or a letter from the Insurer confirming that the Council's interest has been noted.

For confirmation of the school's minimum requirements, please contact the Insurance Manager.

The Local Authority provides buyback arrangements for Insurance which ensure that the Council's minimum requirements are met but schools can also make their own arrangements for insurance cover. As an alternative to taking out insurance with another provider, a school may join the Secretary of State's risk protection arrangement (RPA) for risks that are covered by the RPA. Where all primary and/or secondary schools join the RPA collectively, then the phase representatives on the Schools Forum may agree to de-delegate funding but this is not in place at this stage. Details of the Risk Protection Arrangement for Schools can be accessed here [RPA](#).

Where the insurance cover arranged by the school fails to meet the Local Authority's required level, the Local Authority will inform the Headteacher and advise on the required action. If appropriate action is not taken, the Local Authority will take the necessary action to ensure that its interests are covered and will charge the school for any costs incurred.

Enfield Council cannot obtain insurance for extended school activities run by private limited companies, independent management committees, charities or separate legal entities which should all have their own insurance cover. A written agreement should exist which indicates who bears what risk and imposes an obligation to insure. If schools themselves provide an activity as part of the operation of their school, then the Council's standard policy will provide cover, subject to standard terms and conditions.

For specific guidance about the position for events organised by Parent/Teacher Associations e.g. school fetes/quizzes, please contact the Insurance Manager.

10.2 Governor-Run Extended School Activities

Generally, Governing Bodies must ensure that they have insurance covering the extended school activities that they intend to run. The insurance requirements of each Governing Body will depend on the activities being undertaken at the school.

Those schools purchasing the Local Authority's insurance scheme are not automatically covered for governor-run extended activities (the exception to this is out-of-hours learning attended by the school's own pupils).

10.3 Insurance – Contractors and Consultants

Contractors and consultants must have their own insurance cover. All contractors and consultants, depending on the nature of business in which they are engaged, should have Public and Employer's liability insurances. Schools must ensure that contractors or consultants have the appropriate level of Public and Employer's Liability Insurance before they begin work on site. This should be evidenced by seeing the insurance certificate or, as a minimum, a letter of confirmation from their insurers/brokers.

A contractor or consultant should also have other insurance cover, dependent upon the nature of business in which they are engaged (e.g. Professional Indemnity). Before allowing work to commence, the school must also be satisfied that such other insurance, when relevant, are in place and at an appropriate level.

10.4 Types of Insurance

Below is a brief description of the types of insurance that are required. For a detailed description of the cover needed, please refer to the Insurance Services Service Level Agreement. Alternatively, please contact the Executive Director of Resources (Insurance Manager) directly. There are four main types of insurance and these can be subdivided as follows:

Combined Liability Insurance

Employers' Liability - This insurance covers any person under a contract of service or apprenticeship with the Council or the school against claims for compensation for injury or disease where the claim arises in the course of their employment. It also covers costs and expenses incurred in the defence of any prosecution brought against the Council and/or Governors for breach or alleged breach of the Health and Safety at Work Act 1974.

Public Liability - Often referred to as Third Party Liability, the policy covers claims made against the Council or the school by pupils, visitors and members of the public in respect of accidental bodily injury or damage to, and loss of, property.

Officials' Indemnity - This insurance covers the Council, Governors and Employees for compensation that they must pay to third parties for financial loss arising from negligence or accidental error or omission during the course of official school business.

Libel and Slander - This covers Members, employees and Governors against damages for libel or slander arising during their school duties.

Other Liability Insurance

Money - The policy should cover the loss of cash or negotiable money (e.g. postal orders, crossed cheques) both in transit and at the school. Adequate security precautions must be taken. Please contact the Executive Director of Resources (Insurance Manager) directly for specific queries.

Fidelity Guarantee - This covers the loss of money or property belonging to or in the custody of the School as a result of fraud or dishonesty on the part of employees.

Personal Accident – Subject to standard terms and conditions, this insurance, which in many parts, provides cover for employees, governors, volunteers and work experience placements for any personal injury incurred in the course of their duties at the school.

10.5 Mandatory Insurance Areas

Property (Buildings and Contents)

Governing Bodies must insure all school property against the perils of:

1. Fire
2. Lightning
3. Explosion
4. Aircraft damage
5. Burst pipes
6. Riot and civil commotion
7. Malicious damage
8. Malicious persons
9. Storm or flood
10. Earthquakes
11. Tempest
12. Impact
13. Theft
14. Accidental Damage

Cover should give appropriate inflation protection and must include:

- Automatic reinstatement after loss
- Debris removal
- Professional fees
- Rebuilding to meet LA regulations
- Property temporarily removed (with permission) from the school up to the value of 10% of the sum insured or £25,000, whichever is higher

10.6 School Trips

All schools that buy back into the Local Authority's central insurance arrangement are automatically covered for all school trips. The school is not required to request cover or complete a proposal form but must maintain evidence of the authorisation for the trip and written records of which pupils attend which trips. This insurance extends only to Enfield pupils on the trip, together with staff and any volunteers authorised by the school. Schools arranging insurance through other providers should check whether trips are included in the standard policy or whether additional cover needs to be arranged.

10.7 Laptops

The school's insurance does not extend to cover laptop computers taken home by pupils as they are not then in the custody and control of the school. In the event that pupils are required to take the computers home, the parents should be asked to extend their own household contents insurance to provide cover for the equipment. Where teachers are authorised to take laptops home, these will be covered under the school's insurance. However, the insurance specifically excludes equipment left in the open or in unattended vehicles.

10.8 Staff Business Car Use

If a member of staff uses their own vehicle for school business, no matter how infrequently, the school must ensure, by physical checking of their insurance policy that the driver/owner's policy covers that activity.

10.9 Making Insurance Claims

Each insurer will have their own procedures with regards to making claims against policies. These procedures should be followed very closely to avoid claims being refused. All schools should pay attention to the reporting deadlines and the requirement placed upon them to provide relevant information.

It is important that when you need to claim on your insurance, you inform the insurer as soon as it is practical to do so. Often, insurance policies will state the period during which you can claim for a loss. Make sure you abide by these conditions, or your claim may be rendered invalid.

When making a claim, you need to provide the following information:

- Date of loss/damage/accident/incident
- Crime Reference Number
- Exact cause of loss
- Extent of loss
- Exact time and place of loss (as near as possible)
- Value of items claimed for and proof of value (e.g. receipts, invoices, etc.)

10.10 Dealing with claims against you

If you receive a claim against your school, or a threat of legal proceedings, you should acknowledge it and send it to your insurer as soon as possible.

In any claim against you:

- DO NOT enter any correspondence with the claimant
- DO NOT admit liability

Always refer to your insurer's guidelines for procedures.

10.11 Record Keeping

Schools should ensure that:

- Primary pupils' files are kept for a minimum of 12 years
- Secondary pupils' files are kept for a minimum of 7 years
- The files are available in the event of a claim

Remember that the statutory limitation for a child making a claim is until they reach the age of twenty-one (21).

11 Value Added Tax (VAT)

11.1 Introduction

Value Added Tax (VAT) is a tax added to the supply of most goods and services sold or provided by a VAT-registered organisation. Organisations must register for VAT if their VAT taxable turnover is more than £85,000 and they must charge VAT on all vatatable goods and services they supply.

The London Borough of Enfield (LBE) is a VAT registered organisation and so it must follow the same VAT regulations as the private sector.

LBE's VAT registration number is 220 6708 90 and this is also to be used by all LBE maintained schools as the schools are a part of the LBE organisation.

Every month LBE is required to submit a VAT return to HM Revenue and Customs (HMRC) of the total tax amounts for the whole Council as well as the schools. The total tax is made up of:

- a. Input tax – VAT on purchases/expenditure (to be recovered from HMRC)
less
- b. Output tax – VAT on sales/income (to be paid to HMRC)

It is very important to calculate and record the VAT incurred each month as incorrect returns to HMRC can attract penalties. HMRC can also add interest to the amount owed for late payments. These can seriously affect a school's budget if it occurs so please contact the LBE VAT accountant if you have any VAT-related queries.

The current VAT Account at LBE is DeMarco Benjamin (taxenquiries@enfield.gov.uk).

LBE is also supported by our tax consultant PS Tax who offer annual training to LBE schools.

11.2 VAT Rates

Different goods and services attract different VAT charges depending on the category they fall into and government regulations at the time.

The table below shows the current 6 rates of VAT and some examples of what goods and services attract these rates.

The standard rate of VAT should be applied to all goods and services unless they clearly fall within one of the other VAT rate categories.

Rate	Percentage	Examples of goods and services
Standard rate	20.00%	Anything not considered to be the below
Reduced rate 1	12.50%	Catering, certain supplies of hospitality/hotel accommodation and admission to shows and attractions
Reduced rate 2	5.00%	Domestic fuel and power, energy saving installations, children's car seats, contraceptive products etc.

Zero rate	0%	Food, books (libraries), new houses, children's clothes, sewage and women's sanitary products
Exempt	-	Land transactions, insurance, financial services, education, health and welfare, postal services
Outside the scope	-	Supplies between the local authority and other maintained schools, donations/grants, supply by someone not registered for VAT, compensation

11.3 Reporting>Returns

All LBE maintained schools are required to submit a monthly VAT return to the Local Authority using the template provided. This contains a breakdown of the input and output VAT at the various rates, a net of the tax due and a cumulative total each month.

If there are any issues then the LBE Finance Team will contact you to amend your return or provide invoices for certain transactions.

11.4 Specific Categories

Lettings

- Room hire
Hiring out rooms, including those with kitchen facilities are usually exempt from VAT. This is the case when the room is hired for the purpose of the occupation of the room rather than the use of the room's facilities. If a room contains desks and chairs as part of its normal use then the letting of this room would still be exempt. If the client requires any additional equipment, e.g. audio/visual equipment then this can be charged for separately and VAT can be charged.
If the client hires a particular room in order use it for its specific equipment, e.g. a theatre then it is liable to VAT as the room is being hired for its facilities rather than just occupation.
- Hall hire
Hiring out school general-purpose halls are usually exempt from VAT even if they have floor markings for playing sports. They are exempt from VAT whether or not the hall is being used for sports or non-sports activities. If sports equipment is also included with the hall hire then it would be classed as the letting of a sports facility and would be liable to VAT. This is also the case for halls that have been adapted for sports, e.g. with fixed basketball nets or bars in dance studios.
- Sports facilities
Facilities that are built or adapted for sporting purposes (including the halls mentioned above) are liable to VAT but exempt in the following situations:
 - Single lets over 24 hours
When it is let to the same person for a continuous period of more than 24 hours and this person has exclusive control of the facility during this period.

- Series of lets

When it is let for a series of activities, and all of the following conditions are met:

 - ✓ The series consists of 10 or more sessions
 - ✓ Each session is for the same sport or activity
 - ✓ Each session is in the same location/establishment
 - ✓ There is an interval of at least 1 day between each session but not more than 14 days, even if the venue is closed for any reason, e.g. a bank holiday
 - ✓ Refunds can only be made if the facility is unavailable for use in the event of an unforeseen circumstance, e.g. pitch flooding
 - ✓ The series is paid for as a whole and there is written evidence to that effect
 - ✓ The facilities are let to a school, club, association or organisation representing affiliated clubs or constituent associations, such as a local league. The exemption does not apply to informal group gatherings, e.g. friends playing group football.
 - ✓ The person to whom the facilities are let must have exclusive use of the facilities during the session
- Lets to individuals

When a sports facility is hired out to an individual. This includes the use of the sports facility and any other services closely related to it, e.g. use of the changing rooms or sports equipment.
- Car park

Hiring the school land for a car park or individual parking is always liable to the standard rate of VAT.

Catering

- School meals
 - In-house catering

If schools directly provide food and drink to their pupils themselves, this is classed as non-business if it is provided at or below the cost (including overheads) to the school. There is no VAT on this supply as it is outside the scope of VAT.
 - External supplier

If an external company (including LBE) provide meals to pupils, VAT should be charged on these meals. The company will normally offset their costs from the income collected and therefore send an invoice for only the VAT to be paid.
- Vending machines or tuck shops

Food or drink from vending machines or tuck shops are also treated as non-business if they provided at or below the cost to the school.
- Sales to staff and visitors

If the food or drink is supplied for consumption in school dining areas then it is liable to VAT. Cold takeaway food such as sandwiches eaten in the staff-room is zero-rated. If the volume of sales to staff and visitors cannot be easily identified then an appropriate apportionment must be used.

- Food sold to pupils to be consumed off premises
When pupils buy food or drink to be consumed off the premises, the transaction becomes a business supply. VAT should be charged based on the nature of the food provided, e.g. crisps would be standard-rated but cold sandwiches will be zero-rated.

Clothes/school uniforms

As the sale of clothes is not closely related to the education of children, it should be bought and sold through the private funds. Therefore, you cannot recover any VAT when purchasing the clothes, but you do not need to declare the VAT when selling the items.

HMRC have stated that clothing or footwear for children can be zero-rated if they are within the measurements in the table below (based on children under 14 years old). Clothes outside of these measurements can be zero-rated if they bear a prominent badge or crest that are only sold for this particular school. Further guidance can also be found [here](#).

Boys					Girls				
Garment	Chest centimetres (cm)	Chest inches (")	Waist centimetres	Waist inches	Garment	Chest centimetres (cm)	Chest inches (")	Waist centimetres	Waist inches
Shirts	104cm	41.0"			Shirts	105cm	41.5"		
Knitwear	104cm	41.0"			Knitwear	105cm	41.5"		
Jackets, waistcoats	109cm	43.0"			Jackets, waistcoats	110cm	43.5"		
Top coats, outerwear	114cm	44.5"			Top coats, outerwear	115cm	45.0"		
Dresses	not applicable		not applicable		Dresses	98cm	39.5"		
Skirts*	not applicable		not applicable		Skirts*			71cm	28.0"
Trousers, shorts*			72cm	28.5"	Trousers, shorts*			71cm	28.0"
Underwear, swimwear	88cm	34.5"	72 cm	28.5"	Underwear, swimwear	89cm	35.0"	71cm	28.0"
Nightwear	105cm	41.5"	73cm	29.0"	Nightwear	106cm	42.0"	72cm	28.5"

Donations

Donations that are freely given to a school where nothing is expected in return, are outside the scope of VAT. This includes monetary donations as well as equipment donations. If there is a condition attached to the donation and the donor receives something in return, e.g. use of the equipment or free school show tickets then this donation is subject to VAT. However, a low-value token to acknowledge the donation, such as a name plaque is not liable for VAT.

When using donated funds to make purchases, VAT will be chargeable on the donation unless the following conditions are met:

- The school makes the purchase itself, from ordering to payment;
- The school retains ownership of the purchase for itself and non-business purposes;
- The purchase must not benefit the donor or a third party; and
- The school must keep records of the purchase and the reason it was purchased.

Fuel and energy

Power that is supplied in small quantities is liable to the lower rate of VAT of 5%. This applies to residential buildings, buildings used by charities for non-business purposes and qualifying schools that provide free education (voluntary aided schools, voluntary controlled schools, foundation schools, special residential schools).

Internet purchases

Always obtain a valid VAT invoice for all internet purchases

Purchases from non-UK suppliers

Import VAT is charged when goods enter the UK and must be paid before the goods are released from the Customs border

Import VAT can be claimed but evidence of payment, a C79 form must be completed

The LBE VAT registration number needs to be given to non-UK suppliers to ensure that local VAT (VAT in foreign country) is not charged as only UK VAT can be reclaimed.

A customs declaration will need to be completed before goods can enter the UK so please contact the LA VAT Accountant in advance of purchasing anything from abroad so that the VAT and customs issued can be sorted out early.

For internet purchases, ensure the school is set up as a business customer with suppliers otherwise you may be charged local VAT or not receive a valid VAT invoice. Only pay via the school's account as paying via personal cards may not generate valid VAT invoices to support reclaiming the VAT.

School photographs

The treatment of VAT depends on the way the photos are supplied to the pupils:

- Photographer sells directly to the pupils/parents
If the photographer is VAT registered, they must account for VAT on the price of the photos sold to pupils. The commission or discount the photographer pays to the school is liable for VAT if it is paid into the school's main account and exempt if it is paid into the school's private fund. The commission paid to foundation or VA schools is not liable to VAT unless the school's governing body is VAT registered.
- Photographer sells to the school who then sell to the pupils
If the photographer is VAT registered, they must account for VAT on the price of the photos sold to the school. If the school processes the income and expenditure through the school budget, VAT can be reclaimed on the price and charged on the sale. If the income is processed through the school's private fund, VAT cannot be reclaimed on the price or charged on the sale to pupils.

Schools trips

VAT treatment for school trips is based on whether the trip is educational or not. An educational trip is related to the school's curriculum and is classed as a non-business activity so VAT can be recovered on educational trips but should not be passed to pupils/parents. Schools must be able to prove that a certain trip was educational so you should retain proof in case this is requested by HMRC.

A non-educational trip is classed as a business activity so VAT cannot be recovered and should not be passed to pupils/parents. This should also be processed through the school's private fund.

VAT is not recoverable on trips abroad and these should be processed through the school's private fund.

Trips booked through a tour operator may fall under the Tour Operators Margin Scheme (TOMS) which is a special VAT accounting scheme applying to certain travel supplies that are sold by tour operators. The invoices for these trips will not show VAT on the invoice and the it cannot be reclaimed or passed to pupils/parents.

Whichever fund is used for a particular school trip, all income and expenditure for that trip must go through that same account.

11.5 Purchases Under or Over £250

Purchases made for amounts of £250 or more (gross, i.e. including VAT) require more detailed invoices than for purchases that are less than £250. The table below shows the requirements for both.

Details Required	< £250	≥ £250
An identifying number (e.g. invoice number)	✗	✓
Name, address, and VAT registration number of the supplier	✓	✓
Time of supply (tax point)	✓	✓
Issue date of the invoice (if different to time of supply)	✗	✓
Name and address of the customer to whom the supply is made (i.e. the school)	✗	✓
Description identifying the goods/services supplied: <ul style="list-style-type: none"> • Quantity of goods/extent of the services • Net amount charged (i.e. excluding VAT) • VAT rate applied • Total charge made, excluding VAT • Rate of any cash discount offered • Total amount of VAT charged 	✓	✓
The unit price, in relation to countable goods and services	✗	✓
For each VAT rate applicable, the total amount payable (including VAT) and the VAT rate charged	✓	✓

11.6 Voluntary Aided (VA) Schools

Governing bodies are classed as separate legal entities so any VAT on their non-business activities cannot be recovered under Section 33 of the VAT Act 1994.

The table below shows the different items that governors are responsible for, as opposed to the LA responsibilities. Further details can be found in the [Capital section](#).

VA GB Responsibilities	<ul style="list-style-type: none">• existing school buildings• "excepted" buildings (kitchen, dining areas, medical rooms, etc.)• perimeter walls and fences• fixed furniture and fittings• other capital items
LA Responsibilities	<ul style="list-style-type: none">• playing fields• buildings on playing fields or anything related to their use

The GB of a VA school are responsible for meeting all capital expenditure in relation to the school premises (for which they are responsible), except when it is below the de minimis. VA schools' expenditure below the de minimis of £10,000 should not be treated as capital expenditure and is not the responsibility of the Governing Body. VAT can be claimed on works that the LA is responsible for and the expenditure is less than £10,000. The invoice must be retained.

VAT cannot be reclaimed for GB-responsible capital expenditure by Voluntary Aided Schools. Even if the delegated budget is used as the funding source, VAT still cannot be claimed. The total cost will need to be coded and VAT stated as zero. Only LA-responsible works are VAT recoverable.

VAT cannot be claimed on any invoices that contain both governor and council works. Therefore, separate invoices must be kept in order to be able to claim the VAT.

The DfE can fund grants to Governing Bodies of VA schools of 90% of qualifying expenditure so they can meet their responsibilities. The Governing Body then need to fund the remaining 10% of the cost. VAT is not recoverable for this.

Insurance

Claim settlements will exclude VAT on the cost of works so the insurer should be aware that VAT is not recoverable and this should be factored into the premium. As a result, VA schools have increased premises insurance premiums and LAs are responsible for this.

DfE grants for any replacements can be funded for 90% where the remaining 10% is to be met by Governing Body.

VAT on revenue losses can be recovered.

11.7 Academies

If LBE maintained schools trade goods and services between themselves then these transactions can be treated as outside the scope of VAT as they are part of the same VAT registered organisation.

Academies do not need to be VAT registered unless their taxable turnover is greater than £85,000 per year; the current registration threshold. They can register for VAT voluntarily though, even if their turnover is below the threshold as this would make it easier to recover VAT on non-business transactions.

As academies are independent from the LA, you need to decide if you wish to charge academies VAT when trading goods or services with them. Academies can reclaim their VAT incurred which is related to non-business activities, so the same VAT treatment applies to them as to LA maintained schools.

12 Leasing

12.1 Introduction

Schools should ensure that the best value is obtained when acquiring any new equipment or asset. As part of this process schools should always go through their usual commissioning process for the equipment before considering any type of finance. This might involve a pre-purchasing review to confirm what equipment is needed, and preparation of specification and evaluation criteria. Schools should shop around as the most competitive quotes for purchasing the equipment might come from a supplier that does not offer leasing or vice versa.

12.2 Definition

Where a school acquires the use of equipment and does not pay for it in full, from the outset, but spreads the cost over a period of time, this arrangement constitutes a rental agreement or lease. Rental agreements tend to be for minor items of equipment, and the term lease is usually used for larger items, but in essence the arrangements are the same and in the following paragraphs, the term lease is used to describe both.

Leasing allows schools to:

- Acquire equipment by making payments at regular intervals over the period it will be used
- Avoid steep up-front purchase costs, especially in situations where cash flow considerations are key. But as with any finance product, schools should know the cumulative costs incurred by leasing, that is the annual charges multiplied by the number of lease years. This total cost should be the comparison for purchase costs.

Incentives such as cash-back, “free” equipment or accessories, subsidised rentals, and offers of the school being used for marketing purposes can sound very appealing in the short-term but schools should not lose sight of the terms of the lease agreement and the regular payments this will entail. Generally, if an offer seems too good to be true it is worth further, detailed investigation before entering into any agreement as any unexpected charges later in the process can be very costly.

12.3 Types of Lease

There are 2 different types of lease – operating leases and finance leases – but schools should generally only enter into operating leases as the use of finance leases require Secretary of State approval.

Understanding the main differences between a finance lease and operating lease is essential. The table below provides a summary:

Operating Lease	Finance Lease
Operating lease agreements typically have a shorter duration than the working life of the equipment. Under an operating lease, the leasing company ("lessor") retains the risks and rewards of ownership, and it will also retain an investment in the equipment being leased, known as the Residual Value. You will not own the equipment at the end of the agreement.	Finance lease agreements usually run for all, or a substantial proportion, of the equipment's estimated working life. Under a finance lease, the leasing company("lessor") transfers all of the risks and rewards of ownership of the equipment to the customer ("lessee"). You will not own the equipment at the end of the agreement. Leases that do not meet the operating lease criteria will be finance leases.

The difference between a finance and operating lease depends on the substance of the transaction rather than the form of the contract. The table below may help establish the type of lease:

Questions to ask:	Answer Yes	Answer No
Is the lease term for the major part of the economic life of the asset, even if the title is not transferred?	Finance lease	Operating lease
At the inception of the lease does the net present value of the minimum lease payments amount to at least substantially all of the fair value of the leased asset?	Finance lease	Operating lease
If still unsure as to type of lease (a mix of yes and no answers to the section above), consider the next set of questions:	Answer Yes	Answer No
If the lessee is entitled to cancel the lease, are the lessor's losses associated with the cancellation borne by the lessee?	Finance lease	Operating lease
Does the lessee have the ability to continue to lease for a secondary period at a rent that is substantially lower than the market rent?	Finance lease	Operating lease

12.4 Other Things to Consider

The Finance Provider

Some equipment manufacturers/providers may supply both equipment and finance, many businesses offering leasing arrangements to schools are equipment suppliers who offer finance via third party finance companies.

When dealing with an equipment supplier, schools should always check who the finance company will be. If they are members of the FLA, this will give a school the added assurance that the lender will be subject to the FLA's [Business Finance Code](#) which sets out high standards for customer service, information and complaints procedures.

Possible Additional Costs

Lease agreements will generally require a school to make regular fixed payments over an agreed period of time, but there may be additional costs related to the use of the equipment. For example, in the case of photocopiers there may be charges per copy or for ancillaries such

as ink or staples. Schools should ensure they are clear about all the costs involved before entering into a lease agreement.

Lease Period

Schools should choose a lease period based on a variety of factors including how long they intend to keep the equipment and affordability based on their medium-term budget position.

End of Lease

Before entering into a lease, schools should be clear about the options available at the end of the lease period which could include continuing to lease the equipment or returning it to the leasing company.

Maintenance and Supplies

Schools should always be clear about the maintenance or supply services that are included or excluded in the lease.

The ESFA's [Leasing Guidance for Academy Trusts](#) provides a useful summary of information in respect of leases which applies to both academies and maintained schools.

12.5 IFRS 16

Currently, as detailed above, maintained schools can take out operating leases while finance leases require approval from the Secretary of State under the terms of the Education Act 2002. The implementation of IFRS will end the distinction between operating and finance leases and, in effect, all leases will be classified as finance leases.

The DfE are looking at the Secretary of State giving consent for particular classes of leased assets (listed below). Leases for items on this list would therefore not need to be submitted to the department for approval:

- all existing leases already in place by 01/04/22 (maintained) and 01/09/22 (academies)
- IT equipment
- telephony
- catering equipment
- furniture
- bathroom/sanitary equipment
- gym equipment
- grounds keeping equipment
- minibuses and other vehicles for the use of the school
- temporary classrooms and equivalent structures

Any other type of lease is likely to require the Secretary of State's consent.

Implementation for LA maintained schools will be subject to the outcome of the CIPFA consultation and updates will be provided. Following implementation, the list will be kept

under review and the relevant guidance and documents will be updated and circulated to schools. Leases not on the list are likely to be those relating to land and buildings.

If you have any queries, please email IFRS16.ENQUIRIES@education.gov.uk.

12.6 LA's Loan Scheme as an Alternative to Leasing

An alternative to leasing, when schools need to spread the cost of works or a purchase over a period of time, is the Local Authority's Loan Scheme. The LA will consider, in some circumstances for the school to borrow a sum of money over and above its budget share. These circumstances will include:

- Major building investments that are consistent with the school's Premises Management Plan or an agreed priority for capital expenditure
- Works to support the achievement of objectives as identified in the School Development Plan
- Essential works to comply with legislative/regulatory requirements
- Acquisition of a vehicle, plant or equipment, which has a life expectancy of at least 3 years

Schools seeking a loan would be required to submit:

- A letter from the Chair of Governors setting out plans for which a loan is sought, and how this contributes to the school's development plan
- A demonstration that the school would be able to make the loan repayments over the period of the loan from within its financial resources
- A commitment from the GB that the loan repayment would be made annually either through a deduction from the monthly advance payments or via invoice payment

Schools may borrow a sum up to 10% of their delegated budget, although this limit can be extended in exceptional circumstances when the school can demonstrate their ability to repay the loan. The loan period would usually be 3-5 years and would be negotiated with the school as part of the agreement process.

Once a loan has been agreed, a formal loan agreement will be agreed with the school, signed by the Chair of Governors, Director of Finance and Director of Education.

If you would like to consider taking a loan, please contact the Schools Finance Team.

12.7 Year-End Accounting

At the year end, as part of the annual outturn process, schools are required to provide various information regarding any leases in the Revenue Workbook. Copies of leases may also be requested by the Local Authority so schools should ensure that these are available if required.

The leasing information requested in the workbook can be accessed here –

<https://traded.enfield.gov.uk/public-assets/attach/6512/Year-End-Leasing-Information-Requirements.xlsx>.