TOWER HAMLETS

Financial Procedures for Schools

Produced by Tower Hamlets
Schools Finance Team

Updated 2023

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1. INTRODUCTION

1.1 Purpose of this Manual

This manual clearly defines and documents effective financial controls and processes for Tower Hamlets Schools.

1.2 Key Contacts

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The following tables provide a list of key contacts within Tower Hamlets Council.

Team	Email
Schools Finance Team	Schoolsfinancehelpdesk@towerhamlets.gov.uk
Head of HR - Health Adults & Community and Children & Culture Directorates	Pat.Chen@towerhamlets.gov.uk
Head of Strategic Finance Children and Culture	Kay.Goodacer@towerhamlets.gov.uk
Internal Audit	bharat.mehta@towerhamlets.gov.uk
Whistleblowing Hotline	07732 402614 (Head of Internal Audit)
Anti-Fraud Team	corporatefraud@towerhamlets.gov.uk
Senior Accountant (VAT & Tax)	Danny.Warren@towerhamlets.gov.uk
Payroll	Payroll.Services@towerhamlets.gov.uk
Insurance Team	Insurance@towerhamlets.gov.uk

2. FINANCIAL MANAGEMENT AND RESPONSIBILITY

2.1 Financial Management & Controls

2.1.1 The Governing Body is responsible for the financial management and control of the school's budget, compliance with the Scheme for Financing Schools and the LBTH Financial Regulations

2.2 Delegation of Authority

2.2.1 In practice, Governors will delegate authority to a committee, an individual Governor, or the Headteacher.

2.2.2 To delegate authority to a Committee the Governing Body must establish 'terms of reference'. To delegate authority to an individual Governor or the Headteacher, the Governing Body must establish a 'schedule of delegation'. These must be documented, minuted, approved and reviewed annually by Governors.

*See **Appendix 2.1**, for sample 'terms of reference' and **Appendix 2.2**, for sample 'Schedule of Delegation'*

2.3 Outline of Responsibilities

2.3.1 Whilst delegation of authority may vary by school, LBTH recommends the following as good practice:

2.3.2 The Governing Body will:

- ✓ Give strategic direction to the annual budget
- ✓ Approve the annual budget
- ✓ Approve the School Profile statement (staffing structure)
- ✓ Approve budget virements (transfers) of over £40,000 (secondary) and £20,000 (other)
- ✓ Approve the school's charging policy for lettings and other income
- ✓ Authorise the disposal of assets valued at over £5,000 (secondary) and £2,500 (other)
- ✓ Ensure that there is a regularly updated Register of Business Interest
- ✓ Authorise contracts in excess of £40,000 (secondary) and £20,000 (primary)
- ✓ Ensure that the school's Asset Register is kept up-to-date and reviewed at least once a year

2.3.3 The Finance Committee (or Resources Sub-Committee) will:

- ✓ Consider the annual budget and make budget recommendations to the Governing Body
- ✓ Consider the School Profile statement (staffing structure) and make recommendations to the Governing Body
- ✓ Approve significant budget transfers of between £10,000 - £40,000 (secondary) and £5,000 -
- ✓ £20,000 (other)
- ✓ Monitor and control the budget; receive audit reports and ensure action plans are implemented
- ✓ Consider the charging policy for lettings and other income
- ✓ Authorise the disposal of assets with value between £500 - £5,000 (secondary) and £250 - £2,500 (other)

- ✓ Ensure that there are adequate internal financial controls
- ✓ Authorise contracts between £10,000 - £40,000 (secondary) and £5,000 - £20,000 (other)

2.3.4 The Headteacher will:

- ✓ Prepare the annual budget
- ✓ Prepare reports to the Governing Body and Finance Committee for consideration and or approval, including termly financial monitoring reports to the Committee
- ✓ Prepare a school improvement, curriculum and financial plan with costings which aligns to the 3-year budget plan
- ✓ Prepare the School Profile statement (staffing structure)
- ✓ Approve budget transfers of no more than £10,000 (secondary) and £5,000 (other)
- ✓ Prepare budget virement (transfer) requests for Finance Committee or Full Governing body consideration
- ✓ Ensure spending remains within approved budget limits and budgeted income is received
- ✓ Receive audit reports and develop action plan to implement recommendations
- ✓ Develop/review charging policy for lettings and other income
- ✓ Authorise contracts up to £10,000 (secondary) and £5,000 (primary)
- ✓ Ensure that there are adequate internal financial controls in operation and that they are documented
- ✓ Authorise the disposal of assets up to a value of £500 (secondary) and £250 (other)

2.3.5 The Bursar/Finance Officer will, under the direction of the Headteacher:

- ✓ Update / maintain the school's financial system
- ✓ Monitor spending against budget and report variances
- ✓ Produce financial reports as requested for the Headteacher
- ✓ Ensure adequate cash flow
- ✓ Ensure relevant legislation, including those related to Construction Industry Scheme (CIS), Value Added Taxation (VAT) and payroll legislation are adhered to

2.4 Summary of Recommended Delegated Authorities

2.4.1 Recommended Delegated Authorities:

Phase	Delegated Authority	Budget Transfer	Enter into a contract	Debt Write-off
Primary/Other	Governing Body	£20,000+	£20,000+	£2,500+
Primary/Other	Finance Committee	£5,000 - £20,000	£5,000 - £20,000	£250 - £2,500
Primary/Other	Headteacher	Up to £5,000	Up to £5,000	Up to £250
Secondary	Governing Body	£40,000+	£40,000+	£5,000+
Secondary	Finance Committee	£10,000 - £40,000	£10,000 - £40,000	£500 - £5,000
Secondary	Headteacher	Up to £10,000	Up to £10,000	Up to £500

2.4.2 The suggested financial limits for an average size school is set out as follows:

Signing Work/Purchase Orders/Invoices:

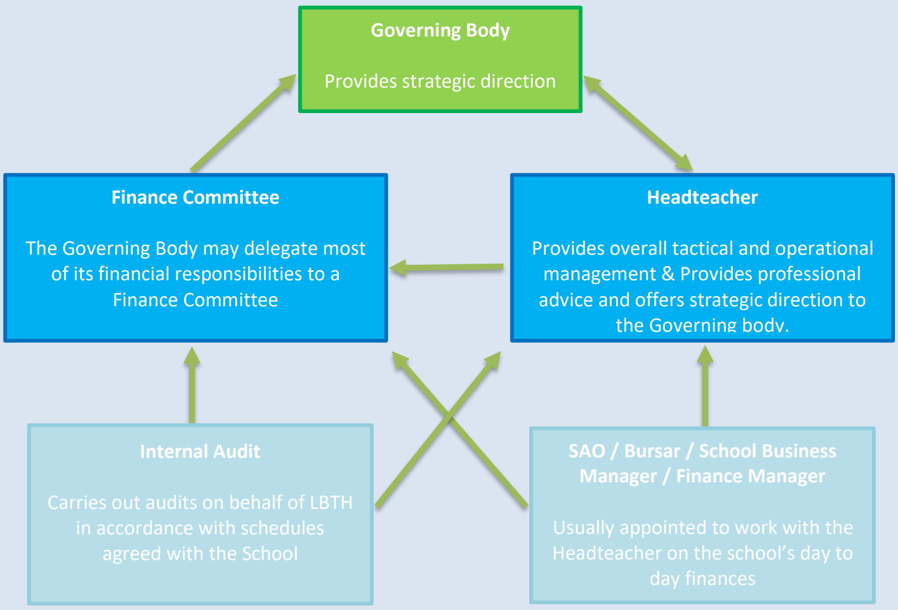
Signature must be:	Primary School	Secondary School
Head teacher with Governors' approval	10,000+	40,000 +
Headteacher	2,500 -10,000	10,000 - 40,000

Orders/Invoices below 2,500/10,000 respectively should be signed by a member of staff approved by the Governing Body, ensuring segregation of duties from payment.

Signing Cheques/Payment Instructions (Figures incl. VAT):

One Signature must be:	Primary School	Secondary School
Head teacher with Governors' approval	10,000+	40,000+
Head teacher	2,500 -10,000	5,000 - 40,000

2.5 Organisational Structure of a School



2.6 Internal Controls

2.6.1 The Governing Body must ensure that adequate internal controls minimise the risks of fraud or error.

2.6.2 Schools must have in place documented financial procedures and an approved Scheme of Delegation.

Commented [BM4]: And its approved Scheme of Delegation. Thus is quite important as in so many schools the financial procedures adopted by the school do not include the approved SoD to the committees, HT, Bursars etc. Then it is difficult to hold people to account.

2.6.3 The Schools Financial Value Standards (SFVS) helps schools manage their finances and gives assurance that they have secure financial management in place. Due to their formal responsibility, the standard is primarily aimed at Governors. The Governing Body must demonstrate compliance with the SFVS and complete assessment forms signed by the Chair of Governors before 28th February each year. The SFVS assessment form must include a summary of remedial actions with a clear timetable ensuring that each action has specified deadlines and an agreed owner. The updated templates for the SFVS can be found on the SLA portal and here.

2.7 Register of Business Interests

2.7.1 An interest is anything which may influence a governor/member of staff to consider an additional factor other than the school's interests. This could be due to financial benefit (pecuniary) or any factor which may bias judgement (non-pecuniary).

2.7.2 The Governing Body must establish and maintain a register to declare all business and any significant personal interests. Having no business interests should also be recorded. This should be signed by the member/officer and approved by the Chair of Governors. A business interest would exist if a governor, or an immediate family member, owns (including by partnership/shared partnership), a major or potential supplier of the school.

2.7.3 It is good practice for all staff who make or influence procurement decisions to have their own and their immediate family's business interests added to the register, which should be reviewed annually.

2.7.4 The register must be available for inspection by Governors, staff, parents and the Local Authority

2.7.5 *See **Appendix 2.5***

2.8 Governors' Allowances

2.8.1 A policy statement has been developed in accordance with the Education (Governors' Allowances) Regulations 2003. These regulations permit Governing Bodies to pay allowances from the school's annual budget allocation to Governors for certain expenses incurred in carrying out their duties.

2.8.2 In schools with delegated budgets, Governors should agree the amount of allowances and the eligible items before claiming. A Model Scheme for Paying Governors' Allowances' is provided in ***Appendix 2.6***.

For further guidance:

http://www.education.gov.uk/a0056710/governor-allowances-and-expenses-an-overview

Appendix 2.1 – Sample Finance Committee Terms of Reference

RESOURCES / FINANCE COMMITTEE	
Membership: Quorum 3 (excluding Head)	**Designation**
Chair	
Co-opted	
Headteacher	**Ex-officio**
Clerk/Minute taker: arrange meetings; notify members with agenda; take minutes; circulate minutes to the Governing Body.	**Clerk/Minute taker**
Finance Tasks and responsibilities (Terms of Reference)	**WHEN**
1. ENSURE a strategic approach to planning a budget that reflects the school's prioritised educational objectives.	**Autumn to Spring**
2. PLAN AND PRESENT the budget to Governors for approval, in line with the School Improvement Plan (including the schools staffing structure and charging policy).	**Spring**
3. MONITOR the budget, ensuring expenditure stays within agreed limits, act on significant variances and report to the governing body.	**Termly**
4. APPROVE the allocation of new, unallocated, or surplus funds and/or the virement (transfer) of funds between budget headings, up to a limit of £20,000 (primary) or £40,000 (secondary). Amounts in excess of this must be authorised by the governing body. All virements must be reported to the governing body	**As necessary**
5. REVIEW the school's procedures for financial monitoring and control annually, liaise with the Headteacher on specific aspects of those procedures and APPROVE the Financial Procedures Manual annually.	**Annually**
6. ENSURE adherence to all financial controls and procedures, as stipulated, to ensure the probity of the school's accounting procedures.	**Ongoing**
7. MONITOR & ENSURE that the School Voluntary Fund and Governors Fund are managed with the same rigour as the public accounts and arrange for annual audits on these accounts.	**Ongoing**
8. APPROVE CONTRACTS up to £20,000 (primary) and £40,000 (secondary). Amounts in excess of this must be authorised by the governing body. ENSURE contracts and tenders are awarded in accordance with Tower Hamlets council's Financial Regulations.	**Ongoing**
9. ENSURE that the school's day-to-day financial management is established on firm principles of financial monitoring and control; that all decisions are taken in accordance with finance standing orders; require monitoring reports of expenditure and income against the school's delegated budget, from the Headteacher, at each of the Committee's regular (termly) meetings.	**Ongoing**
10. PROVIDE written minutes to the Governing Body.	**Ongoing**

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Appendix 2.2 – Sample Schedule of Delegation

- **Delegation from the Governing Body to the Finance Committee is via the Committee's Terms of Reference detailed above.**
- **Delegation from the Governing Body to the Headteacher is via the Schedule of Delegation below.**

PROPOSED DELEGATION TO THE HEADTEACHER

The first part outlines what authority and responsibility is being delegated to the Headteacher

Generally:

- To ensure the allocation of resources meets the school's educational priorities, as approved by the Governing Body.
- To be responsible for the day-to-day management of the school budget and for ensuring that all financial decisions, procedures and practices are undertaken in line with the Financial Procedures Manual for Schools.
- To evaluate and report on the effectiveness of budget allocations.
- To ensure regular monthly monitoring of the school budget.
- To report to the Finance Committee at least termly.

The second part should list the specific responsibilities delegated, or limits on delegated authority imposed by the Governing Body. The delegation to the Headteacher should be read in conjunction with the delegation to the Finance Committee.

Specifically, examples of particular circumstances are given below:

- To authorise all expenditure within the agreed budget plan for the school, subject to the limits on the transfer (virement) of funds.
- To authorise virements between budget headings up to limit of £5,000 (primary) £10,000 (secondary) per term and to report all virements to the Finance Committee.
- To authorise contracts for the provision of goods or services up to limit of £5,000 (primary) £10,000 (secondary) per term, and to report all contracts to the Finance Committee.

Appendix 2.3 - Guidance Notes and Sample Register of Interests

GOVERNORS' (AND STAFF) REGISTER OF INTERESTS

FOR:	Governors and Staff of All Schools
FOR DECISION	To complete the Register of Governors' Interests as required by Regulation.

PURPOSE

The purpose of this briefing note is to provide guidance on complying with standards of accountability for those involved in spending public money through keeping a register of pecuniary and other interests.

WHY IS IT NECESSARY TO REGISTER AN INTEREST?

It is important that governors (and staff with delegated authority) who are involved in spending public money are able to demonstrate that they do not benefit personally from decisions they make. Governors should also be seen to be complying with relevant regulations and guidelines to protect themselves against accusations of personal gain or favouritism and to comply with an important aspect of the financial standards check undertaken as part of the Ofsted inspection process.

BACKGROUND

The School Government Regulations require governors to withdraw from a meeting if they have a personal interest in the matter under consideration. Governors are familiar with this when dealing with questions of recruitment, promotion, salary assessment or disciplinary procedures. This paper is not primarily concerned with this regulation, as these types of interest tend to relate to employees or prospective employees and are usually declared and minuted as they arise at meetings. However, governing bodies have become increasingly involved in spending public money through the letting of contracts or the purchase of goods and services, largely as a result of:

- the delegation of budgets for repairs, maintenance and internal decoration of the school and the opportunities to undertake premises improvements using funds from the delegated budget,
- the need to consider contracting arrangements for services such as cleaning, grounds maintenance and catering, and
- the purchase of goods (e.g. materials, equipment, etc.) and services (e.g. training, professional advice, transport, etc.).

The standards of accountability for those involved in spending public money extend to school governors under local management. Information relating to these standards is set out in several documents, but can be summarised as:

- The governing body should establish a register of pecuniary or other interests, open to public inspection, listing governors' individual interests.
- The Head and other staff with authority to incur expenditure should declare their interests also.
- A governor who has a personal interest in any matter coming before the governing body should withdraw and not participate in the decision-making process.

Please remember that even though your interest may be included on a register, you must still declare it and withdraw if it arises at either a governing body or committee meeting.

WHAT IS AN INTEREST?

An “interest” is where an individual may stand to gain some financial or material benefit as a result of a decision which they are party to.

A “pecuniary” interest means simply that the interest relates to money. As well as pecuniary, interests are also often described as material, private or personal. For the purposes of this note reference is made to ‘pecuniary or other interests’. A governor should register an interest if they, their spouse/partner, family, or relative has a link with an individual or business that may contract for work or provide goods and services for the school. This will, more often than not, relate to local businesses.

To “register” an interest simply means to make a written record of these connections or links available in a formal way. To “declare” an interest means to state that interest at a meeting.

WHAT IS A REGISTER OF INTERESTS?

A register of governors’ pecuniary or other interests is a written public declaration of links the **governors may have with local businesses or individuals from which the school may purchase** goods or services or enter into contracts with. Examples of such links are where governors or their spouse, etc. might be an owner, employee, partner, shareholder, consultant, or representative, etc., of a local business. It is unlikely that employees of larger national or regional companies or organisations would need to declare their employment as an interest as there is unlikely to be any personal gain.

Employees of the school who are governors would not be required to declare their employment as an interest but would be required to declare any other links they or their family may have with local businesses as above.

In the event that the Headteacher, a governor or key staff member may have or may appear to have, a conflict of interest in the award or management of a contract they shall declare this and must take no part in any decision making or any other process with regard to that contract.

PUTTING IT INTO PRACTICE

In order to make this practice as straightforward as possible, each Clerk has been supplied with a format for keeping such a register. It is advisable that the Clerk takes responsibility for ensuring new governors are included and that it is reviewed annually. The Head should ensure that it is available for inspection if somebody wishes to look at it and for Ofsted. Each governor should then consider whether they have an interest and complete the form accordingly. For staff the form should be approved by the Headteacher and retained in the school office. For governors (including the Chair) it is good practice to have a standing item at governing body meetings to allow governors to update the form and for it to be approved and minuted. Reference should be made in the annual report to parents that the register is open to inspection.

It is not practical to be exhaustive in this paper about what should and should not be included. If you find it difficult to decide whether you have an interest which ought to be declared the best approach is to remember that the spirit of the regulation is that everything should be above board and open, and if in doubt it is better to register the interest. There are some examples on the form, but if you wish to discuss this further you can contact Governors Services.

REFERENCES: Keeping Your Balance (Standards for Financial Administration in Schools): Audit Commission/Ofsted; The Council's Financial Regulations as applied by the Scheme for the Local Management of Schools; School Government Regulations 1999.

Record with the meeting papers, and noted in the minutes

SAMPLE REGISTER OF PECUNIARY AND OTHER INTERESTS

Governing Body:____________________________________**Date**: ___________

See Example for Completing the Register, below in grey.

Governor/Staff with Delegated Authority Name & Signature	Business or Individual with whom person has an Interest	Nature of interest
Jo Blogs	*Uniform Supplies LTD, SE3*	*Family member owns and manages the shop*

Appendix 2.4 – Model Governors' Allowances Policy

The <School Name> Governing Body believes that paying Governors' allowances for certain items is important in ensuring equality of opportunity to serve as Governor for all members of the community and so is an appropriate use of school funds.

From <date>, all governors of <School Name> will be entitled to claim reimbursement for costs incurred wholly in carrying out their duties as a Governor or Representative of <School Name>, with approval from the Governing Body.

Claims may be made against the following costs:

- Childcare or baby-sitting allowances (excluding payments to a current/former spouse or partner)
- Cost of care arrangements for an elderly or dependent relative (excluding payments to a current/former spouse or partner)
- The extra costs they incur in performing their duties either because they have special needs or because English is not their first language
- The cost of travel relating only to travel to meetings/training courses at a rate of 24 pence per mile which does not exceed the specified rates for school personnel
- Travel and subsistence costs, payable at the current rates specified by the Secretary of State for the Environment, Transport and the Regions, associated with attending national meetings or training events, unless these costs can be claimed from the LA or any other source
- Telephone charges, photocopying, stationery, postage etc.
- Any other justifiable allowances.

Governors may not be:

- Paid attendance allowance
- Reimbursed for loss of earnings

Governors wishing to make claims under these arrangements should complete a claims form (obtainable from the School Office), attach receipts, where possible, and return it to the School within two weeks of the date the expenses were incurred. The claim will then be submitted for approval by the Chair of Governors or Chair of Finance to be presented to the Finance Committee (which meets at least once per half-term) for final approval.

Claims will be subject to independent audit and may be investigated by the Chair of Governors (or Chair of Finance in respect of the Chair of Governors) if they appear to be excessive or inconsistent.

This policy will be reviewed annually.

3. ORDERING & PURCHASING

3.1 Effective Procurement and Value for Money

3.1.1 Schools must seek to achieve value for money in the goods, services and works they procure and comply with procurement laws.

3.1.2 There is extensive advice available from the Government to support educational facilities with buying procedures and complying with procurement law, available at Buying procedures and procurement law for schools - Guidance - GOV.UK (www.gov.uk). This section summarises some of that advice together with specific LBTH requirements.

3.1.3 Headteachers and governors should determine how to secure optimum value for money. It is important to review current expenditure, compare to similar schools and consider efficiencies.

3.1.4 The most critical element of any procurement is ensuring that we purchase fit for purpose goods or services. For higher value procurements (as per school scheme of delegation) you should draw up a business case that outlines exactly what is needed. It is important to consult widely, as what you think is needed or what has been purchased before may not still be what is required. Ensure that the item or service you are buying is of 'sufficient' quality.

3.1.5 Schools must follow the following key principles when procuring any goods or services:

- Be open and transparent – allow bidders to understand what you are going to do and how you are going to do it,
- Be objective and ensure equal treatment of those making tenders – allow all bidders a fair and equal chance of winning the contract,
- Be consistent – do what you said you were going to do.

3.1.6 Business Case

Note the Business Case should be proportionate to the procurement requirement – simple procurements may only require a few lines to define the requirements – complex / high risk / high value procurements will require more detail and may require significant effort. But it will help guide you to get the procurement right the first time and may avoid expensive mistakes.

Writing a business case will help you to:

- Specify what you need, why you need it and by when
- Ask approval to make the purchase
- Record your decision-making process

You should include:

- A draft of your specification
- The estimated cost
- Any opportunities to work with other schools
- You should check there is available budget.

3.1.7 Identify Who Should Be Involved

You should identify and inform everyone who should be involved? This might include:

- The governing board / body
- Trustees
- The responsible body
- Technical experts
- Suppliers

- Consider meeting with everyone to make sure you've identified everyone affected.

3.1.8 Identify who should be buying?

Someone else may be responsible for buying certain things. This could be your:

- Local authority
- Multi-academy trust
- Diocese

Always check your school's buying rules before you start and include everyone in the process who needs to be involved.

Only speak to potential suppliers if you are authorised to do so. If you're unsure check your school's buying rules.

3.1.9 Get Expert Help

Consider if you need expert help with your project. For example, you may need a project manager for a construction project, or specialist legal expertise.

You may need to employ someone to help you with your specification. If so, it might be best to run a formal buying process to employ them first.

3.1.10 Estimate the whole-life cost of the contract

To decide which buying process to use and to help with budgeting, you should estimate the total cost of the contract across its lifetime, including:

- The price of the goods, works or services
- Vat
- Delivery charges
- Ongoing maintenance costs
- Running costs
- The cost of removing and disposing of an item or service once you no longer need it

The cost will affect which buying process to use.

3.1.11 Conflicts of Interest

A conflict of interest is where someone involved has a personal or professional interest that could influence, or be seen to influence, their decisions.

The best way to manage this is by following your school's conflict of interest policy and having a clear and open process.

Try to identify and remove any potential conflicts before you start. If this is not possible, you could consider:

- Having everyone involved in the process complete and sign forms declaring any interests
- Using staff from a different office to assess the bids
- Withholding the names of the companies when their bids are assessed

3.1.12 Classify the Expenditure Correctly

You must classify your expenditure correctly. This is a guide only. Make sure you follow your school's accounting rules.

The cost of getting fixed assets to the required location or condition should be recorded as capital expenditure. This includes things like:

- Buying costs
- Delivery
- Legal charges
- Installation
- Upgrading
- Replacement

The cost of maintaining your fixed assets should be classed as revenue expenditure. This includes things like:

- Repairs
- Repainting
- Maintenance charges
- Renewal expenses

Example - If you buy a new boiler, the cost of the boiler and installation are capital expenditure. Maintenance is revenue expenditure because it does not improve the boiler, only maintains it.

Fixed assets are items of value you will use for a long time such as:

- Land
- Buildings
- Machinery
- Vehicles
- Furniture
- Office equipment
- IT

3.1.13 Collaboration / Working with Other Schools

You may be able to save time and money by working with other local schools. Talk to them about what you are thinking of buying. You may be able to:

- Borrow equipment
- Share resources and staff expertise
- Share knowledge of markets
- Compare prices and experiences from previous purchases
- Buy together so that you can:
  - Use your joint influence to get a good deal
  - Cut the effort involved in managing multiple contracts

3.2 Expenditure Limits

3.2.1 Schools should obtain prior approval from the Governing Body for all expenditure above the delegated authority given to the Headteacher or Finance Committee.

3.2.2 Except for purchases made through Framework Contracts (see below), the following limits apply:

- No quotation is required for purchases totalling less than £1,000, although the school should be able to demonstrate value for money. An official order must however be completed.

- Two or more written quotations are required for purchases totalling between £1,001 and £10,000. An official order must be completed.

- Three or more written quotations or tenders are required for all expenditure above £10,001. An official order must be placed.

3.2.3 Remember that with all procurements the threshold is defined by the total amount spent under a contract (the full remuneration to be paid to the supplier or contractor over the life of the contract, including any extensions or variations), not the initial purchase or contract value. Thus, if you contract for a sum that is just under a threshold and your requirements then increase so that the total rises above the threshold, the increase will require an additional procurement activity. Ensure that you select a threshold that is high enough to cover all anticipated needs. If a contract has a minimum term, then it is the total liability over the term of the contract that defines the contract value.

3.2.4 In circumstances where it has not been practicable to obtain the required number of quotations (e.g. where one or more suppliers have refused to quote), the reasons for not doing so must be reported to the finance committee and/or the Governing Body. In circumstances where the school make the acquisition through Tower Hamlets Council, e.g. when purchasing ICT services, it will be acceptable to waive obtaining the pre-requisite number of quotes.

3.3 Single Tender Action

3.3.1 A single tender action is where multiple proposals are not sought from the market. A single tender action is only permitted when:

- The nature of the market for the works to be carried out or the supplies or services to be provided has been investigated and has demonstrated that only a single source of supply is available
- The contract is for works, supplies or services that are required in circumstances of extreme urgency that could not reasonably have been foreseen – e.g. to protect life or property when no existing contractual arrangement is in place or if the purchase is needed to urgently comply with an order of Civil or Criminal Court / maintain the immediate functioning of the school
- The service is essential to complete a project and arises as a consequence of a recently completed contract/assignment, where engaging a different supplier for the additional service would be inappropriate/not cost effective; or
- The funding/grant provider has specifically stipulated that a particular supplier or procurement procedure be complied with for the goods/services that are being procured.

3.3.2 In all the above cases, a business case must be approved. (See template: Appendix 3.3)

3.3.3 Single tendering still requires a tender document, or a request for proposal to be drawn up to reflect the school's requirement and the supplier must be approached in the same way as if a full complement of tenderers were being given the opportunity to bid for the work.

3.4 Government Procurement Cards

3.4.1 Schools are able to use the government procurement card (GPC) for payment of ad hoc, low value purchases.

3.4.2 Each procurement card is assigned to an individual cardholder who has personal responsibility for its proper operation, in accordance with this regulation and the school's procurement card policy. Procurement cards must not be used for private use.

3.4.3 Approval of the use of Government Procurement Cards within the school should be obtained from the school's Finance Committee (or equivalent).
This approval should include the following:

1) The ratification of procedures for the use of the cards. The procedures must include the verification of the expenditure by a separate officer from the card holder.
2) Names of officers who are to be given a card
3) The transaction limit and monthly spending limits for each cardholder.
4) The categories of the areas/type of businesses where cardholders can use the cards.

3.4.4 The Headteacher is responsible for ensuring that all staff assigned a GPC are operating procedures such that:

(a) Cards are safeguarded from theft and misuse
(b) Expenditure incurred through the use of procurement cards is bona-fide, lawful and in accordance with the requirements of the service
(c) Expenditure is within budget limits

(d) There is a clear audit trail of approval and reconciliation for all expenditure

3.5 Leasing

3.5.1 An operating lease is the only type of lease a school can enter. These leases involve the school paying a rental fee for the hire of an asset for a fixed period and are similar to a rental

Commented [BM7]: This is an area where Internal Audit have found issues. Separate to guidance in the Manual, can we not do a specific guidance issue separately to all schools on Dos and Don't on Leases.
Schools do get trapped into leases which are bad value for money by eternal companies, often inducements are offered.

Commented [SW8R7]: Pleas advise and we will add

Commented [BM9R7]: Do we have a capital finance expert within Finance? May be a name of an officer from whom schools can seek advice will help.

agreement. ***Finance leases must not be entered into by the school as these are a form of borrowing.***

Commented [BM10]: Can we give examples of what Finance Leases are, where ownership of the asset is with the school. We have seen Leases of Laptops where ownership finally seems to be with the school. And the LA finance team have not been consulted by the school..

Commented [SW11R10]: Need examples

Commented [BM12R10]: May be a capital acountant can give examples.

3.5.2 The features of an operating lease are:

- ✓ Ownership remains with the leasing company providing the finance
- ✓ There is no option to buy at a price below market value
- ✓ The term is fixed and should not represent the major part of the economic or useful life of the asset involved
- ✓ As a rule, generally the whole cost should not exceed 90% of the value of the equipment

3.5.3 Schools should not roll over leases (i.e. settle a lease part way through the minimum term and refinance the settlement value under the new lease). In these cases the current lease is terminated and the settlement cost of this will be rolled over into the new rental agreement. The new rental contract will include the capital cost of the new equipment, the settlement from the previous contract (capital and interest) and the interest on the total amount of finance being provided under the new lease. This means the school is paying compound interest and the cost of the liability can quickly escalate.

3.5.4 The length of the lease should not exceed the expected useful life of the equipment. As a general rule, 3 years is the maximum rental period that should be entered into for reprographic equipment.

3.5.5 Schools are strongly advised not to enter into any form of lease without seeking the advice of Tower Hamlets Council legal services

3.6 The Public Contracts Regulations (PCR)

3.6.1 Strict rules apply to all public bodies (including schools) spending more than the World Trade Organisation's Agreement on Government Procurement (GPA) thresholds. These thresholds are now inclusive of VAT and from January 2022, the threshold for supplies and services was £213,477. Capital works have a higher threshold of £5,336,937. The threshold applies to the contract value, not the annual value of the contract, so a three-year contract with an annual value of £60,000 plus VAT (total of £216,000) would be subject to the regulations.

3.6.2 The regulations apply in their entirety to supplies, services and works, which include most things that you are likely to need like telecoms and computers, cleaning and maintenance, vehicles and transport, works and maintenance activities, consultancy and professional fees.

Commented [BM13]: What do the regulations require? Open advertisements etc. Please include details of what the schools are required to do if a service contract is more than £216k

Commented [SW14R13]: To obtain from Peter Maskell

3.6.3 Contracts for social and other specific services listed in Schedule 3 of the PCR can be procured under a different "light touch" procedure. However, the specific services listed in Schedule 3 are limited (examples Health, social and related services, administrative social, educational, healthcare and cultural services) and it is recommended that you seek further information on these matters.

3.6.4 Very heavy penalties apply to contraventions of these regulations. It is thus essential that you undertake procurements in a compliant manner. Further information is available from the Procurement team

3.7 Framework Agreements

Commented [BM15]: Are schools allowed to use LBTH frameworks?

Commented [SW16R15]: Need procurement to advise, do they have to use one.

Commented [BM17R15]: Speak to a category manager may be Neil Ward can help.

3.7.1 A framework agreement is an umbrella agreement that sets out the terms (particularly relating to quality and price) under which individual contracts (call-offs) can be made throughout the period of the agreement.

3.7.2 Frameworks are essentially contracts procured by other organisations, such as local authorities, central government departments or public buying organisations that schools and other public sector organisations can call off from.

3.7.3 Frameworks can offer the following benefits to school:

- ✓ Saves time as the competitive tendering procurement has already been carried out
- ✓ Suppliers on the framework will have been evaluated to ensure that they have the capacity, technical and professional ability and economic stability to provide the goods or services
- ✓ Lower prices resulting from the aggregated buying power of the wider public sector
- ✓ Balanced contract terms should have been negotiated that protect the interests of the school
- ✓ Contract management support is often provided by the organisation that awarded the framework agreement

3.7.4 Each framework agreement has:

- Details of the products and services available
- An agreed pricing structure
- Details of the suppliers
- Instructions on how to buy
- An agreed set of terms and conditions

Each framework tells you how to choose a supplier and place an order.

You will have 2 options:

- Select the supplier from a list of supplies included in the framework.
- Run a 'mini-competition' – this is where you ask all suppliers on the list to send you a bid and you choose the best one.

3.7.5 The call-off procedure specified under the Framework Agreement must be used – seek advice from the Framework Provider. (Note – there may be a direct fee to utilise the Framework Agreement or it may appear "free at the point of use" – this is because it may include a levy fee which is included within the rates and prices that will be quoted by the Framework Supplier. Some fees can be relatively high so check the fee / levy fee arrangements when you are comparing different Framework options. Generally, utilising an existing framework is a much simpler process than procuring a new contract yourself.

Commented [BM18]: How do schools get to know which frameworks are in place and how can they access these frameworks? Do they have to go through LBYH Procurement to access a framework?

Commented [SW19R18]: As above

Commented [BM20R18]: Speak to Neil Ward

3.8 Getting Quotes (Below Threshold simple Procurements)

3.8.1 To buy in this way you should:

- Decide how you will assess the bids
- Get quotes from at least 3 suppliers
- Assess all the quotes you get fairly
- Choose the supplier that offers best value for money

3.8.2 Once you've written your specification you should look for suppliers. Consider both price and their reputation.

Get quotes from at least the specified number of suppliers (note not all suppliers will be interested in submitting a quote so sometimes invite more than the suggested minimum number).

Send everyone the same information, including:

- Your specification
- When you need the quote
- When you will decide
- How they can ask questions about what you're buying or your process
- Your school's terms and conditions

3.8.3 Decide How You Will Assess the Quotes

Before you contact anyone, work out how you'll decide the best quote by setting 'award criteria' such as:

- Price
- Quality
- How suppliers meet your specification
- How quickly they can supply

Give each criteria:

- A range of scores – such as 1 to 5, with 5 the highest
- A weighting – a figure you multiply the score by depending on how important the criteria is

Example Price / Quality Criteria

Price 70% / Quality 30% for simple or standard products

Price 40% / Quality 60% for complex requirements where the quality of the product is important

Quality may be allocated to different questions

Quality Question	Question Sub-Weighting	Quality Criteria Weighting
1. Solution proposed	30%	
2. Delivery arrangements	10%	
3. Installation Works	40%	60%
4. Commissioning and Maintenance	20%	
Total Weighting	100%	

3.8.4 How to Decide the Winning Quote

Assess the quotes using the award criteria you sent to the suppliers.

To avoid legal challenges:

- Do not open any quotes before the deadline
- Do not open any late quotes
- Treat all quotes fairly and equally
- Keep confidential, secure, auditable records
- Buy from the highest scoring supplier

3.8.5 Who Should Assess the Quotes

It's best to have at least 2 people assess each quote. When they're finished they should compare scores and:

- Discuss where they've scored differently
- Reach an agreed score

This is called Moderation. Be aware, the more people involved, the harder it can be to reach an agreed score.

3.8.6 Keeping Records

Keep a record of all scores, comments and decisions. There's software you can buy or you can use a spreadsheet.

3.9 Tender for Above Threshold Procurements (and "best practice" guide for High Value Complex Procurements)

It is recommended that you seek technical and procurements advice for high value / high risk procurements. You may need to engage a Lawyer to develop Contract Terms and Conditions. Make sure you fully understand the Public Contract Regulations (PCR) 2015 as amended.

This is a guide as the PCR contains different processes.

3.9.1 Assess the Market

Do some research before you advertise to:

- See if you can get what you need using our find a DfE recommended framework tool
- See how many possible suppliers there are
- Find the best places to advertise

You could also:

- Speak to potential suppliers
- Ask other schools what they have done
- Consider using a selection stage
- Publish a prior information notice (pin) in contracts finder and, if applicable, find a tender service (fts).
- If you do speak to suppliers, make sure that any information you give them at this stage is given to everyone else who bids later and that your specification, contract and tender documents do not favour any particular supplier. This is sometimes called ‘soft market testing’.

3.9.2 **Prior Information Notices (If Necessary)**

A prior information notice lets suppliers know about things you’re planning to buy in the future. You publish them in Contracts Finder. You may also need to publish them in Find a Tender Service (FTS) in addition to Contracts Finder if any subsequent contract notice is likely to require publishing in FTS.

Use these to:

-
- Build up interest with suppliers
- Speed up buying things later

If you want the PIN to cover several contracts get legal advice first.

3.9.3 **Using the Restricted Procurement Process (Two Stage Process)**

If you want as many suppliers as possible to bid then use the open procedure. If you want to select which suppliers you will assess bids from, then use the restricted procedure, which is a 2-stage process. The first stage is sometimes called a selection stage and the second stage is the award stage.

The selection stage is used to score and rank the suppliers so you can invite the top suppliers to submit a bid to provide your need. Decide in advance how many bids you would like to invite at the second stage– it must be at least 5.

Do this if:

- You think lots of suppliers will reply to your advert
- Suppliers must have specific skills, qualifications or experience
- The bid they have to supply will be particularly complicated or costly to write

Use the standard selection questionnaire to:

- Gather simple and consistent information
- Find out if the supplier is suitable for the contract, not how they would handle the job

The open procedure can be used to reduce suppliers as well, by stating clearly in the tender documents that any bidder who does not have the specific skills, qualifications or experience will not have their bid scored.

3.9.4 **When to Send Your Questionnaire**

When advertising be clear there are 2 stages, the:

- Selection stage – the questionnaire
- Award stage – when you assess the bids

Ask suppliers to do the questionnaire first and only issue an invitation to tender letter to those people who score highly enough or among the highest scorers up to the number you are shortlisting.

3.9.5 Invitation To Tender (ITT)

Make all your documents available online from the time you post your advert on the Find a Tender service. Include:

- A covering letter
- A timeline
- How to ask questions
- How to submit a bid
- Your specification
- A list of things you want prices for
- Your award criteria
- The level of service you want
- Any contract management needs, such as regular meetings or contact
- If needed, an invitation for suppliers to give a demonstration
- The standard selection questionnaire if you are running a selection stage
- The proposed contract drafted as far as possible

3.9.6 Decide How You Will Assess the Tender Submissions

See Section 3.8.3 above

3.9.7 Timeline

Set deadlines for:

- The clarification period – when suppliers can ask you questions
- When suppliers must submit their bid
- The standstill period
- When you will award the contract

When setting deadlines, give enough time for suppliers to:

- Understand your needs
- Ask questions and use the information in your response
- Write a detailed proposal with costs

There are specific timescales you need to use. Find out more in the Public Contract Regulations 2015 (as amended) and get legal advice

3.9.8 Advertising

You must publish a contract notice on Find a Tender Service (FTS).

Your advert must:

- Clearly explain what you want
- Tell suppliers what information you need
- Explain where the invitation to tender and documents are available online
- Set the timeline
- Say that you'll be using evaluation criteria to award the contract to the 'most economically advantageous tender'

You can advertise in other places suppliers will look, such as:

- The government's Contracts Finder service
- Newspapers
- Education publications or websites
- Trade magazines

However, you must advertise on FTS first and make sure everyone gets the same information.

3.9.9 Answering Questions and Clarifications

You should have a 'clarification stage' – a time when suppliers can ask questions. No matter who asks the question, in most cases you should generally:

- Send the question and reply to all the bidders with the same information
- Anonymise the question, so no one knows who asked it

Do not reveal copyrighted or sensitive information. Ask suppliers if they are happy for you to publish their question and your answer. If they say no, consider their request and give them the opportunity to withdraw the question if you do not agree.

We recommend that you:

- Ask suppliers to email the questions
- Keep a log of the questions and the answers you gave

3.9.10 Decide on the Winning Tender

See Section 3.8.4 above

3.9.11 Who Should Assess the Tender Submissions

See Section 3.8.5 above

3.9.12 Keeping Records

See Section 3.8.6 above

3.9.13 Telling the Unsuccessful Tenderers

Tell all unsuccessful bidders who won and tell them at the same time.

Your letter must include:

- The name of the winning bidder
- The award criteria you used
- The scores for the winning bid
- The reasons for the decision, including the characteristics and relative advantages of the successful tender
- When the standstill period ends
- Their scores and feedback

If an unsuccessful bidder asks for the actual cost of the winning bid, you should give it to them as long as it does not reveal any commercially sensitive information. You do not have to give a detailed breakdown of costs.

If an unsuccessful bidder asks for feedback, you do not have to give it. If you do, then you should:

- Only comment on their unsuccessful bid – do not share details of anyone else's
- Try to give positive feedback

Our advice is to avoid feedback meetings. If you do decide to meet face-to-face, keep notes during the meeting and have more than 1 member of staff present.

3.9.14 **Telling the Winning Tenderer**

Write to them saying they won. Your letter must include:

- The award criteria you used
- Their scores
- Why you think their bid is the most economically advantageous
- When the standstill period ends
- Their scores

The letter is an invitation to finalise a contract. But make it clear that:

- You'll only award them the contract if the standstill period passes without a challenge from another supplier
- There are no commitments, and no work should begin, until both of you have signed the contract

If for any reason they decide not to go ahead with the contract, you can award the contract to the second-highest scoring bidder, if you reserved the right to do so in your original tender documents, or you can rerun the process.

3.9.15 **Apply the Standstill**

By law (for above Threshold procurements), you must have a 'standstill period' of at least 10 calendar days between telling the bidders your decision and awarding the contract.

If the period ends on a non-working day extend it to the end of the next working day.

3.9.16 **Challenges from Unsuccessful Tenderers**

During the standstill period, if an unsuccessful bidder challenges the fairness of the contract award decision or process, you must contact them and explain that you've conducted a fair assessment process and that you've kept good records.

Depending on the nature and seriousness of the challenge you may want to get legal advice before responding.

If they then make a legal challenge do not finalise the contract. Seek legal advice and wait to see if the court reviewing the challenge grants 'interim measures'. If so, you should then wait for the outcome of the legal proceedings.

3.9.17 **Award the Contract**

After the standstill period, tell the successful supplier that you're placing the contract with them. Your school or organisation and the supplier should then sign the contract.

If they agreed to use your terms and conditions, check that the signed copy they send back is exactly the same as the copy you sent them.

The last copy of the terms and conditions sent by either side is the one that is legally binding, so make sure that you're the last to sign.

You must place a contract award notice on FTS within 30 days of awarding the contract.

If you placed an advert in Contracts Finder, place a notice of your contract award there too.

Set up a meeting with the supplier to finalise the management and payment arrangements, clarify key performance indicators and agree how you will work together. You must publish a notice of the contract award on FTS within 30 days of signing the contract.

3.9.18 **Abandoning the Procurement**

On rare occasions, you may need to stop the bidding process. You must send a notice on FTS telling them what has happened.

If you stop the process while suppliers are preparing, or have submitted their bids, you should tell them, along with your reasons.

If this happened very late in the process – from the evaluation period onwards – you may be at risk of a legal challenge.

You cannot abandon the process because the highest scoring bidder is not the supplier you want.

3.9.19 **Agreements with Capital Implications**

Any financial agreement with capital implications should be linked to the priorities set out in the school's Asset Management Plan.

3.10 Purchase Orders

3.10.1 Written (or computerised) orders ensure that the school has a precise record of what has been ordered, which can then be compared against items delivered.

3.10.2 Official uniquely numbered orders must be used for all goods and services except utilities, rents, rates and petty cash payments.

3.10.3 Where urgency requires a verbal order, it must be followed up as soon as possible with a written order.

3.10.4 All orders should be stored in a secure location to prevent unauthorised access.

3.10.5 Orders should only be used for goods and service provided to the school. Individuals must not use official orders to obtain goods and services for their private use.

3.11 Authorising Orders

3.11.1 All orders must be signed by an approved member of staff, as agreed in the school scheme of delegation approved by governors. Authority to authorise orders must be aligned to budget management responsibilities as agreed by governors in the Scheme of Delegation. Officers should not be permitted to make orders against budgets falling outside of their responsibilities.

Commented [BM21]: And aligned to the scheme of delegation.

Commented [SW22R21]: agreed

3.11.2 Schools must maintain a register of staff authorised to sign off orders, indicating what they are entitled to order and the budget(s) against which they are entitled to order.

3.11.3 The signatory of the order should be satisfied that the goods or services ordered are appropriate and needed, that there is adequate budgetary provision, and that the required quotations or tenders have been obtained, prior to authorising the order.

3.11.4 Orders should be passed through to the school's finance officer. The school's finance officer will:

- Counter-sign the order
- Record it as on the school's accounting system (thus raising a commitment entry) should the system allow
- Send an official order to the supplier

- Retain a copy on file
- Return one copy to the budget holder as confirmation that the order has been placed

3.11.5 Members of staff must not buy goods or services using personal funds

See **Appendix 3.1**, and **3.2**, for sample purchase request forms.

3.11.6 A receipt must be produced by the member of staff when claiming back the expense. Reimbursement should be made by the school's normal reimbursement arrangements.

3.11.7 Should a member of staff purchase goods from their own funds without prior approval from an appropriate authoriser, no guarantee should be given for reimbursement.

3.11.8 Orders should include the following details:

- Specification of requirements
- Quantity required
- Name of school, delivery date and address. The address should always be the school's address
- Contact person's name and telephone number
- Date of issue
- All relevant prices and quotations, including any VAT elements
- Name and address of supplier and suppliers' reference, where applicable.

3.11.9 Orders should be filed with information on quotations sought, and any appropriate information on the need for the purchase.

3.12 Orders Entered as Commitments on Budget

3.12.1 When orders are entered onto the School's computerised accounting system, the system generates a commitment. The commitment outstanding reduces or is eliminated once the invoice is received and entered onto the system.

3.12.2 Committed costs should be included in the school's budget monitoring information, giving the school a much clearer position of how much they have left available to spend.

3.13 Payroll Contractors

3.13.1 Any school choosing a payroll contractor other than Tower Hamlets preferred payroll provider will need to demonstrate to the satisfaction of the Head of Children's Finance at Tower Hamlets, that the school's proposed contractor has the necessary expertise and capacity to deliver the contract in a satisfactory manner.

3.14 Self-employed Contractors

3.14.1 When engaging a contractor, particularly from a small or a one-man business, the employment status should first be established. Schools should reference the "off-payroll working rules" detailed in the IR35 regulations. If the individual is offered terms, e.g. an hourly rate of pay and/or equipment and materials are provided by the authority, this can be regarded as an 'employment' and payment should be made via the payroll, with the appropriate payroll deductions being made.

3.14.2 This policy of checking employment status applies to all individuals who are engaged by schools to carry out any work or service for which a payment is made, and schools are advised to retain evidence of their checking process.

Commented [BM23]: Should mention IR35 regulations and the self assessment portal to assess.

3.14.3 To find out if someone is employed or self-employed, look at the HMRC's website: www.hmrc.gov.uk/employment-status If in doubt, schools should seek advice from the HMRC.

Commented [BM24]: HMRC. Inland Revenue – no longer.

3.15 Receiving Goods and Services

3.15.1 When goods or services are received, the relevant copy order(s), whether computer generated or manual, must be marked off, initialled and the date of receipt noted. Any variations from the order must be noted on the copy order. This must not be carried out by the person who authorised the order.

3.15.2 Where goods are accompanied by a delivery note, the delivery note should be checked against the items received with any variations noted, dated and initialled before if necessary signing. The original delivery note should then be passed on to the Finance Officer and a copy be given to the relevant Budget Holder to notify that the goods have arrived and for them to check if the items/quantities/qualities are correct.

3.15.3 The delivery notes form part of the audit trail and are usually found within an item's packaging. They should be attached to the associated copy order and retained.

See Section 7 – Asset Management, later in this manual for further guidance on asset security.

3.16 Returning Goods

3.16.1 Where good or services received are unsatisfactory or otherwise not in accordance with an order, the carrier/supplier should be notified promptly of the rejected items and why they have been rejected.

3.16.2 Any goods returned should be recorded clearly on the delivery note and copy order. In the event of an item being returned for which no order was raised, the school should maintain a separate record for financial control and audit trail purposes.

3.17 Payments & Invoices

3.17.1 Payment should be made within the agreed payment terms (whatever is agreed with the supplier, under the Late Payment Regulations public sector organisations must make payment within 30 calendar days of receiving an invoice) and only when a proper invoice has been received, checked, coded and certified for payment.

3.17.2 Under the Late Payment of Commercial Debts Regulations 2013, businesses are able to claim interest on invoices that are paid late, at a rate of 8% above the base rate, plus a compensation fee.

3.17.3 Late payment is defined as payment made after the last day of the credit period, if one has been arranged. Where there is no agreed credit period, the Act sets a default period 30 days, after which interest can run. The 30 day period starts from whichever is the later of:

- The delivery date of the goods or performance of the service; or
- The day on which the purchaser has notice of the amount of debt

3.17.4 Application for interest can be up to 6 years after the date on which the payment was due.

3.17.5 Any such charges will fall to schools for settlement. In order to minimise the risk of interest being charged, schools must:

- be aware of both existing and new suppliers' payment terms

- have arrangements in place to ensure that invoices can be paid within the payment terms during schools' holidays
- have procedures in place to deal with faulty goods, including arrangements with suppliers that interest will not be charged on the cost of these goods and that they (the supplier) are responsible for rectifying faults before any invoice is payable.

3.17.6 Invoices should be recorded on the school's accounting system and matched to orders raised on the system, before being passed to the relevant budget holder for authorisation.

3.17.7 Before passing an invoice for payment, documented checks should confirm:

- Receipt of goods or services, cross-referenced and checked with the order
- Expenditure has been properly incurred and payment has not already been made
- Prices accord with quotations/tenders, contracts or catalogue prices, and the arithmetic is correct
- Correct accounting treatment of VAT
- The invoice is correctly coded
- Discounts have, where appropriate, been applied

3.17.8 It is strongly recommended that schools purchase a rubber stamp showing the above checks and enabling signatures to be recorded next to them, to show that the checks have been carried out. A sample stamp is shown below:

<Name of School>

Goods Received (Initial & Date) …………………

Items Checked: …………. Initial

Initial Quantity Checked: …………….. Initial

Not previously paid: ……………. Initial

Matched with order no …………… Initial

Expenditure Code…………………………….

Certified for payment by:

Print Name ………………………………………

Signature……………………………………..

3.17.9 Schools should not make payment on the basis of a photocopied invoice or a statement from a supplier. If an invoice goes missing, the school should request a certified copy from the supplier before processing it.

3.17.10 A member of staff approved by the governors (not the person who signed the order or checked the receipt) should certify invoices for payment.

3.17.11 The school should maintain a list of staff authorised to certify invoices for payment. A list of names and sample signatures of authorised signatories must be held by the school.

3.17.12 Where an authorised officer certifies an invoice for payment, they must not sign the cheque for its payment.

3.17.13 All cheque payments require any two of the authorised bank signatories. Invoices must be shown to the signatories at the stage when the cheque is to be signed.

3.17.14 Once the cheque has been signed and issued, mark 'paid' against the appropriate item(s) on the school's copy order

3.17.15 All invoices must show the name of the cost centre incurring the expenditure and the Expense code

3.17.16 Once paid, all invoices should be:

- Easily identifiable as paid
- Dated
- Stored securely

3.17.17 Schools are required to retain invoices for six years from the date of payment, for audit purposes.

3.17.18 Invoices for the supply of gas, water and electricity must be checked as follows:

- The latest meter readings on the invoice should be verified and entered in a register.
- The previous meter reading on the invoice should be checked against the corresponding entry in the register.
- The consumption (i.e. number of units used in the period) should be checked for reasonableness.
- Invoices should be checked for compliance with agreed contract prices of tariffs.

3.18 Pre-payments

3.18.2 Where a supplier will only provide goods or services if payment is made at the time of the order or in advance of receipt of the goods or services, the arrangement must be approved by the appropriate authorised signatory.

3.18.3 A VAT invoice must be received to facilitate the reimbursement of VAT.

3.19 Supplier Queries

3.19.1 Claims for non-payment: if a supplier states that payment has not been made against an invoice that your records show has been paid, the supplier should initially be asked to check their records. Give the supplier details of your cheque number and the date it was sent.

3.19.2 If the supplier continues to claim non-receipt of payment, check your bank statement to see whether the cheque has been cashed.

- If the cheque has not been cashed, contact the bank and have it stopped. Once confirmation has been received from the bank that the original cheque has been cancelled, issue a replacement cheque. Inform the supplier of the steps you have taken. For financial control and audit trail purposes, retain with the invoice evidence of the original cheque having been cancelled, together with details of the replacement cheque.
- If the cheque has already been cashed, seek guidance from the bank on how to proceed.

3.19.3 **Copy Invoices:** copy invoices should only be requested if the original has gone astray. Upon receipt of a copy invoice, check the school's computerised financial accounting system and copy order records to ensure that payment has not been made. Only when these checks have been carried out should arrangements be made to authorise and pay the invoice in the normal manner.

3.20 Credit Notes

3.20.1 Where an invoice is incorrect or an order was fulfilled incorrectly, request a credit note and hold the invoice until this has been received. The invoice and credit note should then be processed together.

3.20.2 Where a credit note has been received with no invoice attached, either hold the note until the next invoice is received and process it against that or ask the supplier to provide a cheque to clear the credit.

Appendix 3.1: Sample Local Purchase Request Form

Commented [SW25]: What is this form used for?

Commented [BM26R25]: I think it is to request a Purchase Order to be raised. So , a budget holder like assistant head teacher should fill this in and give to the Bursar so that a PO can be raised.

(SCHOOL NAME)

STAFF TO COMPLETE:

Cost Centre ……………………………………

Name……………………………………………

Tel………………………………………..

FINANCE TO COMPLETE:

Voucher No ………………………………

Order No ……………………………………..

Budget Exp Code ……………………………

STAFF TO COMPLETE:

Description	Quantity	Total

AUTHORISING OFFICERS TO COMPLETE:

Signed Cost Centre Manager ……………………………………………………………..

Signed (Bursar, Finance Officer, SAO as appropriate):……………………………………….. Does order value require

Headteacher and/or Governor approval? *YES/NO*
If *YES*, record Headteacher signature or Committee Minute Reference:

Signature/Ref:………………….……………………………………….. Date: …………………….……

STAFF TO COMPLETE:

I require cheque/cash reimbursement. (Delete as appropriate) If a cheque is required, please print name of payee.

Payee: ……………………………………………………………………………………

Please append a business case and/or details of quotes received for this purchase

Appendix 3.2: Sample Supplies & Services Request Form

(SCHOOL NAME)

Supplier Name……

Address………………………………………………………………………………………………

………

Telephone No……………………………… e-mail address …………………………………………………………

STAFF TO COMPLETE:

Cost Centre ………………………………… Budget Holder …………………………………

Exp. Code	Item Code	Description	Price	Quantity	Total
			Grand Total:		

Signed by Cost Centre Manager ……………………………………………………………… Date ……………………………

Signed by SAO ……………………………………………………………………………………… Date ……………………………

Order No…………………………………………………………………………………………………

Appendix 3.3: Sample Single Tender Request

Please Note: *Single Tender Action should normally be avoided as it is contrary to achieving value for money through fair and open competition.*

- The following form **must** be completed whenever a request is made to seek an exemption from compliance with the Financial Procedures Manual for Schools' standing orders to obtaining quotations and tenders.
- Single Tender Actions are only applicable to purchases over a total value of £1,000.
- All sections of the form must be completed with as much detail as possible in order for a decision to be reached as to whether or not to grant the request.
- No commitment should be made with the supplier before approval is granted by the Headteacher and a purchase order is raised.
- **It should be remembered that single tendering still requires a tender document, or a request for proposal to be drawn up to reflect the school's requirement and that the supplier is approached in the same way as if a full complement of tenderers were being given the opportunity to bid for the work.**

SINGLE TENDER ACTION

Requestor: **Date:**

Department:		**Ext:**	
Supplier Name:		**No:**	
Nature of purchase: (details of good / services to be purchased)			
Total value of Contract / Order (Inc. VAT)			
Engagement Terms **One off purchase, 1day/wk for 4 weeks, 4 weeks etc.)**			
Reason this supplier was elected			
Which type of Value for Money is applicable (tick):	**Cost Avoidance**	**Cost Saving**	**Improved Service**
	New Service	**Increased Service Cover**	
PLEASE INDICATE WHICH OF THE FOLLOWING REASONS JUSTIFIES THE WAIVER AND GIVE FULL DETAILS EXPLAINING WHY:			

Reasons for Waiver:	
Specialist expertise or product is required and is only available from one supplier	
The goods/services to be provided consist of parts for/repairs to existing parts/repairs are specific to that equipment.	
Works, supplies or services are urgently needed for the immediate protection of life or property, or to maintain the immediate functioning the school	
The service is essential to complete a project and arises because of a recently completed contract / assignment, where engaging a different supplier for the additional service would be inappropriate/not cost effective. The funding/grant provider has specifically stipulated that a particular supplier or procurement procedure be complied with for the goods/services that are being procured.	

APPROVAL		
Applicant (sign)	School Business Manager (sign)	Finance Committee / Governing Body (sign)
Name (print)	Name (print)	Name (print)
Date :	Date :	Date :

4.INCOME & COLLECTION

4.1 General

4.1.1 Schools retain all income they generate unless it relates to:

- Sale of certain assets (e.g. buildings owned by the LA, or assets funded by bodies who may impose conditions)
- Income from a Public/Private Partnership (PPP) or Private Finance Initiative (PFI), which are subject to a specific agreement

4.1.2 For audit inspections, schools should maintain a summary of the procedures in place for authorising and generating invoices, credit control and debt recovery, collection of income and entry into school accounting records.

4.2 Charging Policy

4.2.1 Each school must have a written Charging Policy Statement. The Statement must consider each type of activity charged for (including Lettings) and explain the charges made.

4.2.2 Governors must approve the Statement annually.

4.3 Raising Invoices

4.3.1 The school should set up its own invoicing procedures, where income is not collected in advance.

4.3.2 Schools must ensure that there is segregation of duties between staff issuing invoices and those collecting income and inputting to the financial system.

4.3.3 All invoices sent out by schools must be sequentially numbered, and include:

- *Invoice number*
- *Date of issue*
- *School name and address*
- *Name and address of customer (debtor)*
- *Details of goods/services being supplied, so that it is clear to both parties what is being paid for*
- *The amount due, including gross, net and, where applicable, VAT amounts charged for goods/services supplied*
- *The settlement period (i.e. when payment is required by). This should normally be 30 days*
- *A contact name and telephone number, so that customers can contact the school to resolve any queries*
- *Details of how to pay the invoice (e.g. cheque or BACS). If BACS is required, the invoice should include bank details.*
- For VAT purposes, schools fall under the council's VAT registration: 232484277

See Section 11 – VAT for detailed guidance.

4.4 Amending Invoices

4.4.1 Any spoiled invoices must be marked 'Spoiled' and retained for audit/VAT purposes.

4.4.2 Amendments should be authorised and implemented by raising a credit note. Where relevant, a new invoice should be generated. The original transaction should not be changed.

4.5 Collection Administration

4.5.1 Income due to the school bank account should be collected at the time of supply. In cases where payment cannot be collected, schools must maintain their own debtors' accounts.

4.5.2 Record income on the schools' financial system as soon as it is received.

4.5.3 Income must be coded to an income code, even if it is planned to offset specific expenditure items.

4.5.4 **Collecting Cash**

4.5.5 Collecting cash carries higher risk and should be handled with care: Never take it home or send via the post, hold it securely and bank it regularly.

4.5.6 Ensure you have adequate insurance for cash holdings.

4.6 Collecting Cheques

4.6.1 Keep a record showing the name of the payer, nature of the income, and amount.

4.6.2 Ensure that cheques clear before providing goods/services.

4.6.3 Take all practical precautions to prevent cheques from bouncing.

4.6.4 Please keep cheque usage to a minimum and contact SFT to assist you with switching to BACS.

4.7 Authorising and Issuing Income Receipts

4.7.1 All cash transactions should be properly documented and receipted, including transfers between staff.

4.7.2 Receipts should only be issued by those authorised to do so and receipt books securely held.

4.7.3 Receipts should be sequentially numbered and contain the following information:

- School's name
- Amount received (gross, net and VAT)
- Description of the income
- Unique reference number
- School's VAT registration number

4.7.4 Keep copies of all receipts.

4.8 Banking Collected Income

4.8.1 Income should be banked as soon as possible after it has been received, to reduce risks.

4.8.2 Pay cash income into your bank account intact, i.e. do not hold back money for petty cash.

4.8.3 Use only pre-printed paying–in books obtained from the bank for banking income. Pre-printed paying-in books hold all school bank details, thus ensuring that money is paid into the correct account.

4.8.4 Ensure secure arrangements are in place for taking cash to the bank.

4.8.5 For security reasons, schools need to record all income and deposits at the bank. For cheques, this includes recording all details of the cheque itself, such as the cheque number, the amount etc.

4.8.6 Income records must then be reconciled with the bank deposit records on a regular basis. Any discrepancies should be recorded and immediately investigated.

4.9 Debt Management

4.9.1 Debt collection is the responsibility of schools. The Governing Body must have a policy for the collection of any monies due to the school, including:

- The normal settlement period and how it is communicated.
- The actions to be taken, and by whom, to chase unpaid amounts due once the settlement period has passed.
- Other actions to be taken, e.g. Removing credit facilities or the use of facilities whilst debts remain unpaid.
- Whether an individual or body (e.g. Finance sub-committee) is granted delegated authority to exercise discretion on specific debts, and what the limits of the discretion are.
- A process of debt write off *(see* ***section 4.12***).

4.9.2 Schools should implement debt collection processes as soon as the settlement period given on an invoice has passed. For example a reminder system with a suitable set of letters *(see* ***Appendix 4.1****, and* ***4.2****.)*

4.9.3 Schools should operate a debtors' control account to record all accounts issued and monies received, which must include details of the methods and place of payment available, namely:

- At the school in the form of cash, cheque or postal order.
- By return of post by cheque or postal order.

4.9.4 Schools should regularly review outstanding debts and ensure that debt recovery is being actively pursued.

4.9.5 If an account remains unpaid after a reminder has been issued, further action may be required, depending on whether the debt originates from an internal or external source. If the debt is from an internal source, e.g. between schools within the LA, legal proceedings will not be instigated; instead, schools must inform the LBTH Schools Finance Team of the outstanding debt and they can resolve the issue on the school's behalf. If the debt is from an external source and sufficient reminders have not resulted in payment, schools should seek legal advice, at the school's cost.

4.10 Debt Write Off

4.10.1 When assessing whether a debt can be written off, schools must first consider the following:

- Have all reasonable steps been taken to collect the debt?
- What is the prospect of receiving the income without significant investment in time or resources?
- What is the cost to the school (e.g. in pursuing recovery)?

4.10.2 Where the Headteacher proposes to write off a debt they must seek Governing Body approval unless authority has been delegated and minuted by the Governing Body. Where delegation is in place, debts written off should be reported to the Governing Body.

4.10.3 The Headteacher's authority to write off debts should not exceed to £500 (secondary) and £250 (other).

4.10.4 For **debts above £5,000**, schools must first obtain approval to write off the debt from the Governing Body, then the Head of Children's Finance.

4.11 Voluntary Funds

4.11.1 The following guidance deals with private funds held by the school. Other funds held by bodies closely 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 separately from any school funds.

4.11.2 Voluntary fund income must be paid into a separate voluntary fund bank account. It may be transferred into the school's disbursement bank account as a donation, but must not be paid directly into the school's disbursement bank account.

4.11.3 Private school funds must be held separately from other Council funds. Income received for the private school fund must not be paid directly into the school's disbursement account.

***See Section 6 – Audit & Financial Reporting**, for further guidance on Voluntary Funds.*

Appendix 4.1 – Debt Recovery Reminder Letter

NAME ....

ADDRESS ....
....
....
....
....

Our ref: ....
Enquiries to: ....
Date: ....

Dear Sirs

ACCOUNT NUMBER . . . . AMOUNT . . . . DATE . . . .
<Subject, e.g. EXAMINATION FEES>

The above account has not been paid up to <*date*>. Unless it has been paid since that date, I must ask you to send full payment without further delay.

Yours faithfully

Headteacher

Appendix 4.2 – Debt Recovery – Final Notice

NAME ………………………………..

ADDRESS ………………………………..
………………………………..
……………………………….. Our ref: ………………
……………………………….. Enquiries to: ………………
……………………………….. Date: ………………

Dear Sirs

ACCOUNT NUMBER . . . . AMOUNT . . . . DATE . . . .
<Subject e.g. EXAMINATION FEES>

According to my records the above account was still outstanding at <*date*>. If payment has since been made, please ignore this letter.

Unless it is paid in full on or before <*date*>, the School will commence legal proceedings in the County Court for recovery of the amount due without further notice being given to you. Cheques or Postal Orders must be made payable to London Borough of Tower Hamlets Council ………………………………………….. School, and sent to the above address, quoting your customer account number.

If you delay payment until proceedings against you have been commenced, you may become liable for the court costs and fees in addition to the amount shown above. If you have any queries concerning this account please contact the school immediately.

Yours faithfully

Headteacher

5 PETTY CASH

5.1 Use and Guidelines

5.1.1 Petty cash enables staff to pay cash for minor expenditure.

5.1.2 It is for small, urgent incidental expenses where it is impractical to use normal purchasing means, such as curriculum purchases, travel and other ad-hoc payments. It is not a method to bypass the School's Accounts payable or purchasing systems. It is advisable for schools to agree a maximum transaction limit, for example £20.00, and which should be agreed in the financial procedures.

Commented [BM27]: Limit should be set e.g. upto £10 per claim.

Commented [SW28R27]: Increased to £20

5.1.3 Schools should keep petty cash use to an absolute minimum. The Governing Body must agree an appropriate level of cash to be held on school premises and insurance cover obtained.

5.1.4 The Headteacher is responsible for nominating a float-holder to manage petty cash. A deputising officer will cover the duties of the float-holder during holidays or sickness etc.

5.1.5 The nominated float-holder is responsible for ensuring that these procedures are followed:

- The petty cash float does not exceed the value approved.
- It must be kept in a secure location where the room and cupboard lock.
- Arrangements for access to the money should be set down in the scheme of delegation and should ensure segregation of duties.
- The school's insurance policy must cover the level of cash that can be held on site and any conditions adhered to.

5.1.6 General restrictions:

- Petty cash must not be used to cash personal cheques.
- Salaries and wages must not be paid through petty cash.
- Petty cash must be replenished through the correct bank account and not through income collected at the school. All cash and cheques received on behalf of the school must be banked intact.

5.1.7 All payments from petty cash must be supported by invoices or receipts. If VAT is being paid, the vouchers must meet the VAT requirements. If they do not, the VAT cannot be reclaimed, so the whole amount should be charged to the school.

5.1.8 If a receipt is not available, a signed explanatory voucher must be completed and countersigned by the Headteacher.

5.1.9 Claimants should complete a petty cash reimbursement form, with receipts and approval of an Authorised Signatory.

5.1.10 The float holder must ensure that records are kept showing the nature of the expenditure/reimbursement.

See **Appendix 5.1,** for a sample Petty Cash Reimbursement Form.

5.1.11 The total of cash remaining must always equal the total float. Any discrepancies should be investigated and corrected, or the Headteacher must be informed in writing.

5.1.12 The Headteacher is responsible for ensuring that the float is checked regularly and that such checks are documented.

See **Appendix 5.2,** for a sample Petty Cash Reconciliation Form.

5.1.13 When replenishing the float, the amount requested must equal the total of the receipts and should bring the float back to its full total.

See **Appendix 5.3**, for a sample Petty Cash Control Sheet.

5.1.14 It is the duty of the float-holder or deputising officer to present and collect the reimbursement. A letter of authorisation should be given to the member of staff presenting the reimbursement cheque at the bank which should be signed by an authorised signatory.

See **Appendix 5.4**, for a sample Petty Cash Bank Letter.

Appendix 5.1 - Sample Petty Cash Reimbursement Form

School Name

PETTY CASH REIMBURSEMENT FORM
Please complete and return with receipts attached

CASH: PAYMENTS UP TO £25.00
CHEQUE: PAYMENTS OVER £25.00

NAME OF CLAIMANT: ______________________________

Description	Net Amount		VAT		Budget
Description of item, reason for claim, date etc.					
Total Amount Claimed:					

Signature of Claimant: ______________________________

Date: ______________________________

Claim Approved By:

Payment by: (Please tick as appropriate)

☐ Cash
☐ Cheque

Name: ……………………………………………………………
Signature: ……………………………………………………
Date: ……………………………………………………………

NO RECEIPT = NO REIMBURSEMENT

Cash Received by: ______________________Date:____/_____/2______

(Signature of Requestor)

Appendix 5.2 - Sample Petty Cash Reconciliation Sheet

Petty Cash Reconciliation Sheet

School Name:__________________________________ Date: / /

Notes	Quantity	Value (£)
£50.00		
£20.00		
£10.00		
£5.00		
Coins		
£2.00		
£1.00		
50p		
20p		
10p		
5p		
2p		
1p		
	Total Cash	
	Total Vouchers (list overleaf)	
	Total Cheques (list overleaf)	
	TOTAL IMPREST	
	Petty Cash Float	
	Difference	

Information Notes:

Counted by: ____(Print Name)

Signature: ____

Witnessed by:____(Print Name)

Signature: ____

Vouchers		
Date of Claim	Ref/Description	Value (£)

Cheques		
Date of Claim	Ref/Description	Value (£)

Appendix 5.3 - Sample Petty Cash Control Sheet

PETTY CASH CONTROL SHEET FOR:

Update white cells only

Agreed Float:	
B/fwd. balance:	
Cheque cashed:	
C/fwd. balance:	
Amount claimed:	

	Date	Voucher	School	CFR Code	Cash Paid Out	Cash Net	Cash VAT	Vatable?
1								
2								
3								
4								
5								
6								
7								
8								
17								
19								
20								

I certify that the petty cash has been balanced and checked and request a cheque to the value of £0

Custodian **Dated**

Notes: Cheque Number:

Appendix 5.4 - Sample Petty Cash Bank Letter

<Date>

Bank
Branch
Address

Dear Sir/Madam

RE: CASH CHEQUES

I would like to inform you that______________________is authorised to cash Cheque number: __________for the sum total of **£__________**on behalf of <School Name>.

Should you have any queries regarding this then please contact: <Headteacher's name> on 020 xxxx xxxx.

6 AUDIT & FINANCIAL REPORTING

6.1 Financial Reporting for Schools

6.1.1 Schools must regularly report their financial positions to Governors and LBTH.

6.1.2 It is also strongly recommended that schools produce regular financial reports for school budget holders to facilitate effective financial management.

6.2 Budget Plans

6.2.1 Each school must submit a draft budget plan to Tower Hamlets by 1st May and a final approved budget by 31st May each year. From 2021/22 onwards, there is also a statutory requirement to submit an annual 3-year budget forecast. The plan must be balanced (or a surplus) and include the expected closing balance from the preceding financial year. ***It is strongly recommended that schools produce their budget plans before the start of each financial year***.

6.2.2 LBTH will publish budget guidance to schools each March.

6.2.3 Schools are expected to present Governors with budgets for future years as well as the forthcoming financial year, and actions should be minuted. Software to facilitate schools' multi-year budgeting is available from SFT.

It is not permissible for schools to budget for a deficit, unless a request has been made for a licensed deficit. If a school anticipates a deficit greater than £10,000 or 4% of the school's budget share for the current financial year (whichever is greater) the Head of Strategic Finance, Children & Culture must be informed (refer to the Licensed Deficit Agreement process in appendix

6.3 Financial Reporting to LBTH

6.3.1 Schools must submit budget monitoring reports to SFT quarterly, on the last working day of the month following the quarter. SFT use these reports to assess the school's financial position, reimburse VAT and to verify that school's bank reconciliations are satisfactory.

6.3.2 Special arrangements are put into place each year end (31st March) to comply with external financial reporting legislation. Tower Hamlets will issue year end guidance to schools each year.

6.3.3 Information submitted, should be compatible with the Consistent Financial Reporting framework.

See CFR Framework, 2022-23: [Consistent financial reporting framework 2022 to 2023 - Guidance - GOV.UK (www.gov.uk)]

6.3.4 All returns must be signed by the Headteacher or an authorised signatory

6.4 Checklist of Information Required by Tower Hamlets from Schools

6.4.1 Schools should submit VAT reimbursement claims on a monthly basis and Budget Monitoring on a quarterly basis to LBTH.

6.4.2 It is also good practice to collate the following reports for your records:

- Bank reconciliation reports
- Bank reconciliation against un-reconciled items list
- A copy of your bank statement showing the month end balance
- Reconciled items list or balance
- Summary Trial Balance by ledger code.

6.5 Financial Reporting to Governors

6.5.1 Schools should provide financial monitoring reports to Governors at least termly, including:

- Current budget
- Spend-to-date
- A comparison of spend against budget
- A commentary (written or verbal, minuted) explaining variances and seeking approval to make budget changes, as appropriate.

Schools should also consider comparing a forecast of the year end position and last year's outturn.

6.6 Bank Reconciliation

6.6.1 A Bank Reconciliation is a key financial control, matching of the school's accounting system and bank transactions.

6.6.2 Schools must ensure that this is performed monthly, and records maintained.

6.6.3 The bank reconciliation statement comprises three documents:

- Bank statement for the period concerned
- Reconciled items list or balance document
- Un-reconciled items list

6.6.4 Both the reconciled and the un-reconciled items lists must be taken directly from your school's accounting system. Manually produced reconciliations are not acceptable.

6.7 Reconciled Items

6.7.1 The reconciled items listing must report the items on your accounting system which have been reconciled to the transactions on your bank statement. The closing balance must *exactly* match the closing balance on the bank statement for the relevant period.

6.8 Un-reconciled Items

6.8.1 The un-reconciled items listing should detail all items that have been sent to be banked (e.g. cheque payments issued but not yet cashed)

6.8.2 Income due to but not yet received by the school must be excluded from the un-reconciled items listing.

6.8.3 Items more than 3 months old should be reviewed by schools. Schools should consider cancelling associated cheques with the bank and, if appropriate, issuing a replacement. If the cheque is reissued, the school must update the un-reconciled items listing with the correct invoice number.

6.8.4 Records of cancelled cheques must be held by the school for audit.

6.9 Completing a Bank Reconciliation

6.9.1 Each month, compare the bank statement to the accounting system's cash book and match corresponding entries. Items matched should be marked 'reconciled' in the system and ticked on the bank statement. Enter into the cash book any items in the bank statement but not in the cash book. There may be entries in the cash book not ticked e.g. cheques paid but yet to be cleared.

6.9.2 Produce system reconciled items and un-reconciled items reports from your accounting system.

6.10 Capital Expenditure

6.10.1 To qualify as a capital expenditure, the expenditure must:

- Meet the capital criteria as defined in the DfE CFR Framework
- Comply with the following definition, drawn from the Chartered Institute of Public Finance and Accountancy (CIPFA), who define capital expenditure as:
  - The acquisition, construction, preparation, enhancement or laying out of land.
  - The acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures.
  - The acquisition, installation or replacement of moveable or immoveable plant, machinery, apparatus, vehicles and vessels.
  - IT

6.10.2 Additionally, the expenditure must also result in **one of** the following:

- the substantial lengthening of the useful life of a building/asset
- a substantial increase in the open market value of a building/asset
- a substantial increase in the extent to which a building/asset can be used

6.10.3 Where the above criteria are not met, the costs should be recorded as **revenue.**

6.11 Capital Funding Restrictions

6.11.1 Capital funding clauses can restrict the type of costs that can be charged against capital funding streams. Schools should ensure they have appropriate capital funding (with contributions from their revenue funds if necessary) to meet capital costs, before entering into commitments.

6.11.2 When making a revenue contribution to capital, ensure governing body approval is documented and sent to SFT.

6.12 Reporting on the Intended use of Surplus Balances

6.12.1 Whilst decisions on how surplus balances are spent rest with the school, the Authority needs to be assured that the surplus balance plan is robust, viable and being managed effectively.

6.12.2 Governing bodies of all schools are required to report to the LA on their intentions for the use of surplus balances in excess of 5% (secondary) or 8% (primary, special and PRU). Submissions should be sent to schoolsfinancehelpdesk@towerhamlets.gov.uk At each year end a Surplus Spend Plan will be requested should the school be deemed to fall into the relevant category, this should be sent with the signed closing statement to the Schools Finance Team at schoolsfinancehelpdesk@towerhamlets.gov.uk

Commented [BM29]: How do schools report to LA?

Commented [SW30R29]: Developing surplus spend plan process for YE22-23

6.12.3 Schools must report on the intended use of surplus balances as part of the school budget plan and supply a spending plan separately by 31st May.

6.12.4 Surpluses should be earmarked for specific future needs to ensure that pupils benefit from a planned approach to spending that does not deprive them of resources in a given year. These earmarked surpluses should be clearly linked to the School Development Plan or to cover possible pupil roll adjustments. Surpluses must be used within three years of the end of the financial year when they arose unless there are extraordinary circumstances. Any non-specific surplus balances should be kept to a minimum to cover any unexpected financial demands on the school budget.

6.13 Claw-back of excessive surplus balances

6.13.1 The lead-in time to effective use of balances is usually 1-2 years which means that without the review of surplus spend plans by the Authority, a number of schools could become subject to an automatic claw-back.

6.13.2 The LA may apply a claw-back on surplus balances where a school has had an uncommitted surplus balance of 12% (the excess above 12% being the amount clawed back).

6.14 Criteria for evaluation of Schools Surplus Balances Plan

6.14.1 Does the proposal involve a revenue contribution to an agreed capital scheme?

6.14.2 Are balances earmarked to support the costs incurred by the review of contracts of a significant value?

6.14.3 Are balances supporting the management of the costs related to expansion of pupil numbers?

6.14.4 Are balances supporting the management of financial difficulties associated with a budget reduction in the following financial year, resulting from either a significant reduction in pupil numbers or a loss or significant reduction of a specific funding stream?

6.14.5 Are balances supporting the management of exceptional circumstances in such a way as to avoid significant financial turbulence that may impact on standards? This may include, for example, outcomes of HR processes.

6.15 Whistleblowing

6.15.1 Schools must have a clear policy in place for dealing confidentially with allegations of malpractice. Where an established policy does not exist, the protection afforded by the Public Interest Disclosure Act 1998 makes it unlikely that employers will be successful if they act against a whistle-blower. If there are any circumstances where financial irregularity is suspected, the Governing Body, or the individual member of staff, must inform the Director of Children and Culture immediately.

6.15.2 A whistleblowing policy, should be agreed by the governing body, made available to all staff and publicised through-out the school. It should establish the basis on which staff can properly raise concerns without prejudice to their personal position. This policy should cover:

- Respect for staff confidentiality.
- Opportunity to raise concerns outside the management line structure.
- A proper way of raising concerns outside of the organisation, if necessary.

Whistleblowing Hotline 07732 402614 ***See Appendix 6.1, for a sample whistleblowing policy.***

6.16 Reporting Fraud

Commented [BM31]: •There is a whistleblow hotline 07732 402614
•Can we give a link to the Council's Anti-fraud strategy and W/B policy.

Commented [SW32R31]: Will add in key contacts, can you send relevant link (external)

Commented [BM33R31]: https://www.thebridge.towerhamlets.gov.uk/search/all?term=anti%20fraud%20strategy

Commented [BM34]: The policy should be approved by the GB. The policy should be widely published within the school community, including staff rooms, kitchens, toilets, etc.

Commented [SW35R34]: Done

6.16.1 Fraud deprives schools of resources that should be spent on children's education. If fraud is discovered it should be reported to the Headteacher, who must ensure that the fraud is reported to LBTH Internal Audit Section.

6.16.2 If it is felt inappropriate to report the fraud to the Headteacher, it can be reported through the 'whistleblowing' arrangements (See section 6.15)

6.16.3 Fraud covers a wide range of activities. For example:

- A supplier billing for goods or services not provided
- A member of staff lying on an application form
- Contracts being awarded to friends or relatives
- A member of staff claiming for expenses not incurred by them
- An unauthorised person trying to use a school cheque book
- A facilities manager not passing lettings income onto the school.

6.13.4 LBTH Internal audit will advise on how to take the case forward. They will not necessarily investigate a case on the school's behalf. All suspected frauds, including unsuccessful attempts, should be reported promptly.

To report suspected fraud, please contact either the Head of Audit, or the Whistleblowing Hotline. ***See Section 1 – Key LBTH Contacts***

Commented [BM36]: 07732 402614

6.17 Gifts and Hospitality

6.17.1 Schools should record every corporate gift received on a gifts and hospitality register, irrespective of value.

6.17.2 Schools should only accept small gifts of 'token' value e.g. boxes of chocolates, however gifts received from students and parents e.g. thank you gifts may have a higher threshold.

6.17.3 Staff should not accept hospitality from any party where the acceptance could be viewed as an attempt to influence their decision-making.

6.17.4 Schools should exercise judgement between gifts which may benefit an individual, which could be seen to influence decisions, versus gifts which benefit the school. Items such as a free day's agency staff could be treated as discounted supply as opposed to a gift.

6.17.5 The overall principle is that if you have any doubt, do not accept the gift.

6.18 External Audit

6.18.1 External auditors are appointed to audit LBTH'S Annual Statement of Accounts. Since school accounts form part of LBTH's Annual Statement, this external audit scrutiny includes school accounts.

6.18.2 Schools are required, in accordance with the Scheme for Financing Schools, to give both internal and external audit access to the school's records at all reasonable times.

Audit of voluntary and private funds is covered in ***Section 12 – Voluntary Funds.***

6.19 Internal Audit

6.19.1 Under the Accounts and Audit Regulations 2015, LBTH maintains an internal audit function. In accordance with the Scheme for Financing Schools, they carry out regular compliance audits of all schools on a cyclical 5 year basis to ensure that adequate systems of control are in place and are being adhered to.

6.19.2 In carrying out statutory duties regarding the proper stewardship of the Council's finances by schools, the Council's Internal Audit has a right of access to any information and assets held in schools.

6.19.3 Audit will assess the compliance with procedures on the secure and efficient operation of school governance, financial control, budget management, income and expenditure control, bank accounts, payroll, HR, Asset Management, security and other key procedures and provide advice on controls, governance and risk management and review systems to assist in preventing and detecting fraud or irregularities.

6.19.4 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, possibly, a list of improvements that should be implemented. It will categorise the potential risks related to any weaknesses identified. A follow up audit will be arranged. This will look specifically at the recommendations of the original audit and how they are being implemented.

Please refer to the 'Schools Audit in Tower Hamlets' guidance document for further information regarding the internal audit arrangements for schools. This document is available on request from LBTH's Internal Audit section.

6.20 Retention and Disposal of Documents

6.20.1 Confidential waste must be disposed of by shredding.

6.20.2 Cheque stubs should be retained and matched with any returned cheques requested from your bank, and with any cancelled cheques.

6.20.3 It is suggested that schools make arrangements for all cheques not returned to the school to be retained by their bank, who will normally keep them for six years.

6.20.4 Cancelled cheques should be retained, clearly marked '**CANCELLED'.**

6.20.5 Copy orders should be kept in a file in numerical order, with the delivery notes attached. When payments are made, the relevant copy orders should be clearly marked off as paid by detailing the cheque number, payment date and amount paid.

6.20.6 Original purchase invoices are subject to Customs and Excise inspection. They must therefore be filed in batches and cross-referenced to computer records.

6.20.7 School filing and storage arrangements must facilitate the means to trace payments from cheque number to the order and invoice, and from the monthly VAT and bank reconciliation statements sent to Tower Hamlets back through the school's records, to the individual invoice.

Document Retention Schedule: Schools must adhere to the following document retention schedule. Retention periods begin after the financial year, unless otherwise stated. Attempt to keep all records electronically.

CY+6 = the relevant financial year plus a further 6 years

Document Title (local name)	Retention Period
Finance	
Annual budget	CY+6
Annual statement of accounts	CY+6
Bank Statements	CY+6
Budget monitoring papers	CY+6
Budget files	CY+6
Changes to bank mandates	CY+6
Contract Documentation (including advert details, list of interested parties, list of who received tender documents)	
Under Seal	12 Yrs from Financial YE
Not Under Seal	6 Yrs from Financial YE
Correspondence files	CY+6
Debtors records	CY+6
Headteacher's budget reports	CY+1
Information files	Until superseded
List of Authorised signatories	6 years after person ceases to be signatory or list suspended
Orders and Delivery Documentation	CY+6
Petty cash vouchers, returned cheques, cheque stubs, monthly bank reconciliations	CY+6
Requisitions for goods or services	CY+6
Scheme of Delegation	Until superseded
School development plans	CY+3
Service level agreements	Until superseded
Outturn statements (including transactions reports)	CY+6
Register of Tender and Quotations	CY+6
Student Grant Applications	CY+3
Successful tenders and quotations	Life of contract
Unsuccessful tenders and quotations	2 Years
School Meals	
Dinner Registers	CY+3
F.S.M. Authorisations	Whilst child attends school
School Meals Summary Sheets	CY+3
Tickets	1 term
Till Rolls	CY+3
School Funds	
Bank Statements	CY+6
Cheque Book stubs	CY+6
Completed Bank Paying in Books	CY+6
Invoices	CY+6
Ledger	CY+6
Receipts	CY+6

In providing a pro forma policy, the is not seeking to be prescriptive, but recognises that some schools find a model helpful. The pro forma model may be adapted and tailored to reflect existing school procedures and local circumstances.

WHISTLEBLOWING POLICY

Introduction

The staff and governors of <SCHOOL> seek to run all aspects of school business and activity with full regard for high standards of conduct and integrity. In the event that members of school staff, parents, governors or the school community at large become aware of activities which give cause for concern, <SCHOOL> has established the following whistleblowing policy, or code of practice, which acts as a framework to allow concerns to be raised confidentially and provides for a thorough and appropriate investigation of the matter to bring it to a satisfactory conclusion.

Throughout this policy, the term whistleblower denotes the person raising the concern or making the complaint. It is not meant in a pejorative sense and is entirely consistent with the terminology used by Lord Nolan, as recommended in the Second Report of the *Committee on Standards in Public Life: Local Spending Bodies*, published in May 1996.

<SCHOOL> is committed to tackling fraud and other forms of malpractice and treats these issues seriously. <SCHOOL> recognises that some concerns may be extremely sensitive and has therefore developed a system that allows for the confidential raising of concerns within the school environment but also has recourse to an external party outside the management structure of the school.

<SCHOOL> is committed to creating a climate of Tower Hamlets and openness so that a person who has a genuine concern or suspicion can raise the matter with full confidence that the matter will be appropriately considered and resolved.

The provisions of this policy apply to matters of suspected fraud and impropriety and not to matters of more general grievance, which would be dealt with under the <SCHOOL> grievance procedures.

When might the whistleblowing policy apply?

The type of activity or behaviour which <SCHOOL> considers should be dealt with under this policy includes:

- manipulation of accounting records and finances
- inappropriate use of school assets or funds
- decision-making for personal gain
- any criminal activity
- abuse of position
- fraud and deceit
- serious breaches of school procedures which may advantage a particular party (for example, tampering with tender documentation, failure to register a personal interest)

What action should the whistleblower take?

<SCHOOL> encourages the whistleblower to raise the matter internally in the first instance, to allow those school staff and governors in positions of responsibility and authority the opportunity to right the wrong and give an explanation for the behaviour or activity.

<SCHOOL> has designated a number of individuals to specifically deal with such matters and the

whistleblower is invited to decide which of those individuals would be the most appropriate person to deal with the matter.

Name & Position
Headteacher
Chair of Governors
Other e.g. confidential post-box

The whistleblower may prefer to raise the matter in person, by telephone or in written form marked 'private and confidential' and addressed to one of the above-named individuals. All matters will be treated in strict confidence, and anonymity will be respected wherever possible.

Alternatively, if the whistleblower considers the matter too serious or sensitive to be raised within the internal environment of the school, the matter should be directed in the first instance to the following members of Tower Hamlets:

Financial: Head of finance at Tower Hamlets, 5th floor Mulberry Place, London E14 2BG

Internal Audit: Whistleblower Hotline Number 07732 402614

Other: Head of Human Resources, Tower Hamlets, 3rd Floor Town Hall, Mulberry Place, London

Commented [BM37]: •There is a whistleblow hotline number 07732 402614 within LBTH Internal Audit .

Commented [SW38R37]: should we remove HR?

Commented [BM39R37]: I think you can leave it but there should be named person.

(See the **Key Contacts list in Section 1** for telephone and email details)

<SCHOOL> would prefer that a serious concern is raised responsibly rather than not at all. Despite the assurances, the whistleblower may feel that it is more appropriate to raise the concern with an external organisation, such as a regulator. It is of course, open for them to do so, provided they have sufficient evidence to support the concern. <SCHOOL> strongly advises that before reporting the concern externally, the whistleblower seeks advice from one of the following:

Protect, a registered charity which advises on serious malpractice within the workplace, can be contacted on 020 3117 2520.

How will the matter be progressed?

The individual(s) in receipt of the information or allegation (the investigating officer(s)) will carry out a preliminary investigation. This will seek to establish the facts of the matter and assess whether the concern has foundation and can be resolved internally. The initial assessment may identify the need to involve third parties to provide further information, advice or assistance: for example, involvement of other members of school staff, legal or personnel advisors, the police and Tower Hamlets.

Records will be kept of work undertaken and actions taken throughout the investigation. The investigating officer(s), possibly in conjunction with the Governing Body, will consider how best to report the findings and what corrective action needs to be taken. This may include some form of disciplinary action or third party referral, such as the police.

The whistleblower will be informed of the results of the investigation and the action taken to address the matter. Depending on the nature of the concern or allegation and whether or not it has been substantiated, the matter will be reported to the Governing Body and the LA.

Tower Hamlets has its own procedures for dealing with such matters and will ensure every effort to respect the confidentiality of the whistleblower. If the whistleblower is not satisfied with the outcome of an investigation, <SCHOOL> would prefer that the whistleblower raised this with them or Tower

Hamlets, explaining why this is the case. The concern will be looked at again if there is good reason to do so.

If the whistleblower is dissatisfied with the conduct of the investigation or resolution of the matter or has genuine concerns that the matter has not been handled appropriately, the concerns should be raised with the investigating officer(s), the Governing Body and/or directed to Tower Hamlets.

Respecting confidentiality

Wherever possible, <SCHOOL> seeks to respect the confidentiality and anonymity of the whistleblower and will as far as possible protect him/her from reprisals. <SCHOOL> will not tolerate any attempt to victimise the whistleblower or attempts to prevent concerns being raised, and will consider any necessary disciplinary or corrective action appropriate to the circumstances. The Public Interest Disclosure Act became law in 1999 and gives a "worker' the right not to be victimised or dismissed because he or she has made a protected disclosure.

Raising unfounded malicious concerns

Individuals are encouraged to come forward in good faith with genuine concerns, with the knowledge they will be taken seriously. If individuals raise malicious, unfounded concerns, or attempt to make mischief, this will also be taken seriously and may constitute a disciplinary offence or require some other form of penalty appropriate to the circumstances.

Conclusion

Existing good practice within <SCHOOL> in terms of its systems of internal control, both financial and non-financial, and the external regulatory environment in which the school operates, ensure that cases of suspected fraud or impropriety rarely occur. This whistleblowing policy is provided as a reference document to establish a framework within which issues can be raised confidentially internally and, if necessary, outside the management structure of the school. This document is a public commitment that concerns are taken seriously and will be acted upon.

Additional Sources of Advice and Information

For additional information and advice on developing a policy on whistleblowing, schools may wish to contact the charity *Protect - Speak up stop harm (protect-advice.org.uk)*.This charity offers free legal advice, in certain circumstances, to people concerned about serious malpractice at work. Their literature states that matters are handled in strict confidence and without obligation. Contact details for the charity are as follows:

Appendix 6.2 – Licensed Deficit Agreement and Cash Advancement Procedure

Schools Licensed Deficit Agreement and Cash Advancement Procedure Note

1. Introduction

1.1 This procedure note outlines what is expected of schools that need to enter into a Licensed Deficit Agreement (LDA) and need help from the local authority during the process and in supporting schools to return to a balanced budget. The process note sets out the documentation and approvals required from schools in applying for a Licensed Deficit. This procedure also sets out the documentation required for requesting cash advancements when facing cash flow difficulties.

2. School Budget Setting

2.1 In managing their delegated budgets, schools are required to abide by the LA's requirements on financial controls and monitoring. These are set out in the *Scheme for Financing Schools*.

2.2 From the 2021 to 2022 funding year each school must submit a three-year budget forecast each year, at a date determined by the local authority between 1 May and 30 June. All schools in the scheme are required to submit a budget plan showing its intentions for expenditure in the current financial year and the assumptions underpinning it to the LA no later than 31st May. The budget plan must be approved by the full governing body.

2.4 It is not permissible for schools to budget for a deficit, unless a request has been made for a licensed deficit. School budget plans must be prepared with a view to breaking even or creating a surplus at the end of the financial year. If a school anticipates a deficit greater than £10,000 or 4% of the school's budget share for the current financial year (whichever is greater) the Head of Strategic Finance, Children & Culture must be informed.

2.5 Where a school is facing financial difficulty for the funding year in question, a cash advancement may be requested. Cash advancements are not always required by schools who have an agreed licensed deficit in place. They can also be applied for as a temporary advancement of funds for cash flow purposes. Cash advancements will be accounted for in the same financial year. The process for requesting an advancement is detailed in Section 5.

3. Scheme for Financing Schools

Commented [BM40]: Has this been reviewed and distributed to all schools?

Commented [SW41R40]: Yes, posted on website

3.1 Section 4.9.1 of the Scheme for Financing Schools outlines when a school can request a licensed deficit, which would normally be over a period of 3 years.

4.9.1 Licensed deficits

As set out above, any school in deficit or projecting a deficit may seek to cover this with a supplementary cash advance. In effect a request will be made by the governors for the LA to licence the expected deficit. The LA will require an agreed action plan to reduce recurrent expenditure and bring the school's finances back into balance over an agreed period that must not exceed three years. The action plan must allow for the repayment of the advance over the period of a licensed deficit.

A licensed deficit will require the approval of the Director of Children Services and the Chief Finance Officer.

The action plan will not automatically prevent schools with licensed deficits (or requesting to have one set up) from receiving grant funding that may require some element of contribution from the school budget. However, if the match funding adversely affects the school's ability to meet its repayment targets or the LA formed the view that such expenditure was unreasonable in the school's financial circumstances, then the LA may refuse the school's request to take up the grant.

4. Process for Schools requesting a Licensed Deficit and documents required

4.1 Where a school has identified that a LDA is required, the school must complete the 'Application for a Licensed Deficit' in advance, which is available in Appendix A. This must be accompanied by the detailed action plan as per Appendix B. In addition, the application must include the following documentation:

- One year budget for the LDA
- 3 year budget plan
- Evidence that the previous year deficit can be recovered.

4.2 During the period of the Licensed Deficit the Local Authority expects the school and governors to:

- Implement the listed actions in order to achieve the required savings within the timescale agreed.
- Implement additional savings for any unplanned spend for exceptional items to ensure that the agreed deficit balance is not exceeded.
- Use unplanned additional incomes/savings to reduce the deficit unless ring-fenced.
- Notify the Head of Strategic Finance – Children and Culture of any potential deviation to the recovery plan at the earliest opportunity.
- Provide monthly reports and meet with the Finance Team in accordance with agreed timescales.
- Provide any other information as and when required by the Local Authority
- School is required to commit to the Local Authority's LA Bursarial service.

4.3 Where a school does not comply, a financial notice of concern would be issued which in turn would lead to a risk of withdrawal of delegation.

4.4 The need for a licensed deficit may also arise as a result of the schools' finance team undertaking the quarterly review of school returns and deem a school to be facing financial difficulty. In these instances, the Head of Strategic Finance, Children & Culture, will contact the Headteacher to discuss his/her concerns.

4.5 The scheme for financing schools permits the local authority to charge interest on deficit balances. Currently, there are no plans to charge interest, however, this may change and advance notice will be provided to schools.

5. Process for Schools Requesting a Cash Advancement
(only complete if required for cash flow purposes)

5.1 Cash advancements are not always required by schools who enter an LDA and should only be applied for if a temporary advancement of funds is needed for cash flow purposes. Cash advancements will be accounted for in the same financial year.

5.2 The form attached in Appendix C will need to be completed, outlining reasons for the request, together with the agreed dates for repayment. This form will need to be approved by the Head Teacher.

5.3 Requests should be sent to schoolsfinancehelpdesk@towerhamlets.gov.uk. Once received, approval will be sought from the Head of Strategic Finance, Children & Culture, the Director of Education and the Director of Finance.

Requests for Cash Advancements will need to be received 10 working days prior to the payment run date for the next monthly cash advance, to enable payment in line with the scheduled payments made to schools for their budget shares. A copy of the latest payment schedule is available on the SLA portal, which all schools have access to.

7 ASSET MANAGEMENT

7.1 Introduction

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

7.2 The Asset Register

7.2.1 The school must maintain an Asset Register of items held by the school that the Governing Body deems to be valuable and/or subject to an insurance claim. Moveable assets valued at £1,000 or more must be recorded. a**Note that all Information Technology (IT) equipment valued £150 or over, must be recorded.**

7.2.2 The asset register should include the following information:

- date of acquisition of asset
- description of asset, including colour, a unique identification mark such as a serial number and security marking, where appropriate
- for ICT/electrical equipment, a record of the model or other unique reference/security number
- cost of the asset purchased
- source of funding
- location of the asset
- details of the disposal of any assets, whether scrapped, sold or donated
- details of the revaluation of an asset
- Items used by the school but owned by others (e.g. leased items) supported by a note of ownership.

7.2.3 Where possible, the Asset Register should be held within the school's financial system, rather than as a hardcopy document.

7.2.4 A copy of the Asset Register must be kept in a safe, fireproof place, and be available for inspection.

7.2.5 Acquisitions and disposals should be recorded on the register at the time of acquisition or disposal and reported to the Governing Body.

7.2.6 The Governing Body must ensure that the asset register is kept up-to-date and is reviewed at least once a year. The review must include the physical check of the assets and must be performed by someone other than the person maintaining the register. The asset register should be certified and dated on completion of the review.

7.2.7 The upkeep of the asset register can be particularly important for insurance reasons, as policies will often limit the insurance of equipment etc. to those items present on the school's asset register. Please refer to the insurance section of this manual for further guidance.

7.2.8 Registers should be reconciled annually with the School's Insurance Services records. Where the school participates in the Council's insurance programme, the register submitted to the Council should contain all audio visual/ICT items.

7.3 Loaning Assets

7.3.1 An asset can be loaned to staff of the school, but schools must keep a log of such loans. Where loan of an asset could be deemed a benefit in kind and therefore have tax implications for the individual, the relevant paperwork must be completed. For further advice, please contact either your payroll provided or the Inland Revenue.

7.4 Disposing of Assets

7.4.1 The Governing Body may dispose of assets through sale, donation or scrapping.

7.4.2 Assets that have been disposed of must be removed from the Asset Register, and the insurer (if applicable) notified.

7.4.3 For every disposal, the Governing Body or Headteacher (if the authority has been delegated) must:

- Record the reasons for the disposal
- Be able to demonstrate that the assets are either obsolete or surplus to requirements

7.4.3 Headteachers must appoint a single person to be responsible for disposing of assets, and inform them in writing that they are ultimately accountable for doing so. The responsible person's name must be clearly identified in the school's disposal file.

7.4.4 Any disposal of a capital asset must be made in accordance with the school's policy on purchasing and disposal and, where the disposal involves land and/or buildings funded by the LA, the school must obtain formal advice and approval from the LA's capital accounting team.

7.4.5 Schools must ensure that they adhere to the latest WEEE (Waste Electrical and Electronic Equipment) legislation, which sets out the requirements for disposing of electrical/electronic equipment, see: *Regulations: Waste Electrical and Electronic Equipment (WEEE) - GOV.UK (www.gov.uk)* legislation states that such assets cannot just be thrown away, but must be disposed of properly, either by:

- Donation to a charity (for refurbishment and re-use) – e.g. Tools for Schools
- Disposal by a specialist organisation, who will take such items away and recycle them. (Specialist organisations normally charge for this service)

7.4.6 Before disposing of computer equipment schools must ensure compliance with the Data Protection Act 1984 by erasing all personal data from the hard disk. Note that merely deleting files may not physically remove the data, which could be restored using specialised products. You must also ensure that any software products for which licences are maintained in-house are removed from the equipment prior to disposal.

7.4.7 Any member of staff who determines that an asset is surplus to requirement, or who is involved in the disposal, should never attempt to purchase it or take it for personal gain. There should be a clear separation of duties and the Headteacher must approve all disposals.

7.4.8 Official receipts must be issued for income received for disposed assets. Monies must be received and properly accounted for by someone who has not been involved in the disposal.

7.4.9 The income received from the sale of any asset must be treated as income in the school's budget, unless it relates to the sale of certain assets (such as land and buildings owned by the LA) or to income from a Public/Private Partnership (PPP) or Private Finance Initiative (PFI), which are subject to a specific agreement.

Commented [JA42]: Who? LA?

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7.5 Obsolete Assets

7.5.1 Assets are deemed obsolete if they have no resale value.

7.5.2 Schools may donate surplus, obsolete assets to the voluntary sector, or scrap them.

7.6 Surplus Assets

7.6.1 Where the possible sale value for an item or group of items exceeds a predetermined threshold value, the school should seek to dispose of them by quotation, competitive tender or public auction, unless approved by the Governing Body to do otherwise.

7.6.2 The threshold value should be set by the Governing Body.

7.7 Retention of Disposal Documentation

7.7.1 All documentation relating to the disposal of the asset must be retained for a period of six years after the disposal.

7.7.2 The following types of document should be retained:

- the Governing Body or Headteacher's written record declaring the asset surplus, and instructions to the person appointed as responsible for the disposal
- the advertisement
- the offers made
- the receipt

7.8 Security – General

7.8.1 The Governing Body is responsible for the security of the school's assets.

7.8.2 It is the responsibility of all Budget Holders to ensure that a yearly stock check is carried out during the summer term. Any missing items must be reported to the Governing Body.

7.8.3 Appropriate arrangements must be in place for the security of all assets, such as:

-
- Physical security devices (e.g. padlocks)
- Authority to access these secured assets should be clearly documented
- All items in the asset register should be permanently and visibly marked as the school's property
- Maintain a record of any model or other unique reference/security number in the asset register

7.8.4 Items which are easily portable and saleable (laptops, cameras, etc.), must be security marked and kept securely locked away when not in use. Keep a separate record (in the Asset Register) of any model or other number unique to your machines.

7.8.5 Items of school property should not be removed from the school premises without the appropriate delegated authority.

7.9 Computer Security and Protection

7.9.1 All schools should have a written ICT Security Policy, which should encompass the guidelines for protecting hardware and software.

7.10 Protecting Hardware

7.10.1 To minimise the danger of loss or damage, the above security guidelines should be followed.

7.10.2 To minimise damage, users should:

- Refrain from eating or drinking whilst working on the machines
- Never move or attempt to clean a machine without advice
- Ensure any loose cabling into the machine is secured

7.11 Protecting Software

7.11.1 To minimise the danger of unauthorised access, users should ensure that:

- The system is returned to the password screen when leaving the office
- The machine is switched off when not in use

7.11.2 Procedures should also exist for a new password to be issued to new staff and withdrawn when staff leaves.

7.11.3 Schools should have a recovery plan in the event of loss of accounting or financial data. The plan 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.

Guidance on disaster recovery planning can be obtained from Tower Hamlets HR Officer (see ***Section 1 - Key Contacts)***

7.11.4 The following precautions should be taken to minimise any loss of data caused by machine failure or user error:

- Give all users proper written instructions on how to use the system.
- Back up all data regularly.
- Maintain a back-up of all operating software.
- Ensure that there is adequate hardware maintenance cover for critical equipment.

7.11.5 To minimise the danger of data corruption by viruses an anti-virus solution must be implemented for all networked PCs and servers. Staff should also take the following precautions:

- Never load software without the school’s IT co-ordinator’s approval, especially software from the Internet.
- Never load any disks/CDs sent unexpectedly through the post
- Strictly control the transfer of software and data from one machine to another.
- Never make unauthorised copies of any software.
- Ensure virus-checking software is installed on all computers, and regularly updated.

7.12 Unauthorised Use of Software and Data Protection

7.12.1 Unauthorised copying of software is illegal under copyright.

7.13 Further Advice

7.13.1 Staff in Tower Hamlets IT Division can provide advice under service level agreement arrangements, if required. You can contact the IT Helpdesk via email or telephone. **See Section 1 – Key Contacts** for contact details.

Appendix 7.1 – Sample Inventory List

Description	Model/Serial Number	Date Received	Order Number	Supplier	Cost	Source of Funding	Location of Assets	Date of Disposal	Reason for Disposal	Method of Disposal	Amount Received on Disposal

8. INSURANCE AND RISK MANAGEMENT

8.1 Risk Management

8.1.1 Insurance should be purchased in respect of risks/potential losses that would impact seriously on a school's finances. Contact the LBTH Insurance Section for further information.

8.1.2 LBTH also employs an Insurance Manager/Senior Insurance Officer & Insurance Officer, who can support schools in collating information required for the LBTH insurance annual returns for renewals and will also act as a point of contact between schools and LBTH, where appropriate.

8.1.3 Purchasing appropriate insurance cover should be part of the school's overall risk management strategy. However, it should be acknowledged that risk management goes far wider than just the purchase of insurance. Risk Management is a method of identifying, controlling and managing the risks that face an organisation. For example, a school could reduce risk as follows:

- Ensure that buildings are secured when unoccupied
- Mark all moveable assets with indelible ink
- Score items with a solder to make them less desirable and more identifiable
- Install a good quality alarm system
- Illuminate external areas
- Bank cash collected regularly, ensuring the amounts of cash held in the school safe matches the insurer's advice
- Complete Risk Assessments in advance of activities
- Ensure that Third Parties have adequate insurance cover in place prior to committing to accept goods or services.

8.2 Business Continuity & Emergency Planning

8.2.1 Schools have a statutory responsibility to have in place a suitable Business Continuity & Emergency plan and a Disaster Recovery plan.

8.2.2 Tower Hamlets had produced a 'School Emergency Management Plan' template, into which site-specific and key personnel details can be inserted. The Plan also outlines support mechanisms and Tower Hamlets /LBTH personnel in place in the event of an emergency, during the recovery phase and beyond.

8.3 Purchasing Insurance Cover

8.3.1 Tower Hamlets Schools may currently be part of LBTH's Insurance Scheme, or can make independent arrangements with external suppliers. When using external suppliers, please ensure that they are members of the Association of British Insurers or members of the British Insurance Brokers Association. A copy should be sent to the Insurance Manager of LBTH via the Insurance Officer of Tower Hamlets, before it is finalised. This is to ensure that schools are not caught out when a claim arises.

8.3.2 Tower Hamlets cannot provide independent insurance advice or recommend any insurers. If schools require independent insurance advice, they must contact their insurance provider or a reputable insurance broker.

8.3.3 Each school is responsible for maintaining an up-to-date list of their insurers and the insurance cover they have purchased, as well as the property/risks covered by those policies.

8.3.4 When purchasing insurance, schools should obtain quotes from at least three reputable providers before making a final decision. The validity of many insurance policies is subject to certain conditions being observed, and it is the school's responsibility to ensure that these conditions are complied with. It is also the school's responsibility to finance both the excess and any claims that fall outside the scope of their cover.

8.3.5 Where external suppliers are used, schools must comply with the following conditions:

a) The policies should at least mirror the minimum standards of cover agreed by LBTH.
b) LBTH'S insurance policies run from 1 April to the 31 March. Schools must ensure that they have continuous cover in any one financial year.
c) The policies must meet the following criteria, contained within the Fair Funding paper:

   i Written confirmation from your broker that your cover meets the LA's minimum requirements.
   ii Property cover has been written in joint names of LBTH and the school, and that all covers jointly indemnify LBTH and your school.
   iii Written confirmation from your broker that they will give LBTH a minimum of 21 days' written notice in the event of cancellation of the policy.
   iv Copy of the policy document to be provided within 30 days of policy inception.
   v Schools should ensure that the excesses that their policies carry are viable to them dependant on their financial position. Generally, the higher the excess the lower the premium, however this is not always the case.. (For clarification, check with LBTH's Insurance Section.)

8.3.6 If arrangements made by the school are inadequate, or adequate proof of cover is not provided, LBTH has the right to arrange cover under its scheme and charge the school accordingly until the situation has been resolved. This is to protect both the school and LBTH in the event of claims being made during the period. Schools will be charged for Insurance placed by LBTH.

8.3.7 The level of your premium will be based on the level of risk. Insurers may need the following information to enable them to quote:

- Pupil numbers
- Staff numbers
- Value of buildings
- Value of Content
- Contents of the school's Asset Register

8.3.8 The types of insurance elements that a school must insure are, amongst others, as follows:

- Property Damage (Buildings and Contents)
- Business Interruption/Consequential Loss
- Money (not belonging to members of staff)
- Fidelity Guarantee, i.e. against fraud by employees (the LEA must do this by law) copy of the proposed insurance cover
- Employers' Liability, i.e. employees sustaining injury or disease during the course of, or arising out of, their employment
- Public Liability, i.e. where the school is sued for losses caused by its actions or those of its staff
- Governors' Liability and Professional Indemnity
- Libel and Slander
- Personal Accident (assault on staff)
- Engineering
- Motor Vehicles (owned by school)
- School trip insurance.

8.3.9 If the school acquires any new property or equipment, or is subject to any further risks that may require insurance cover, the school's chosen insurance provider should be notified promptly.

8.3.10 Schools should ensure that:

- all insurance policies are kept in a safe and secure place
- they have not under-insured themselves (please contact the Insurance Section at LBTH for guidance)
- the financial amount which it is insuring is regularly reviewed, at least annually
- all the small print on insurance policies is read and understood
- they maintain an accurate claims record

8.4 Levels of Excess

8.4.1 Excess is determined by the insurance provider. The All Risk policy covers Fire, Aircraft, Lightening, Flooding, Earthquake and Explosion, with each risk carrying its own excess.

For schools covered under LBTH's insurance scheme, please refer to LBTH "Insurance for Schools" Guide (which is updated annually) that outlines the policy excesses for each type of cover in place.

8.4.2 Liabilities insurance cover is compulsory. However, schools do have the option to opt out of the insurance scheme provided that the alternative insurance provider's policy limits and level of cover meets LBTH's requirements.

8.4.3 Each year, LBTH renew their insurance cover (which includes cover for schools) and notify schools of the premium for the following year. Schools need to allocate funds from their budget to meet the cost of the liabilities insurance, which may vary significantly by year. There is a 5% discount available for prompt payment after invoices are made available on the SLA.

8.5 Making Insurance Claims

8.5.1 Each insurer will have their own For schools insured under the LBTH Insurance Scheme – please refer to the claims procedure in the LBTH "Insurance For Schools" Guide. All schools insured under LBTH's policy should make claims via LBTH's Insurance Section (see **Section 1 - Key LBTH Contacts**), who will be able to provide support and advice about how to deal with claims. Please see LBTH "Insurance For Schools" Guide

8.5.2 Claims procedures will vary according to the type of claim being made. However, for any claim you will need to fill in and send to the insurer a claim form, with as much detail as possible. If insufficient information is provided, the claims process may be rejected. Schools should keep copies of each claim submitted. Please see LBTH "Insurance For Schools" Guide

8.6 Dealing with claims against you

8.6.1 For Schools covered under LBTH Insurance Scheme please refer to LBTH "Insurance For Schools" Guide.) For schools arranging their own cover, if you receive a claim against your school, or a threat of legal proceedings, you should not acknowledge it and send it to your insurance provider as soon as possible.

8.6.2 In any claim against you:

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

8.6.3 Always refer to your insurer's guidelines for procedures.

8.7 Record Keeping

8.7.1 Schools should ensure that:

- Primary pupils' files are kept for a minimum of 12 years
- (or until pupil reach 21, whichever is sooner)
- Secondary pupils' files are kept for a minimum of 7 years (or until pupil reach 21, whichever is sooner)
- The files are available in the event of a claim until the pupil reaches 21.

8.7.2 The statutory limitation for a child making a claim is when they reach the age of 21.

9 SCHOOL JOURNEYS

9.1 Voluntary Contributions, Charging & Remissions Policy

9.1.1 The Headteacher should keep a written record confirming that, in their opinion, the school trip is of educational value and related to the curriculum.

See ***Appendix 11.6,*** *in* ***Section 11 – VAT*** *for a sample school trip approval form.*

9.1.2 Where trips are an essential part of the National Curriculum, or they take place during school time, they must be provided free of charge (except for board and lodgings). Parents can be asked for a voluntary contribution.

9.1.3 The Governing Body may only ask parents for a contribution if they have an approved 'Charging Policy'. This should clearly state that visits might have to be cancelled if insufficient funds are received. It should also be noted that it is now a legal requirement for Governing Bodies to carry out a formal review of their Charging Policy each year.

9.1.4 Any letter to parents asking for a contribution must make it clear that there is no obligation to make such a contribution, and that pupils will not be treated differently if their parents do not make a contribution.

9.1.5 Where a charge for residential accommodation is made, it cannot include the cost of transport, as this is legally deemed incidental to the education. However, voluntary contributions can be requested to cover the cost of the transport element. Any letters to parents setting out the costs of residential trips must clearly distinguish between the chargeable element and the voluntary contributions required. It is good practice to provide parents with a breakdown of how the cost per child has been calculated.

9.1.6 Where the trip takes place outside normal school time, a charge may be made, in accordance with the approved Governing Body charging policy.

9.1.7 The school should assess whether or not a trip is viable and set budget targets for remissions or subsidies that will be chargeable to the school budget share. The school can then monitor the charges made against school budget share as part of their normal budgetary control process.

9.1.8 If the money collected is less than the expenditure incurred on a visit, the Governing Body may subsidise any shortfall from the budget allocation it receives from LBTH. It may also meet shortfalls by fund raising or other voluntary contributions. Any funds must be treated as income and accounted for through the school budget.

9.1.9 School trips should not be costed to generate a profit. However, it is accepted that there may be occasions when a profit is made. It is suggested that, when the first formal communication is made with parents, it should be stated that whilst there is no intention to make a profit, should this prove to be the case and the surplus is in excess of £5, the money will be redistributed to relevant parents/ guardians. If the surplus is below this limit, it can be allocated to fund future school trips. The Governing Body should establish the parameters for the surplus.

9.1.10 The cost of any supply teachers required to fill in for the normal teachers taking part in the trip cannot be recovered, or form part of the calculation, when establishing the cost of the trip.

9.1.11 All income and expenditure in connection with a particular trip should be accounted through the school's disbursement account. This applies only to visits of an educational nature.

9.2 Recording Receipts and Payments

9.2.1 Finance staff are reminded that, as with other monies, all school journey money must be kept in the school safe and banked promptly.

9.2.2 Officers responsible for collecting school trip money should be issued with a collection register and contribution cards.

9.2.3 The collection register should clearly show the names of the children going on the trip, and the amount to be collected.

9.2.4 Responsible officers should ensure that they sign and date contribution cards, as this is proof to parents that the money has been received by the school.

9.2.5 Refunds should be made only on receipt of a request form from the parent, countersigned by the officer in charge of the trip.

9.2.6 Officers responsible for collecting money should clearly date and sign the collection register in addition to showing the amount being handed in for banking.

9.2.7 Once officers collect money it should be given to an appointed member of the school's finance staff to check and bank.

9.2.8 A member of the finance team should check that the amount being handed in for banking is a true record, and provide the officer who administered the collection with a receipt.

9.2.9 School income for educational trips should be paid into the school's disbursement account. Income (and expenses) relating to non-educational visits should be paid into a voluntary fund account.

See **Section 12 – Voluntary Funds**.

9.2.10 The Headteacher should ensure that adequate insurance is taken out prior to the start of the trip.

10 SCHOOL BANK ACCOUNTS

10.1 Introduction

10.1.1 Each Tower Hamlets school is required to operate a bank account. The framework under which school bank accounts must operate is set out in the Scheme for Financing Schools.

10.1.2 The following sections set out the terms, responsibilities and requirements of the Scheme, and is consistent with Section 3 of Section 48 of the School Standards and Framework Act 1998 (Instalments of the Budget Share: Banking Arrangements).

10.2 Responsibilities of Governing Bodies

10.2.1 The Governing Body is responsible, under the provisions of the School Standards and Framework 1998, for ensuring that Schools operate within their delegated budget.

10.2.2 The financial responsibilities of a Governing Body are defined by the arrangements set out in the Scheme for Financing Schools.

10.3 Responsibilities of Schools

10.3.1 Schools are responsible for:

- Timely payment of all invoices and charges properly payable from the school bank account.
- Production of payment advice notes to accompany payments, so that creditors can determine for which particular goods, services or invoice the transaction represents.
- Answering creditor queries on payments.
- Reconciling the school bank account to local accounting records.
- Completing monthly income and expenditure returns.
- Retaining all original invoices and other payment documentation safely and for the minimum required period (see Section 6– Audit & Financial Reporting).
- Monitoring and maintaining adequate cash flow in order to generate maximum interest receipts and prevent overdrawn balances.

10.3.2 Any breach of banking terms must be reported immediately by the Headteacher to Strategic Head of Children and Culture at Tower Hamlets.

Commented [BM45]: Who is this? Should it not be Strategic Head of Schools Finance.

Commented [SW46R45]: changed

Commented [NP47R45]: correct title is Head of Strategic Finance C&C and need to include in key contacts

10.4 Choosing a Bank/Building Society

10.4.1 The choice of bank or building society must be made by the full Governing Body of the school. The selection must be made from the list set out in **Appendix 10.1**.

10.4.2 Chief Finance Officer at Tower Hamlets must be notified in writing of the choice made at least four months in advance of opening the account.

10.4.3 Schools opening an account may need to open both a current and deposit account. Alternatively, negotiation with the bank concerned may result in an equally good rate of interest on a current account only.

10.4.4 A school may not open accounts with more than one bank or building society.

10.4.5 To prevent risk to investments, balances may be held in current and deposit accounts only.

10.4.6 Schools must not themselves offer any form of security to the bank. If requested, LBTH may guarantee individual accounts. Applications should be made to the LBTH Chief Finance Officer

10.4.7 Schools must use LBTH's bank to pay in income due to LBTH.

Commented [BM48]: Which bank is this?

Commented [SW49R48]: Should be under SLA process, but exceptions happen.

10.5 Pooled Arrangements

10.5.1 Tower Hamlets has arranged with Nat West Bank to offer a pooling arrangement for schools. This facility offers attractive interest rates, low bank charges, and removes the need for schools to operate a separate current and deposit account and the associated bank reconciliation issues that that presents.

Commented [BM50]: With which bank?

Commented [SW51R50]: ok

10.5.2 The daily balances of schools participating in the pooling arrangements are aggregated and invested on the school's behalf. The interest earned, less any charges made for the service, is shared pro-rata to the aggregate balance invested. Net interest payments are made into school bank accounts on the last working day of each month.

10.5.3 Schools within the pooling arrangement can have one Private/Voluntary Fund account with the National Westminster bank that attracts interest at the same rate.

10.6 Payments that cannot be made from the School's Bank Account

10.6.1 The school bank account can be used for all expenditure included in delegated budgets, **<u>except</u>** items related to unofficial funds, e.g. private or voluntary school funds.

10.7 Funding and Income Paid into the Bank Account

10.7.1 Funding and Income that may be paid into school bank accounts includes:

- Advances made by Tower Hamlets of the school's delegated budget.
- Advances made by Tower Hamlets in respect of approved Standards Fund schemes.
- VAT reimbursement sent by Tower Hamlets.
- Any income generated by activities funded from school's delegated budgets and extended school activities funded from other sources, e.g. Lettings or miscellaneous sales, including contributions towards school expenditure received from the private School Fund or Parents Teacher Association.

10.7.2 Private school fund income must continue to be paid into the relevant account, and not paid directly into the school bank account.

10.8 Operating School Bank Accounts – Expenditure

10.8.1 All accounts must be in impersonal names and include the full name of the school, and 'London Borough of Tower Hamlets Council'.

10.8.2 The bank mandate must include at least three authorised signatories and require all cheques to be signed by two authorised members of staff.

10.8.3 Authorised signatories on school cheque accounts should be the Headteacher and senior members of staff. **<u>Staff with responsibility for ordering and processing invoices (i.e. those who initial the certification boxes) should not be authorised signatories, to ensure that adequate controls exist by the division of duties in the school.</u>**

10.8.4 A school must have a minimum of two and a maximum of four cheque signatories, one of whom must be the Headteacher. A second signatory must be a senior member of staff (e.g. Deputy

Headteacher). This does not normally extend to the Secretary or Bursar, as this is unlikely to result in an adequate segregation of duties. However, if the Secretary or Bursar is not involved in payment processing and accounting, and provided that an adequate level of internal control is maintained, they may be a signatory.

10.8.5 Governors should not normally be authorised signatories to the account. Governors who are not employees of the school must not be authorised to sign cheques unless the school can demonstrate insurance to indemnify LBTH against loss.

10.8.6 Cheques must be signed in manuscript by two authorised signatories. Facsimile signatures and rubber stamp signatures are not acceptable.

10.8.7 Schools are responsible for ordering their own cheques.

10.8.8 Blank cheques must not be pre-signed under any circumstances and should be held securely at all times.

10.8.9 Cheques that are spoiled during issue must be clearly marked ‘cancelled’ and retained with their counterfoil, for audit purposes.

10.8.10 Payments due to LBTH and Tower Hamlets for goods or services will be recovered by invoice and direct debits for SLA traded services.

Commented [BM52]: We apply direct debits now as well, e.g. schools SLA income.

10.8.11 To ensure that school funds are sufficiently protected from erroneous and fraudulent transactions, schools should manage their bank accounts using telephone, internet or BACS banking facilities, with agreement of the governing body. Procedures for the use of telephone and internet banking should include:

Commented [BM53]: Keeping a record of the date of the transaction, amount, reason, approval and reason to prserve an audit trail.

- Keeping a record of the date of the transaction, amount, reason, approval and reason to preserve an audit trail , by maintaining internal check in generating transactions
- Reconciliation of the account by staff not involved in the transactions
- Retention of documentation to support transactions
- Cash limits on individual transactions and total transactions in a set period
- Ensuring passwords and PINs are held securely and not shared.

10.8.12 Schools must not plan to overdraw their accounts or make arrangements for loans or any other forms of credit or deferred purchases without the written permission of the Secretary of State for Education. This restriction does not apply to Licensed Budget Deficits and the Loan Scheme operated by the Tower Hamlets in accordance with the Scheme for Financing Schools.

Commented [BM54]: Is this current?

Commented [SW55R54]:

10.8.13 Schools should endeavour only to make payments against invoices. If this is not possible and payment has to be on a payment-with-order basis, a receipt or paid invoice/acknowledgement must be obtained for all cheque payments.

10.9 Funding – School Budget Share

10.9.1 The amount to be advanced to schools is the total budget share for each particular school, comprising**:**

- the delegated budget
- EFA allocations, and
- Schools Additional Grant

10.9.2 Instalments of the school delegated budget and Standards Fund allocations are normally paid by direct transfer to the school's bank account, as follows:

Month	Proportions
April	2/12ths
May	1/12th
June	1/12th
July	1/12th
August	1/12th
September	1/12th
October	1/12th
November	1/12th
December	1/12th
January	1/12th
February	1/12th
March	-
	Total Year Allocation

10.9.3 Tower Hamlets will advance Schools Additional Grants Funds at intervals throughout the year, reflecting when payment is received from the DfE.

10.10 Overdrafts

10.11.1 Schools are not statutorily permitted to go into overdraft.

10.11.2 Applications from schools for early release of part of their next advance will be considered sympathetically by the Head of Strategic Finance Children's and Culture at Tower Hamlets, which may be subject to an interest charge. Contact the Schools Team for an application form.

Commented [BM56]: ??

10.11 Interest Earned on a School's Bank Account

10.11.1 Schools retain the interest earned on their accounts, and should ensure that interest is paid gross, without deduction of tax.

10.11.2 If the interest is paid net, schools should obtain a tax deduction certificate and send it to Head of Strategic Finance Children's and Culture, to obtain a reimbursement.

10.12 Interest Payable to LBTH

10.12.1 As a result of the timing of advances made to schools (with advances being made earlier than costs being incurred) a loss of interest on Council bank balances occurs. Therefore, in accordance with the provisions of the School Standards and Framework Act 1998, a recovery from schools equivalent to that loss of interest is deducted.

10.12.2 How this interested is calculated is set out in the Scheme for Financing Schools.

10.13 Bank Charges

10.13.1 All bank charges must be paid by the school.

10.14 Credit Cards and GPCs

10.14.1 Schools are explicitly barred from using credit cards, which are regarded as borrowing. However, schools may obtain a Government Procurement Card (GPC). The GPC is a charge card which can have the same advantages as a credit card, i.e. it can be used to purchase items online. Schools may apply for a GPC through SFT.

10.14.2 GPCs are available from Nat West Bank, to be used only for school expenditure.

10.14.3 The GPC looks like any normal credit card, but is a change card, which means your total balance on your monthly statement must be settled in full.

10.15 Discontinuing / Closing a School's Bank Account

10.15.1 If a school fails to comply with any requirements of this Manual, and this gives rise to any financial liability falling on LBTH or Tower Hamlets, this amount will be deducted from a future advance.

10.15.2 Head of Strategic Finance Children's and Culture has the right to withdraw a school's separate bank account or discontinue a school representative from being a cheque signatory if, in his opinion, proper financial control is not being exercised, or there had been substantial or persistent failure to comply with the requirements of the scheme. In such circumstances, the Head of Strategic Finance Children's and Culture at Tower Hamlets will be kept fully informed of the reasons leading to this decision.

10.15.3 This facility can be restored if the school demonstrates its capability to manage a bank account in a manner considered acceptable by the Head of Strategic Finance Children's and Culture**.**

Appendix 10.1 - Approved Financial Institutions for School Bank Accounts

Clearing Banks

- Barclays Bank
- HSBC
- Lloyds
- TSB
- National Westminster Bank

UK Incorporated Institutions Authorised by the Bank of England and Building Societies

- Santander
- Halifax PLC
- Nationwide

This list is limited to major clearing banks, incorporated institutions and building societies, as the Head of Strategic Finance Children's and Culture must ensure funds are invested prudently. The Head of Strategic Finance Children's and Culture will review this list periodically.

11 VAT

11.1 Introduction

11.1.1 VAT is chargeable on all supplies of goods and services within the UK except those specifically exempted under HMRC VAT regulations. It is administered by HMRC, whose officers may visit all VAT registered persons/organisations and examine accounting records and period VAT returns to ensure statutory compliance.

11.1.2 As all schools operate within LBTH's overall framework, they are bound by the same conditions as LBTH and registered under LBTH's VAT number: **232 4842 77.**

11.1.3 LBTH (and its schools) are allowed to reclaim most of the VAT incurred on expenditure. Expenditure in schools' Council funds is charged net of VAT. The VAT element is charged to the VAT account and reclaimed **monthly** from HMRC. It is important that schools identify the VAT element of any expenditure, as well as charging VAT on income where applicable.

*See **Appendix 11.1**, for a list of typical items of expenditure and their VAT liability.*

11.1.4 Reimbursement claims submitted by schools form part of LBTH's legal declaration to HMRC. It is essential that reimbursement claims are accurate, certified by an authorised signatory and **submitted to SFT each month**. **Failure to submit accurate and timely returns may result in penalties.**

11.1.5 Staff members who deal with income and/or expenditure must be aware of the VAT rules and are able to recognise when VAT implications may arise across school activities. VAT must be processed correctly, as schools are financially liable for any penalties incurred.

11.1.6 Schools are advised to contact LBTH's Tax team (on 0207 364 5221) at the earliest opportunity regarding any issues.

11.1.7 VAT is complex and subject to constant changes in legislation. The advice contained in this manual reflects current practice but please contact SFT if you have any queries.

11.2 Business versus Non-Business Activities

11.2.1 The VAT system makes a distinction in the purposes for which the expenditure has been incurred.

11.2.2 Transactions not carried out in the course of, or furtherance of a business activity, are non-business and are outside the scope of VAT.

11.2.3 As a general rule, a non-business activity for LBTH is one where:

- LBTH has a statutory obligation to undertake the transaction, and a monopoly over that activity
- That same activity is not undertaken by a private sector provider

11.2.4 A business activity is one in which the supply is comparable with or potentially in competition with a supply made by a private sector body.

11.2.5 Typical examples are:

Business	Non-Business
School lettings	Primary & secondary education
Car parking	Educational school visits
Sale of Adult Clothing	Careers Services
Sale of meals to staff & visitors	Meals Supplied to Own Pupils

11.3 VAT Categories

11.3.1 Since many LBTH activities are part of its statutory functions and funded from taxation/central government grants, they are regarded as non-business activities. Under normal VAT regulations, the VAT incurred in providing these services would be irrecoverable. However, local authorities (and local authority schools) have special status allowing them to reclaim the VAT incurred on non-business activities.

11.3.2 LBTH must charge the appropriate rate of VAT on its supplies of goods and services, so consumers pay the appropriate rate of VAT on purchases.

11.3.3 The current rates of VAT are:

Standard Rate	Currently 20%
Reduced Rate	5% - applies to qualifying use of fuel and power, and certain women's sanitary products.
Zero-rated	Taxable supplies for which Parliament has decided that the rate of VAT is 0%.
VAT Exempt	Supplies of goods and services which are not taxable. In most cases, a business that makes all or mostly exempt supplies cannot recover all the VAT on its purchases.
Outside the scope of VAT	Non-business, including most supplies made by LBTH to its schools and by the schools to LBTH

11.3.4 LBTH has a special concession, 'partial exemption calculation', whereby VAT on supplies purchased for exempt activities may be reclaimed, provided the total of this VAT does not exceed 5% of the total input VAT on all purchases in any given year.

11.3.5 LBTH's position under these regulations is monitored corporately. Generally there are no particular issues where schools currently need to be concerned, providing they follow the guidance in this section.

11.3.6 It would be prudent however, if schools could identify their exempt income, as this figure will be required when undertaking the annual partial exemption calculation. Schools should provide a breakdown of Income **Code I08 - Income from Facilities and Services**. Should LBTH exceed the 5% limit for its partial exemption calculation, this would result in LBTH having to repay all the VAT incurred on exempt income for the year. This would be a significant cost, exceeding £2.5 million.

11.4 Input and Output Tax

11.4.1 When a VAT registered supplier makes a taxable supply, e.g. a sale, the VAT charged to the customer on this income is known as **output tax.**

11.4.2 When a registered supplier receives a taxable business supply, the VAT on this purchase is known as **input tax.**

11.4.3 For LBTH and its schools input tax is normally greater than output tax, and HMRC repay the difference to LBTH.

11.5 Penalties and Interest

11.5.1 VAT accounting errors totalling less than £2,000 in a single month (across LBTH) can be corrected on LBTH's VAT return with no penalty. Errors totalling more than £2,000 net, which are disclosed by LBTH under the "Error Correction Statement procedure", may attract an interest charge for late payment where monies are owed to HMRC.

11.5.2 HMRC can levy mis-declaration penalties for significant underpayments of VAT arising from "innocent" errors that have not been voluntarily disclosed. Should HMRC choose to issue such a penalty (which is in addition to the interest charge for late payment), the value of the penalty will vary according to circumstances. For example, where 'innocent' errors are found the penalty might be suspended or not even charged at all. Conversely, if the error was found to be deliberate then the penalty would be 100% of the error.

11.5.3 Penalties can also be imposed for failing to keep adequate VAT records and for unauthorised issue of VAT invoices.

11.5.4 The penalties can be costly and can come from a school's budget. If there is any doubt over the VAT treatment of a transaction, seek advice from LBTH's Tax team on 020-7364-5221. Please DO NOT contact HMRC directly.

11.5.5 All invoices for purchases and supplies, and any supporting documentation such as cash records, must be kept for 6 years minimum.

11.6 Recovering VAT

11.6.1 VAT can only be recovered on purchases that have been processed through the school's accounting system..

11.6.2 The effect of the dispensations in respect of non-business and exempt activities is that the VAT incurred by LBTH and its schools is predominantly recoverable. Since recoverable VAT is greater than VAT due, LBTH submits monthly returns to claim the net refund as soon as possible.

11.6.3 Schools' accounting arrangements must ensure that the VAT paid on their purchases is correctly identified and that all supplies are accurately accounted for so that LBTH reclaims the correct net amount.

11.6.4 In principle, VAT on expenditure should be recovered and VAT on income declared in the period in which the tax points of the supplies fall. Input tax can be recovered at any time within three years from the date of the invoice, although any cash flow benefit from an early recovery of tax would be lost. An invoice for output VAT should be issued within 60 days of delivery of the goods or performance of services, unless a payment has been received. Output VAT shown on invoices raised by schools must be included in the school's VAT Reimbursement claim for the period in which the invoice was raised.

11.6.5 The tax point for a supply made by a school in normal circumstances will be the date the supply is made or, if earlier, the date the tax invoice is raised or the cash received.

11.6.6 Important points to remember:

- These purchases must be for educational purposes for pupils on the school roll, either for use in delivering the curriculum or for general running of the school.
- The school must place the order, receive the supply, receive a VAT invoice

addressed to it or LBTH, and make payment from its Council funds.

- A school's Council funds cannot be used to recover VAT on purchases where the ultimate receiver of the goods or services is a third party, e.g. a Parent Teacher Association (PTA) or for the private benefit of a member of staff.
- Voluntary Aided Schools (with the possible exception of buildings-related expenditure – see Section 11.24), cannot reclaim VAT on works that are the responsibility of the Governing Body.

11.6.7 Schools will only incur VAT on purchases of standard-rated goods and services where they are purchased from a VAT-registered supplier.

11.7 Documentation Required to Recover VAT

11.7.1 To recover VAT incurred on expenditure, LBTH (and all maintained schools) must be able to prove that it was the recipient of the supply. Purchase invoices must be retained for tax purposes. It is not sufficient to base recovery on the payment of the amount charged - there must be evidence that the supply was actually made to LBTH or the school.

11.7.2 Schools must also record transactions in their accounts and hence LBTH's accounts, according to the VAT rating of the supply.

Appendix 11.1, shows a schedule of the items of expenditure most likely to be relevant to schools, and their associated VAT liability.

11.7.3 Claims for input tax must be adequately supported by tax invoices received from suppliers.

11.7.4 If the gross payment (i.e. including VAT) is more than £250, the tax invoice must include the following items:

- An identifying number (i.e. An 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 name)
- Description identifying the goods/services supplied (see below)
- The unit price, in relation to countable goods and services

Each Description must include the following details:

- 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

See Appendix 11.2, for a sample 'Purchases Over £250' invoice.

11.7.5 If the gross payment is less than £250, schools may use a less detailed VAT invoice as evidence for VAT recovery. In this case, only the following details are required:

- Name, address and VAT registration number of the supplier
- The time of supply (tax point)
- Description of the goods/services supplied
- For each VAT rate applicable, the total amount payable (including VAT) and the VAT rate

charged

*See **Appendix 11.3**, for a sample 'Purchases Under, £250' invoice.*

11.7.6 Suppliers charging VA are legally obligated to provide a HMRC compliant tax invoice that complies with these requirements. Schools are advised to not make payments until a tax invoice has been provided. If, for some reason, schools do choose to make the payment then the VAT CANNOT be reclaimed until a VAT invoice has been received. Example, in this instance a school would treat a payment of £ 120 (including £ 20 VAT) as £ 120 (without VAT) and the VAT only reclaimed when the tax invoice is received.

11.7.7 When credit is due because of defective goods or unsatisfactory services, the school should request a credit note.

11.7.8 There are limited circumstances where a VAT invoice is not required to support the recovery of VAT:

Telephone calls from public or private telephones

- Purchases through coin-operated machines
- Off-street car parking charges (on street parking meters are not subject to vat)

11.7.9 However, this only applies if the total expenditure is £25 or less (including VAT) and you must be sure that the supplier is VAT registered. Providing these requirements are met, the VAT incurred may be recovered. These items are usually claims for out-of-pocket expenses.

11.7.10 Only original or certified copies of invoices can be used to support a VAT claim. Photocopies are not normally acceptable. Note that, if the necessary documentation is not obtained, HMRC can disallow the recovery of VAT paid and impose penalties and default interest. VAT records must be maintained and evidence easily retrieved.

11.7.11 Hard copies of invoices and other records such as computer records should be retained for six years. HRMC have agreed that, after two years, records can be transferred to electronic media provided that a clear audit trail is available, with an appropriate view/printing facility.

11.8 Accounting for VAT

11.8.1 LBTH is registered for VAT and is therefore entitled to reclaim any VAT charged by suppliers of goods and services, subject to certain conditions. LBTH is also required to charge VAT, where appropriate, on the goods and services it provides.

11.8.2 Schools come under LBTH's VAT registration. LBTH is ultimately responsible for ensuring that all VAT requirements are met and for calculating the correct VAT liability. Further VAT advice can be obtained from LBTH's Finance Directorate on (0207 364 5221).

LBTH's VAT return is completed with information supplied by schools. Schools must provide details of income and expenditure and associated input and output tax for each calendar month.

11.8.3 A completed and signed statement (entitled VAT template and VAT transactions) should be supplied to the Schools (Finance) Team at Tower Hamlets each month to claim for VAT reimbursement, who submit them to HMRC.

11.8.4 It is essential that all requirements specified by HMRC are adhered to in the accounting treatment of VAT. Failure to comply with these requirements may result in financial penalties against the school if the school is in error.

11.9 Private (Non-Council) Funds

11.9.1 Schools' Private (non-council) funds are not part of LBTH's VAT registration. Private (non-council) funds do not count as Council resources and need to be separately VAT registered if the total annual taxable turnover exceeds the statutory threshold, currently £85,000.

11.9.2 Most schools' Private (non-council) funds are not VAT registered. However, it is not uncommon for schools' Private (non-council) funds, particularly in large secondary schools, to reach this threshold.

11.9.3 If you believe that the taxable turnover of your Private (non-council) fund is near or above the threshold you should seek advice to determine whether or not the fund should be registered for VAT. There may be penalties for late registration. In any case it should be monitored month-by-month.

11.9.4 A Private (non-council) fund may register for VAT even if its turnover is below the threshold but seek advice before a decision is made to register. HMRC Notice 700/1 "Who Should register for VAT?" gives more information about registering for VAT and is available free from the National Telephone Advice Service on **0300 300 3700** or online https://www.gov.uk/government/publications/vat-notice-7001-should-i-be-registered-for-vat**.**

11.9.5 Note that HMRC do not allow schools' Private (non-council) funds to be disaggregated in order to keep each individual fund or account below the threshold. If HMRC believe that the funds are not fundamentally separate entities, they will treat them all as one fund. However, it is generally accepted that Governors' funds and PTA funds, for example, are separate and distinct, as each will have its own constitution. If your school maintains other private (non-council) funds, you should seek advice as to whether they can be treated separately for VAT purposes.

11.10 Purchases Made from Private (non-council) funds

11.10.1 Income and expenditure relating to Private (non-council) funds must not be accounted for through the official Council accounts. Unless the Private (non-council) fund is registered for VAT, the Governors will not be able to recover VAT on purchases.

11.10.2 Where the goods to be purchased using the Private (non-council) funds are for educational use, the school can take advantage of a concession which allows LBTH, and hence its schools, to recover VAT incurred on purchases made with donated funds for specific purposes, provided that LBTH/the school:

- Places the order
- Receives the supply
- Receives a vat invoice addressed to it; and
- Makes the payment from its council funds

11.10.3 The school must keep sufficient records for proof of purchase and to identify the purpose for which it was made.

11.10.4 In practice, the purchase would require:

- the Private (non-council) fund to make a donation to the school's Council funds for the net amount
- (I.e. exclusive of VAT) for the item they wish to purchase for the school

- LBTH or the school to procure the goods, pay, and recover the VAT in the normal manner; and
- LBTH or the school to retain legal ownership of the goods.

11.10.5 "Retention of ownership" and the "use for educational purposes" are conditions designed to make sure that purchases are not made on behalf of third parties. One of the implications of these conditions is that any item purchased is LBTH's property. For example, a minibus purchased through the school's Council funds with funds donated from its Private (non-council) fund would become LBTH's property and must be used as part of the provision of education. If the school later sells the minibus, VAT must be charged on the sale price because LBTH is VAT registered. The proceeds must be paid into the school's Council funds and the VAT accounted for in the normal way.

11.10.6 This concession must not be used to purchase goods for use by governors, the PTA or similar groups. For example, a computer to account for Private or PTA funds; or to obtain an unjust tax benefit where the responsibility is that of a particular group. If you are in any doubt, please seek advice from LBTH's Senior Accountant VAT & Tax.

11.11 VAT on Income

11.11.1 VAT is chargeable on the supply of goods or services where such supplies are made in the course or furtherance of business. The first decision to be made is to assess the VAT liability of the supply. The default should be that you charge VAT unless you have a valid reason for not doing so. One of the main reasons schools would not charge Vat is that they are making non-business supplies. If the income relates to a business activity it is necessary to determine the VAT liability of the supply (standard, reduced, zero or exempt).

11.11.2 It is essential that the correct liability is established and the right amount of VAT is declared if assessments, penalties and default interest are to be avoided. Determining the VAT liability for each supply and charging output tax is the responsibility of the person making the supply - referred to as the 'taxable person".

11.11.3 VAT should not be charged on internal transactions, i.e. where supplies are made to other parts of LBTH.

11.11.4 Schools must ensure that:

- VAT is charged at the correct rate on supplies that are subject to VAT
- VAT charged is accounted for according to the VAT liability of the supply
- Where, a standard-rated supply is made, a VAT invoice is provided, if requested by the person to whom the supply has been made. Failure to issue a VAT invoice when requested by a taxable person may result in a financial penalty
- VAT is correctly recorded in the School's accounts.

*See **Appendix 11.4** for a sample schools VAT invoice.*

11.11.5 The school should only charge VAT on standard and reduced-rated supplies made through the Council fund.

See Appendix 11.5 for a sample list of business supplies and their VAT liability.

11.11.6 VAT collected by the school from such supplies should be itemised on the monthly VAT Reimbursement Claim (Submittal Report on FMS6).

11.11.7 Cash income is received from a number of sources, so it is essential that any VAT element be correctly identified. Schools must maintain adequate records regarding the receipt of cash income and the VAT liability that has been applied in accounting for the receipt.

Use the following calculations to find the VAT element in a gross amount, and the amount exclusive of VAT:

Gross Amount x 20 = VAT Element 120

Gross Amount x 100 = Amount Exclusive of VAT 120

The VAT fraction for 20% can be simplified to 1/6, for

example:

VAT Element = per current rate Gross amount x 1/6
Amount Exclusive of VAT = per current rate Gross amount x 5/6

11.12 Sale of Goods Incidental to Education

11.12.1 Tower Hamlets schools may charge for goods or services sold to pupils that are closely related to the provision of education. These goods are for the direct use of pupils' normal school curriculum activities. Where supplies are sold at or below cost, they are non-business and outside the scope of VAT.

11.12.2 Any input VAT incurred in the purchase of goods and services for sale to pupils can be recovered by the school if the purchases were made through the school's LA funds. HMRC have issued standardised procedures. The following rules should be applied to determine whether goods/services are closely related to education:

1) The goods and services must be closely related to the education provided and for direct pupil use such as pens, exercise books, drawing materials, mathematical instruments etc. This does not apply to goods supplied directly to a pupil by a trader.
2) The pupil must receive education from the LA, either in a maintained school or in connection with some other LA run educational activity (such as an orchestra).
3) The goods and services required must be purchased from the LA. This means that the LA must transfer ownership to the parent, guardian or pupil purchasing them.
4) Payment for the goods must be made either to the LA or to the school. If paid to the school, it must be paid into the school's official funds.
5) Some evidence (e.g. order form) must be kept to show that the recipient has been receiving education from the LA, and that the item(s) supplied was essential to that education.
6) The price of the goods/services must be at or below cost; there must be no intention to make a profit. "Cost" means the full overhead-inclusive price of supplying the goods/services to the pupil, including, for example, the costs associated in administering the charges.
7) Where goods are leased, the same rules will apply as for sales.

11.12.3 Supplies that are not closely related to the provision of education are generally taxable. These may include:

- Supplies to staff (including summer school tutors) and other non-students
- Sales of goods not needed for regular use in class e.g. school shops/vending machines
- Sales of school uniforms and sports clothing
- Admission charges (other than for taking part in sports activities) – for example, admission to plays, concerts, dances, sporting venues, exhibitions, museums etc.
- Administration and management services
- Commission for allowing sales by outside organisations at an educational establishment
- Sales by a sole proprietor or partnership in connection with private tuition.

11.12.4 **Sale of Laptops to pupils:** Where all of the above conditions are met, and subject to the following stipulations, schools may sell laptops to their pupils without charging VAT:

- Orders should not be placed until payment has been cleared.
- The school should take whatever steps it considers necessary to ensure that warranties etc. can legally be transferred to the purchaser. It is recommended that the school obtain written confirmation and pass a copy to the purchaser.
- The school may have to provide the purchaser with a receipted invoice (payment received in full) in order to evidence that ownership has been "transferred".

11.12.5 **Sale of Laptops to Teachers and Parents:** Sales of computer equipment by LA schools to either parents or teachers cannot benefit from non-business treatment even if supplied at or below cost. Thus, any payments received by the LA are standard rated. However, if equipment is provided to a teacher under the Government's Home Computer Initiative, and it is used for the teacher's "business" of teaching, LBTH can recover the VAT on the cost.

11. 13 Council Sales of Closely-related Supplies to Non-LBTH Pupils/Students

11.13.1 Schools may treat as non-business any closely-related goods and services they supply direct to pupils of other schools and to the students and trainees of eligible bodies such as FE colleges and universities. For example, if the school shares a catering outlet with another educational institution, it should not charge VAT on the meals it provides direct to the students of that institution.

11.14 Sale of School Uniforms and Sports Clothing/Equipment

11.14.1 Sales of school uniforms and sports clothing/equipment (including plimsolls and swimming bags) are specifically excluded from the scheme outlined in 11.12.1 – 11.12.4 above. It is not generally appropriate to pay for such items from the school's Council funds unless the school is to retain ownership. This is because VAT would need to be declared on sales to pupils except where the items qualified for zero rating.

11.14.2 Most schools operate sales of uniforms and/or sports clothing and equipment through the school's Private (non-council) fund. If the annual level of sales made through the account is below the VAT registration threshold, such sales can be operated on a recovery of cost basis. Note that no VAT can be recovered on purchases made through this account.

11.14.3 Current legislation provides that articles designed as clothing or footwear for young children, which are not suitable for older persons, can be zero rated. HMRC have defined the upper age limit of a "young child" to be the eve of the child's 14th birthday. Generally, garments will only be zero rated if they do not exceed the body sizes of an "average" thirteen-year-old (see the following table).

	Boys		Girls	
	CMS	Inches	CMS	Inches
Height	163	64.0	161	63.0
Chest	84	33.0	85	33.5
Waist	70	27.5	69	27.0
Hips	85	33.5	90	35.5
Arm (shoulder to wrist)	59	23.0	57	22.5
Inside Leg	77	30.0	76	30.0

Golden Rule: If the supplier charges the school VAT on certain sizes, you should charge VAT when the same uniforms are sold on to pupils.

11.14.4 Schools providing exclusively for pupils under 14 years of age may zero-rate supplies of garments bearing a prominent badge or logo which identifies them as part of the school uniform, irrespective of size.

11.14.5 Whichever fund sales of uniforms are processed through, it is beneficial to obtain zero-rating where the conditions can be satisfied, as the cost to the pupil will then be free of VAT. It is recommended that the application of zero-rating is confirmed and agreed with the supplier.

11.15 VAT Liability of Lettings

11.15.1 The following table shows the VAT rate applicable for letting sports and non-sports facilities:

	Sports Facilities	Non-sports Facilities
Used for Sport	Standard Rate	Exempt
Used for non-sport	Exempt	Exempt

11.15.2 Hire of Non-Sports Facilities: letting non-sports facilities includes the hire of rooms. Room hire is VAT exempt where the room includes:

- Tables and chairs
- Tables and chairs and hire of a kitchen where the hirer can prepare their own food and drink
- Access to a bar where the bar is operated by the Local Authority who account for VAT on the takings

11.15.3 Sports Facilities: letting facilities designed or adapted for playing sport or for physical recreation is normally subject to VAT at the standard rate. Lettings may only be exempt from VAT if certain conditions are met (see conditions below). Facilities designed for sport can be either land or property and could include tennis courts, squash courts, cricket pitches and football pitches. Facilities adapted for sport include general-purpose halls that have fixed basketball nets or bars.

11.15.4 A sports facility let for sport is VAT exempt for single lets of over 24 hours, when let to the same person who has exclusive control of the facility throughout the period.

11.15.5 Letting sports facilities for sports may be also exempt from VAT, provided all the following conditions are met:

- The series consists of 10 or more lets
- Each session is for the same sport or activity
- Each session is in the same place. This includes different pitches, lanes or courts within the same

premises

- The interval between each session is at least one day and not more than 14 days (although the duration of each session can be varied). Letting for every Monday afternoon would fulfil this
- Condition. However, there is no exception for intervals that are longer than 14 days due to closure,
- e.g. for public holidays.
- The series is paid for as a whole and there is written evidence to that effect. This must include evidence that payment is to be made in full for the series whether or not the right to use the facility for any specific session is actually exercised. A formal agreement, exchange of letters, or an invoice issued in advance requiring payment for the sessions specified on the invoice would be sufficient evidence.
- Provision for a refund can only be made in the event of the unforeseen non-availability of the facility. A refund in any other circumstances would breach the exemption conditions and all sessions used would be subject to VAT at the standard rate
- The sports facilities are let to a school, club, association or an organisation representing affiliated clubs or constituent associations (such as a local league). **This does not include informal groups of people or commercial organisations.**
- The person to whom the facilities are let has exclusive use of them during the session.

11.15.6 **Definition of Club or Association:** clubs and associations that have a constitution and collect subscriptions from their members but may be incorporated or unincorporated.

11.16 School Trips

11.16.1 When organising a school trip, you will need to decide whether the trip is to be accounted for through the school's Private (non-council) fund or through Council funds. You must ensure that all income and expenditure in connection with a particular school trip is accounted for through the same fund. However, different visits may go through different funds.

11.16.2 The school must not account for VAT on school trips administered through the Private (non-council) fund if this is not VAT registered. The school should not recover any VAT it has paid in connection with the trip and should not deduct VAT from any payments received from pupils or their parents. If as a result the Private fund's taxable turnover exceeds the statutory threshold, the fund must register for VAT. (See Section 11.9 – Private (Non-Council) Funds, above.)

11.16.3 Where a school trip is accounted for through LBTH's funds you will need to determine the nature of the trip. If the school trip is educational and forms an agreed part of the curriculum it can be treated as a non-business activity and there is no need to charge VAT on contributions from pupils and teachers. The Education (National Curriculum) Attainment Target and Programme of Study in Physical Education Order 1992 is quoted as a statutory reference for the core of teaching in this area, in which educational school trips play a part.

11.16.4 There is no longer a requirement for charges to pupils be subsidised in order for the visit to be regarded as non-business.

11.16.5 Any VAT paid by the school for a trip that is in some way related to the school curriculum can be recovered, and no VAT should be deducted from income received from pupils or their parents.

11.16.6 In case HMRC decides to query whether or not a particular school trip is educational, the Headteacher should keep a written record confirming that, in the opinion of the Headteacher, the school trip is of educational value and related to the curriculum.

*See **Appendix 11.6** for a sample school trip approval form.*

Any trip arranged by the school that is not related to the curriculum is regarded as a business activity for VAT purposes. Such trips should not normally be accounted for through Council funds. Providing the school's Private (non-council) fund is not registered for VAT, this will not cause any problems. However, if the Private (non-council) fund is VAT registered there may be the need to apply the Tour Operators Margin Scheme (TOMS). If you think that you need to apply TOMS to a school trip, you should seek advice from LBTH's Tax team.

11.16.7 Trips will be able to meet the requirement of being related to the school curriculum. It would be unusual to find a school trip treated as a business activity.

11.17 School Photographs

11.17.1 The VAT treatment of school photographs depends on the arrangements for sale.

a) Sale of Photographs by the Photographer Directly to Pupils/Parents

If the Headteacher has full control over the funding received from non-Council sources, the governing body must account for VAT on its supply to the photographer for the use of the premises and facilities. There will be no VAT on commission received from photographers and monies received should not be paid into the official Schools Council funds.

b) Sale of Photographs by the Photographer to the School

VAT at the standard rate must be declared on the full price paid by the parents for the photographs. Where the Private (Non-Council) Fund is registered for VAT, the school must declare VAT on the full price and is entitled to recover VAT charged by the photographer on their fees. Where the Non-Council Fund is not registered (and the total value of sales by the photographer to the school and/or other registered persons for resale exceeds £50,000 per annum) the school must issue a Notice of Direction (NOD), which requires the photographer to account for VAT on the full selling price. Please contact LBTH's VAT Accountant if this needs to be done.

11.18 Breakfast and After School Clubs

11.18.1 Where a school provides for its pupils to attend before (breakfast) and after school clubs, these supplies may be treated as closely related to education and therefore non-business when supplied at or below cost. This also applies to 'social education' e.g. football clubs.

11.18.2 If the charges are made above cost, the supply is considered 'exempt business'. This will not change the VAT status unless LBTH's partial exemption threshold of 5% is exceeded (see 11.3.5).

11.19 Sales of Stationery and Other Office Supplies

11.19.1 Sales of stationery sold as not incidental to the supply of education is subject to VAT at the standard rate.

11.20 Donations

11.20.1 Where a school receives a donation, which is freely given, it is outside the scope of VAT providing that the school does not provide anything in return. When there is a condition attached to a donation that gives a donor some benefit, for example, free tickets to a school show, then the donation is subject to VAT. A simple acknowledgement of the donation is permitted, for example, a name plaque.

11.21 Sponsorships

11.21.1 Sponsorships may be treated as donations providing the support is freely given and secures nothing in return. A taxable supply will only be created where, for example, the school in return displays the sponsor's logo or names the event after the sponsor.

11.22 Supplies of Teaching Staff

11.22.1 Where a school provides staff to another education provider, and those staff are providing education to students, this supply is seen as being an exempt supply of the school. For example, where a laboratory assistant is seconded to a further education college and assists in classes for the college's students, this supply will be treated as exempt activity for the school.

11.23 Catering

11.23.1 The whole school site is now considered to be an "outlet" for the purposes of catering. Therefore, all food and drink sold by the school, including from vending machines, will be treated collectively.

11.23.2 Supplies of meals to staff and visitors is subject to VAT at the standard rate. Where sales cannot be separately identified, a reasonable basis of apportionment must be agreed with HMRC. Supplies of food and drink to staff and visitors will be subject to VAT depending on the VAT liability of the item sold.

11.23.3 Catering supplies to pupils, considered incidental to education provision, is non-business and outside the scope of VAT, provided the charge made is "at or below cost". This includes the sale of taxable foods.

11.23.4 The non-business treatment for sales of catering to pupils is subject to the total of all sales of food and drink for the whole school (outlet) for the school year being "at or below cost". "Cost" means the fully overhead inclusive cost of bringing the food and drink, to the pupils and includes the labour costs associated with cooking and serving meals and the revenue costs of running the kitchens.

11.23.5 Should a school fail to meet the "at or below cost" condition it will be necessary to make a separate calculation for each outlet, (e.g. the cafeteria or vending machine) and to treat as business only those where income was greater than cost incurred. Where an outlet exceeds cost, the supplies of that outlet will be treated as one of catering at the standard rate of VAT, and output tax will need to be declared to HMRC.

11.23.6 This treatment applies only to sales of food and drink by the local authority school to its pupils and from outlets operated by either the local authority itself or the governing body. It does not apply to sales made by catering contractors as principal.

11.24 Voluntary Aided Schools — Buildings Related Expenditure

11.24.1 The Governors of Voluntary Aided schools, not LBTH, have the responsibility for their school buildings, built-in equipment, alterations to the buildings and repairs to the exterior of the buildings. However, they are not responsible for:

- Maintaining playing fields or any building or other structure connected with their use
- School premises to the extent that the LA has directed that the school premises shall be used for purposes other than those of the school
- The provision of any new site that the LA is to provide by virtue of the School's Standards and Framework Act 1998 (Schedule 3, Part II, paragraph 4)
- Premises works under £2,000, exclusive of VAT

11.24.2 VAT incurred on this type of expenditure by the school Governors will only be recoverable if they are registered for VAT. For this reason, grant funding received for buildings work will be for the VAT inclusive amount and this will ensure that VAT does not represent an additional cost to the Governors.

11.24.3 LBTH may decide to undertake or partly fund buildings related expenditure, which is the responsibility of the Governors of a Voluntary Aided school. Where LBTH instigates and undertakes a project, fully using its own funds to pay for goods and services which it then gives away without charge to the Voluntary Aided School, this is a non-business activity of LBTH. It is entitled to recover the VAT irrespective of who is actually responsible for carrying out the work. Customs will allow LBTH to recover any VAT incurred on this non-business expenditure to the extent to which LBTH has funded the work and LBTH must contract for this work and make payment from LBTH funds.

11.24.4 LBTH is entitled to recover VAT on purchases made by a Voluntary Aided School to the extent that the funding is sourced from or through the LA. This includes delegated budget funding, additional funds from the LA or other local authority budgets, and monies from other agencies such as the DFES that have been passed down from through the LA.

11.24.5 However, LBTH is not able to recover VAT when it pays for buildings-related expenditure. It is the responsibility of the Governors at a Voluntary Aided School when it uses monies donated by the Governors of that school.

11.24.6 LBTH is not able to recover VAT where the DfES has made any form of grant direct to the governors to fund work that is the governor's responsibility. Nor can LBTH recover VAT in respect of work, funded for example by the National Lottery Grant, where it is clear that the award has been made to the governors rather than to LBTH. Under these circumstances it is not sufficient to that the cheque be made out to LBTH when the reality is that the money is being awarded to the Governors.

11.24.7 Capital work where a grant is available from the DfE: The Governors of a Voluntary Aided School, unless registered for VAT, cannot recover the VAT on either expenditure funded from the 90% DfES contribution, or their own 10% contribution. Please note that the 90% grant from the DfES will be inclusive of VAT. The VAT on the 10% must be met by the Governors, although in some cases the particulars of the works may mean that they are zero rated for VAT.

11.24.8 The accounting for these works should be done through the governors' accounts.

11.24.9 The DfES will only pay grants into the school governors' bank account.

11.24.10 For revenue maintenance and other running costs, where funding comes from the school's delegated budgets VAT can be recovered.

11.24.11 Schools should direct any queries to their diocesan representative or LBTH's Senior Accountant VAT and Tax.

For updated HMRC guidance for Local Authorities and Voluntary Aided Schools *VATEDU66250 - Local authority (LA) schools: voluntary aided schools - HMRC internal manual - GOV.UK (www.gov.uk)*

See also HMRC Guidance for Local Authorities (LA) and Voluntary Aided (VA) Schools – VAT recovery under section 33 VAT Act 1994 *Value Added Tax Act 1994 (legislation.gov.uk)*

Appendix 11.1 - Typical Items of Expenditure and their VAT Liability

Please note that items purchased from a business that is not VAT registered will not show VAT even if the item is listed as liable to VAT. Such purchases are outside the scope of VAT.

Standard Rate (20%)	VAT at 5%	Zero-rated	VAT Exempt
• Accountancy services • Agency Staff • Bottled water • Cars and Vans • Catering services • CDs, CD ROMS, cassette tapes • Cleaning materials • Computers, printers, photocopiers, etc. • Contract Cleaning • Crisps, chocolate, chocolate biscuits, soft drinks, fruit juice, ice cream • Educational equipment (purchase/ rental) • Exercise books • Fixtures & Fittings • Fuel/power to commercial buildings • Furniture/equipment • General consumables • General repairs (structural equipment) • Grounds Maintenance • Laundry • Medical Supplies (not prescriptions) • Pest Control • Photocopier leasing • Postage & Packing (unless provided by Post Office) • Printing & Stationery • Refuse Collection • Sports Equipment • Taxi Hire (if VAT registered) • Window Cleaning	• Fuel/power to domestic and charity buildings for a qualifying purpose • Women's sanitary products • Children's Car seats • Installation of energy saving materials	• Books - text books, library books, children's picture books, music books, painting books • Children's clothing (including cycle helmets) • Domestic water & sewerage • Journals, newspapers, maps, charts • Milk, tea, coffee • Most basic food items • Passenger transport (10 or more passengers) • Public Transport	• Bank charges & monetary Transactions • Examination entry fees • Examination Services • Insurance by an Insurance Broker Lotteries, raffles, tombolas • Most land transactions (Lettings, Leases, Sales) • Postal Services provided by the Post Office • Educational or Vocational Training **Outside the Scope of VAT** • Charitable Donations • Grants • Rates/Water Rates • Salaries and Wages (i.e. Payroll) • items purchased from a business that is not VAT registered (even if the item is listed as liable to VAT). • Invoices received from LBTH

Appendix 11.2 - Sample VAT Invoice for Purchases Over £250

Name & Address of Supplier	**Invoice Number**
	Date of Supply
VAT Registration Number	**Issue Date (if different from Supply Date)**
Name & Address of School	

Description	
Description of goods/services, including quantity/extent of services and unit price	Net Amount (per item)
	Total Net Amount
VAT Rate applied:	Total Amount of VAT
Rate of cash discount:	Cash discount offered (if applicable)
	Total Amount Payable, including VAT

Appendix 11.3 – Sample VAT Invoice for Purchases Under £250

Name & Address of Supplier	**Invoice Number**
	Date of Supply
VAT Registration Number	

Description	
Description of goods/services, including quantity/extent of services	Total Amount
VAT Rate applied:	Amount of VAT
	Total Amount Payable, including VAT

Appendix 11.4 – Sample Schools VAT Invoice for a Supply Over £250

Name & Address of School	Invoice Number
	Date of Supply
VAT Registration Number	Issue Date (if different from Supply Date)
220 5529 98	
Name & Address of Customer	

Description	
Description of goods/services, including quantity of goods/extent of services and unit price	Net Amount (per item)
	Total Net Amount
VAT Rate applied:	Amount of VAT
Rate of cash discount:	Cash discount offered (if applicable)
	Total Amount Payable, including VAT

Payment Terms:

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Appendix 11.5 – Sample Business Supplies and their VAT Liability

Standard Rate (20%)	VAT at 5%	Zero-rated	VAT Exempt
• Accountancy or consultancy services supplied to an external organisation • Admission charges for example admission to plays, concerts, dances, sporting venues, exhibitions, entertainments, museums, and art galleries. • Advertising services • Car parking • Catering services supplied to an external organisation • Cleaning/laundry services • Commission on sales. e.g. at artists' exhibitions • Conference income • Equipment and vehicle hire • Consultancy services supplied to an external organisation • Gas, electricity and fuel oil supplied to commercial buildings • Hire of cassettes, videos and CDs, including charges for late returns • Non-food vending machines • Private photocopying to staff or external organisations • Private street works • Private telephone calls to staff or external organisations • Provision of parking facilities • Reinstatement work to highways (if requested	• Gas, Electricity and Fuel Oil Supplied to domestic or charitable non-business buildings • Sale of women's sanitary products	• Sale of Books, leaflets & pamphlets • Sale of school publications, newspapers, journals. periodicals, brochures, booklets • Design/printing work where the final product is a book, leaflet or pamphlet • Passenger transport fares (bus and coach) • Bus or coach hire with a driver provided where the vehicle carries not less than 10 passengers	• Educational or Vocational training supplied to external organisations • Supply of education for which a fee is charged to external organisations • Staff seconded to another education provider used in an educational capacity associated with the provision of education to students. • Car Boot Sales (charges to stall holders)Lease/letting council property on a commercial basis (mostly exempt with an option to tax) • **Note:** Lettings of playing fields or sports halls where the hirer will use the facilities are standard-rated. • There are special rules relating to the long-term hire of sporting facilities, which allow exemption of the hire if certain conditions are

to do so) - Sale of second-hand goods/ commercial vehicles & scrap - Sale of videos - Sales to staff, e.g. stationery, School Dinners - Secondment of staff (with the exception of staff seconded to another education provider used in an educational capacity associated with the provision of education to students – this would be an exempt supply) - Sponsorship, when a benefit is supplied to the sponsor - Testing/repairin g equipment			met.

Appendix 11.6 – Sample School Trip Approval Form

PROPOSED SCHOOL TRIP: …………………………………………………………………………..

……………………………………………………………………………………………………

SECTION ONE – TO BE COMPLETED BY THE TEACHER PLANNING THE PROPOSED TRIP

Date(s) of Proposed Trip: …………………..

Details of the proposed trip, including all activities to be undertaken:

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……………………………………………………………………………………………………

……………………………………………………………………………………………………

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……………………………………………………………………………………………………

SECTION TWO – TO BE COMPLETED BY THE HEADTEACHER

It is my opinion that the proposed trip relates to the agreed curriculum in the following ways:

……………………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………………………………

NAME: (Block Capitals) ………………………………………………………………

Signed: …………………………………………… Date: ………………………….

12 VOLUNTARY FUNDS

12.1 Voluntary Funds held by the School

12.1.1 This section deals with Voluntary Funds held by the school. Other funds held by bodies who maybe closely 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.

12.1.2 The Headteacher must inform the head of finance at Tower Hamlets of the existence of any official fund, the name(s) of the person(s) responsible for its operation and the bank account details (a letter giving the details will suffice.)

12.1.3 Schools Voluntary Funds are not part of LBTH's VAT registration and need to be separately VAT registered if the total annual taxable turnover exceeds the statutory threshold. From March 2019, the threshold is £85,000. HRMC do not allow schools' Voluntary Funds to be disaggregated in order to keep each individual "fund" below the transaction threshold.

12.1.4 Many of the same rules apply to voluntary fund banking arrangements as to the school's main bank account.

*Please refer to **Section 10 - School Bank Accounts**.*

12.2 Expenditure Funded by Donation from the Voluntary Fund

12.2.1 In practice, most expenditure will go through a school's 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 voluntary fund is not subject to the same VAT exemptions.

12.2.2 Because of this, often the most efficient way of operating the Voluntary Fund is to put all educational expenditure through the main bank account , then make a reimbursement from the Voluntary Fund.

12.2.3 Non-educational expenditure should be part of the Voluntary Fund.

12.2.4 All invoices, receipts etc. must be recorded in a ledger book or equivalent.

12.3 Audit of Voluntary and Private Funds

12.3.1 Schools must maintain detailed records for each of their voluntary or private funds. This excludes funds held by LBTH or foundations for their own benefit. Voluntary/private funds typically include Parent Teacher Associations, Voluntary Aided School Funds etc.

12.3.2 In accordance with the Scheme for Financing Schools, schools should hold School Fund & Audit certificates in their records for any voluntary or private funds held, and for the accounts of any trading organisations controlled by the school for the year ending 31st March.

12.3.3 The annual Statement of Accounts must be certified by an independent examiner. The certified Certificate must be received and approved by the Governing Body annually.

The format of the certificate is not prescribed.

12.3.4 For a person to be independent, the individual should have no connection with the Governing Body.

12.3.5 The independent examiner need not be a practising accountant but must be competent for the task and familiar with up-to-date accounting methods.

12.3.6 Schools may consider inviting appropriately competent and experienced bursars of neighbouring schools to undertake the certification of their accounts.

12.3.7 In cases where there is a profit-making venture (e.g. tuck shop) contributing to the fund, a profit statement should also be prepared at least annually.

12.4 Insurance

12.4.1 The Governing Body must ensure that the school has appropriate insurance cover for voluntary school funds and other funds (e.g. PTA funds).

12.4.2 The amount covered should equate to the maximum amount held.

12.4.3 PTA funds are not usually covered by general insurance held at school. The school should ensure that separate insurance is taken out to cover any funds held by the PTA, the cost of which must be met by the PTA.

GLOSSARY OF TERMS

Asset Register	Aka Inventory. A record of assets owned by an organisation.
Audit (External)	The statutory investigation by auditors appointed by the Audit Commission for Local Authorities in England & Wales
Audit (Internal)	The process of checking that a school has procedures in place to meet financial requirements, and that it adheres to those procedures
Authorised signatory list	Formal list of a school's employees whom the Governors have agreed may sign cheques (within stated financial limits), authorise payments through payroll and/or make changes to payroll records.
BACS	Banks Automated Clearing System - enables automatic payments between bank accounts in the UK.
Balance Sheet	A snapshot of a business' financial condition at a specific moment in time, usually at the close of an accounting period.
Bank Reconciliation	Checking that the school's bank account transactions match those recorded in the school's financial system.
Best Value statement	A Governing Body statement outlining approaches taken to achieve Best Value for money.
Budget	An organisation's plan expressed financially. A sum of money allocated for a particular purpose.
Budget Virement	Moving funding from one budget heading to another.
Capital expenditure	Spending on the acquisition, enhancement or replacement of buildings and the acquisition, renewal or replacement of plant, machinery and major items of equipment.
Cash book	A record of cash payments and receipts, shown under various categories. In the context of this document, it is the record as presented on the school's accounting system.
CHAPS	Clearing House Automated Payment System - a UK payment system for making same day cash payments in £.
Check Employment Status for Tax (CEST) Test	An online tool developed by HMRC to enable organisations to determine the employment (tax) status of workers employed on temporary contracts
CIPFA	Chartered Institute of Public Finance & Accountancy - the accounting body that defines accountancy policy for the Public Sector.
Consistent Financial Reporting (CFR)	A Department for Education & Skills (DfES) initiative to define a consistent financial reporting methodology for all schools.

Creditor	A person to whom money is owed by a debtor; someone to whom an obligation exists.
Debtor	A person/entity who owes a creditor; someone who has the obligation of paying a debt.
Debtor Account	The customer's account.
Delegated Authority	Authority given to groups or individuals to make decisions on behalf of the Governing Body.
Delegated funding	The school budget share allocated via the Fair Funding formula.
Devolved funding	Money allocated by the Local Education Authority separate from the delegated funding typically provided for particular institutions. Year-end reporting may be required.
Fair funding	The principles governing the financing of maintained schools.
Federated Governing Body	A collaboration between schools where one Governing Body manages the finances of more than one school.
Finance Sub-Committee	A sub-group of the Governing Body
Financial Year	The financial year for schools runs from 1st April of a calendar year to 31st March of the following year. It is also referred to as the fiscal year.
Outturn figures	A summary of budget spend for the financial year.
Input tax	*Input Tax* - VAT that the supplier pays. When a registered supplier
Output tax	*Output Tax* – VAT the customer pays. When a registered supplier makes a taxable supply, e.g. a sale, the VAT charged to the customer.
School Profile Statement	A document detailing a school's staffing structure
Trial Balance	A list of accounts and their balances at a point in time; the total debit balances should equal the total credit balances.
WEEEVAT	Waste Electrical and Electronic Equipment – legislation that sets out the requirements for disposing of electrical/electronic equipment. Value Added Tax – a tax levied on the difference between a commodity's price before taxes, and its cost of production.
WEEE	Waste Electrical and Electronic Equipment – legislation that sets out the requirements for disposing of electrical/electronic equipment