

# **POWYS SCHEME FOR THE FINANCING OF SCHOOLS 2020-21**

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**SCHEME FOR THE FINANCING OF SCHOOLS:**

**AS REQUIRED BY SECTION 48 OF THE SCHOOL STANDARDS AND  
FRAMEWORK ACT 1998 AND SUBSEQUENT REGULATIONS**

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## SECTION 1: INTRODUCTION

### 1.1 The Funding Framework

The funding framework which replaced Local Management of Schools is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998 and as further detailed in the School Funding (Wales) Regulations 2010.

Under this legislation, local authorities determine for themselves the size of their Local Schools Budget (LSB). The categories of expenditure which fall within the Local Schools Budget are prescribed under regulations made by the Welsh Government, but included within the LSB is all expenditure, direct and indirect, on an Authority's maintained schools. Local authorities may retain funding for purposes defined in regulations made by the Welsh Government under the School Funding (Wales) Regulations 2010. The amounts to be retained centrally are decided by the Authority concerned, subject to any limits or conditions prescribed by the Welsh Government. The balance of the LSB left after deduction of centrally retained funds is termed the Individual Schools Budget (ISB).

Any proposed changes to the fair funding formula will be consulted upon and agreed by the Cabinet of the Council before the end of the December prior to the commencement of the financial year to which they apply.

Details of the proposed centrally retained funds will be subject to consultation each year and published together with other budget information requirements before the start of the following financial year.

Local authorities must distribute amounts from their ISB amongst their maintained schools according to a formula which accords with regulations made by the Welsh Government, and enables the calculation of a budget share for each maintained school. The budget share, as calculated by the formula, is then delegated to the governing body of the school concerned, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended in accordance with s.51 of the SSAF Act. The financial controls within which delegation works are set out in a scheme made by the LA in accordance with s.48 of the Act and are subject to approval by the Authority's School Forum or Welsh Government. All revisions to the Scheme must be approved by the School Forum, or Welsh Government, which will have the power to modify or impose a scheme.

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

An Authority may suspend a school's right to a delegated budget by giving the governing body notice, in writing, if the provisions of the Scheme for the Financing of Schools (or rules applied by the Scheme) have been substantially or persistently breached, or if the budget share has not been managed satisfactorily. ). There is no right of appeal to a suspension under Section 17 (6) SSAF 1998, but if suspension is made under Section 51 for financial mismanagement there is a right of appeal.

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In accordance with the regulations each Authority is obliged to publish each year a statement setting out details of its planned Local Schools Budget, showing the amounts to be centrally retained, the budget share for each school, the formula used to calculate those budget shares, and the detailed calculation for each school. This budget document will be produced by 30<sup>th</sup> April each year. After each financial year the Authority will publish a statement showing out-turn expenditure at both central level and for each school, and the balances held in respect of each school. Outturn statements are subject to audit certification by the Wales Audit Office and information in either type may be collated and published by the Welsh Government.

The detailed publication requirements for financial statements and for schemes are set out in regulations. Each school will receive a copy of the scheme and any amendment, and each year's budget and out-turn statements so far as they relate to that school or to central expenditure.

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

The scheme sets out the financial relationship between the Authority and the maintained schools which it funds. It contains requirements relating to financial management and associated issues, binding on both the Authority and on schools.

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

The scheme applies to all community, voluntary controlled and aided, foundation and community special schools maintained by the Authority. The list of schools maintained by Powys Local Authority is attached at **Annex A**.

### **1.3 Publication of the scheme**

A copy of the scheme will be supplied to the headteacher and to the governing body of each school covered by the scheme, and any approved revisions will be notified to each school.

### **1.4 Revision of the scheme**

Any proposed revisions to the scheme will be the subject of consultation with headteachers and governing bodies of all maintained schools and will require approval by the Authority's Schools Forum, or the Welsh Government if the Schools Forum and Authority cannot agree on the terms of any proposed revision. The Welsh Minister for Education and Skills may approve any such proposals, or approve subject to modification, or refuse to approve any such proposals.

### **1.5 The role of the Authority, the Governing Body and delegation of powers to the Headteacher**

1.5.1 The Cabinet of the County Council is responsible for making recommendations to the Council on the regulation and control of the finances of the Authority.

1.5.2 The Cabinet of the County Council is responsible for carrying out the statutory duties of the Authority including operating the Scheme for the Financing of Schools in

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accordance with the SSAF Act 1998.

1.5.3 The Section 151 Officer will for the purpose of Section 151 of the Local Government Act 1972, be responsible, under the general direction of the Cabinet of the County Council, for the proper administration of the Council's financial affairs.

1.5.4 The County Council will also act as a potential provider of services to schools.

- 1.5.5
- (a) The governing body will be responsible for compliance to the County Council Financial Regulations throughout the school;
  - (b) The governing body will be required to bring the County Council Financial Regulations to the attention of all staff within the school in relation to expenditure under both the delegated budget and any unofficial funds held under the control of the governing body;
  - (c) Staff who fail to comply with County Council Financial Regulations may be subject to disciplinary action by the governing body;
  - (d) Governing bodies who fail to comply with County Council Financial Regulations may have the scheme of delegation withdrawn.

1.5.6 The governing body will be responsible for the accountability of staff and the security, custody and control of all resources including plant, buildings, materials, cash and stores appertaining to its school in accordance with the procedures agreed with the Section 151 Officer.

1.5.7 The Cabinet will be authorised to vary from time to time any amount included in these regulations.

1.5.8 The governing body must adopt a formal policy which clearly defines the roles and responsibilities of governors and school staff. Individuals must not exceed the authority delegated to them by resolution of the governing body. The governing body will ensure that staff have the skills and training commensurate with the authority delegated to them.

It would be appropriate to designate the headteacher as the person responsible for control of the budget on a day-to-day basis. Efficient management of the school will be assisted if the headteacher is given authority to incur expenditure for which there is budgetary provision (subject to the procedures specified in the County Council's Financial Regulations and subject to any internal limits which the governing body may wish to impose). Alternatively the governing body may wish to reserve the right not to delegate authority on certain matters. The decisions of the governing body in respect of the delegation to the headteacher must be recorded formally by the full governing body and be clear and explicit.

These requirements would also apply to a headteacher or headteachers managing more than one school in a federation.

1.5.9 The annual budget plan of the school is a matter which must be reported to and approved by the full governing body. However, it may be appropriate for a sub-committee of the governing body to consider a draft budget in the first instance. Such a sub-committee may be an appropriate group of governors to receive periodic reports from the headteacher on the spending of the budget during the course of the

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financial year. In any case, the full governing body must receive a budgetary control/management report once a term either via the sub-committee or direct from the headteacher or other responsible officer.

1.5.10 The governing body will give the headteacher authority to delegate certain functions to other members of staff.

### **1.6 Maintenance of schools**

The Local Authority is responsible for maintaining the schools covered by the scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary aided school where some of the expenses are, by statute, payable by the governing body). Part of the way an authority maintains schools is through the funding system put in place under sections 45 to 53 of the SSAF Act 1998 and any revisions made under the Education Act 2002.

### **1.7 Good practice guide and recommended procedures for school strategic and financial management**

This Scheme should be read in conjunction with the Authority's 'Good Practice Guide and Recommended Procedures for School Strategic and Financial Management', together with the County Council's Financial Regulations and Standing Orders, with which all schools and governing bodies are required to comply.

The good practice guide includes a section on budget preparation which includes a proposed timetable that headteachers and governing bodies should follow for the preparation and monitoring of the school's delegated budget. The use of and adherence to this timetable will ensure schools meet the required deadlines for budget plan submission as detailed in section 2.2.

## **SECTION 2: FINANCIAL REQUIREMENTS; AUDIT**

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

Schools are required in the management of their delegated budgets to abide by the Authority's requirements on financial controls and monitoring - both those in this Scheme and the Financial Regulations of the County Council. The governing body is accountable for the financial performance of their school.

The governing body must ensure that monies provided to the school via the delegated budget or voluntary funds are spent only for the purposes intended. This will be achieved through ensuring:

- that proper records, both financial and non-financial, are accurately maintained in a timely manner;
- that management systems to ensure proper controls over assets (physical and monetary) are in place including safeguards against fraud.



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Both governors and staff have a duty to expose mismanagement and fraud. The Section 151 Officer should be immediately notified where there are grounds to suggest any irregularity affecting cash, stores or other assets. Normally such notification will be by the headteacher. However, it may be that circumstances make it inappropriate for the person alleging irregularity to raise the matter with the headteacher or governors. An alternative route is therefore available as described in the Authority's whistleblowing policy for schools.

### 2.1.2 Provision of financial information and reports

The governing body is required to ensure that school financial affairs are progressing according to plan. The governing body must undertake regular termly budget monitoring and receive appropriate formal reports from the headteacher. Such reports must be sent to governors no less than one week prior to the meeting at which they will be considered. Reports must identify emerging financial issues and recommend the management action necessary to resolve them. Responsibility for management action rests with the headteacher or governing body depending on the powers delegated to the headteacher.

Where such monitoring reports suggest that a school will be unable to keep within the approved budget and/or available funding the Section 151 Officer must be notified at the earliest opportunity, together with the action the school proposes to take to bring the budget back within available funding

Secondary schools that maintain their own records under the SIMS or similar management information system must provide the Section 151 Officer and Chief Education Officer with:

- a copy of the monthly reconciliation they undertake back to the County Council's financial system; and
- a copy of the monthly budget monitoring report including a forecast outturn position in a format prescribed by the Section 151 Officer in line with the Authorities financial reporting timetable

Any central transactions that are disputed by the school must be brought to the attention of the Section 151 Officer or his representative by the end of the month following the month during which the transaction was posted to the accounts.

To enable the Section 151 Officer to fulfil his statutory duties schools are required to provide the Authority with details of anticipated and actual expenditure and income, set alongside their budgets (a budget monitoring statement) in a form determined by the Authority, on a monthly basis within 3 working days of the end of the calendar month.

Where schools operate their own bank accounts they will be required to:

- (i) provide monthly reports on their anticipated income and expenditure for the year showing clearly all known commitments, in a format provided by the Authority;
- (ii) provide monthly VAT files to the Authority by the specified date and agree to indemnify the Authority against any HM Revenue and Customs penalties imposed as a result of mis-declarations;

- (iii) provide monthly bank reconciliation returns and details of income and expenditure, in a format to be determined by the Authority;
- (iv) be responsible for any penalties incurred as a result of the late payment of invoices;
- (v) ensure that all accounts are reconciled and balanced by the 4<sup>th</sup> working day following 31<sup>st</sup> March each year, in order that the Authority is able to meet its statutory responsibilities.

### **2.1.3 Control of assets**

Each school is required to maintain an inventory of its moveable non-capital assets, in accordance with the current County Council Financial Regulations. The authorisation procedure for the disposal of all assets is as set out in the County Council's Financial Regulations. However, schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000 but they must keep a register in some form and this register must satisfy the County Council's insurers.

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

Schools are required to abide by procedures issued by the Section 151 Officer. The Authority will issue detailed procedural guidance periodically, including guidance on the closure of the year-end accounts.

### **2.1.5 Writing off of debts**

The procedure for authorisation of writing off of debts is as set out in the County Council's Financial Regulations. Debt will be written off against the school budget share.

### **2.1.6 Voluntary and private funds**

The requirement for an annual report to be presented to the governing body is covered in section 2.7. In addition, the governing body should consider what, if any, additional reporting requirements are necessary to ensure the appropriate use and management of voluntary and private funds.

## **2.2 Submission of budget plans**

2.2.1 A provisional budget plan, including the updated estimated outturn position for the current year, must be submitted to the Authority by the 31<sup>st</sup> March. The Authority will provide detailed guidance to schools on the format in which budget plans should be presented.

Schools should take full account of estimated deficits/surpluses at the 31<sup>st</sup> March in their budget plan.

2.2.2 Each school must submit a final budget plan, approved by the full governing body, to the County Council by 1<sup>st</sup> May detailing its intentions for expenditure and income in the current financial year and the next two years (primary schools) or three years (secondary/special schools) together with the assumptions underpinning the

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budget plan (e.g staffing sheets & curriculum plans). The submitted budget plan will be adjusted by officers of the Authority to account for the actual outturn at year end for the previous financial year.

2.2.3 The budget submitted must not show a cumulative deficit balance in the current budget year or in either of the following two years:

- where planned expenditure exceeds the available budget, including brought forward balances, the Authority will require the submission of a plan which meets the requirements of this Scheme;
- any school with a planned cumulative surplus balance at the end of the financial year and, on current projections, is projecting a cumulative deficit at the end of the following financial year, is required to produce a recovery plan 4 terms prior to the beginning of the financial year in which they are projecting to go into deficit i.e. for 2020-21 the recovery plan should be in place by the end of December 2018.

The use of three year (Primary) and four year (Secondary/Special) budget plans will enable governing bodies and the Authority to:

- recognise emerging pressures;
- demonstrate the sustainability of proposed actions;
- plan to manage change effectively.

Plans may be used to inform judgements about the efficiency of financial management as well as for resource, staffing and other planning purposes.

Planned expenditure must not exceed the resources available to the school, taking into account any balance due to or from the school for the previous year, without specific approval by the County Council under para 4.9 (licensed deficits). Failure to set a budget within the resources available may lead to the issue of a notice of concern with accompanying restrictions on powers of expenditure or to the withdrawal of delegated powers from the school.

Where changing circumstances significantly affect a school's financial position, the Authority may require the submission of revised plans throughout the year

The Authority will supply schools with such income and expenditure data which it holds which it considers is necessary for efficient planning by schools.

2.2.4 The governing body should agree the form of the budget needed for the internal management of the school. Such a budget needs to be expressed in financial and non-financial terms and should, as necessary, cover:

- the number and cost of teachers;
- discretionary allowance payments;
- size of teaching groups and curriculum coverage;
- details of staffing other than teachers;
- analysis of the budget between departments of the school (may only be applicable to secondary schools);
- comparison of budget proposals with actual expenditure in the previous year;

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- itemising any individual high value equipment, maintenance, decoration, goods or services (the lower limit figure to be determined by the governing body but it is recommended that this figure should not be less than £1000).

2.2.5 The Authority will supply schools with monthly reports of all school income and expenditure data which it holds which is necessary for efficient planning by schools, and supply schools with an annual statement showing when this information will be provided through the year.

### **2.3 Best Value**

Governing bodies will be expected to demonstrate that they are pursuing the principles of Best Value as contained in Government and Welsh Government legislation and guidance relating to local government in general and, in particular:

- that they are delivering services of high quality and effectiveness in an efficient manner whilst continually improving performance;
- that there is effective and accountable stakeholder involvement and consultation;
- that there is a willingness to consider and use alternative methods of service delivery to deliver described outcomes.

Each annual budget plan will be accompanied by a statement by the governing body containing a review of its performance and a performance plan - including the steps it will take in the course of the coming year to ensure that expenditure, particularly in respect of large service contracts, reflects value for money..

### **2.4 Virement**

Governing bodies / headteachers may vire between budget heads in the expenditure of the school's budget share. However, where the governing body is in receipt of specific grants, they must comply with the grant conditions relevant to each grant. All virements should be approved by the governing body (or committee or headteacher with delegated powers) prior to the commitment of any expenditure and included in any budgetary information submitted to the Authority.

Where virement occurs and there is likelihood of total planned expenditure exceeding the planned budget, which will result in a cumulative deficit in the current or subsequent year, the school should immediately notify the Schools Finance Manager who will inform the Section 151 Officer. Schools with licensed deficits (see also para 4.8) and those scheduled for closure (see also para 3.7.2) may have restrictions imposed on powers of virement.

### **2.5 Audit: General**

Schools are subject to County Council internal audit processes and external audit processes as determined by the Wales Audit Office, and are required to co-operate with both internal and external auditors as determined by the County Council's Financial Regulations and statutory requirements.

Additional County Council audit arrangements will apply to schools having their own bank account, compared with non-bank account schools.

In exceptional situations, as outlined below, the Authority reserves the right to charge for internal audit services if:

- (i) an ad hoc audit is required by the headteacher, governing body, Chief Education Officer or Section 151 Officer, due to evidence of suspected illegal or fraudulent practice at the school;
- (ii) the financial records or processes in the school are inadequate to ensure sound financial management and the school has failed, after an initial warning, to update its financial system to a standard acceptable to the Section 151 Officer;
- (iii) An external service provider or a member of the school's staff has corrupted the Authority's financial system.

In these circumstances, the Authority will inform the governing body or headteacher before an audit is due to take place and will provide an estimated charge for the services required.

It is good practice to consider an internal audit review on the change of any member of staff with significant financial responsibilities e.g. a Headteacher or Business Manager.

### **2.6 Separate external audits**

A governing body is allowed to spend funds from its budget share to obtain additional external audit certification of its accounts, separate from any County Council internal or external audit process. The Authority will, however, not make any additional funds available for this purpose. An external audit commissioned by a school must take into account the status of the school as a spender of County Council funds, rather than being a grant aided institution.

### **2.7 Schools running businesses**

Schools are able to run businesses within designated arrangements as long as this does not impact negatively on the school's delegated budget e.g. a school meals service for more than one school, a pre-school or after school club. Any such businesses should be accounted for separately and treated in accordance with the regulations for unofficial and voluntary funds (see section 2.8), with any surplus or deficit during the year together with the accumulated reserves being reported to the governing body no later than the end of the Summer Term following the end of the financial year (see section 2.1). Any such business cannot be supported or funded from the school's delegated budget. A school cannot include in any charge to another school or other service that is funded through the Local Authority, charges for use of a facility/staff member that has been funded through the school's delegated budget.

Prior to the establishment of a new enterprise schools are required to develop a business case (using the Authorities template), to include arrangements for meeting all staff and all other other running costs including staff absence, maternity cover and redundancy costs These must be discussed and approved by the governing body or Management Committee before being submitted to the County Council for approval. The County Council will require that the business plan includes a section on how any deficit will be covered.

Any such business must be monitored by and run in accordance with the relevant statutory Inspection body where appropriate.

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

Schools are required to provide annual audit certificates and copies of accounts in respect of voluntary and private funds held by the school and of the accounts of any trading organisations controlled by the school e.g. pre-school or after-school club. Such certificates must be provided to the Authority within 3 months of the close of the financial year to which they relate. Schools who fail to provide audit certificates to the Authority as required will be in breach of this Scheme.

Where schools do not provide an audit following a written warning then the Authority will appoint an auditor to prepare and audit the accounts and charge all costs to the school. If a school persistently fails to provide an audit certificate then the Authority reserves the right to withdraw the right of a school to hold voluntary or private funds.

The accounts must be presented to the governing body annually, with a termly update, stating the use made of such funds, together with the balances held at the year end and any outstanding commitments on these balances.

Any monies received by the school that relate to expenditure that has been or will be incurred under the school's delegated budget should only to be paid into the school's unofficial fund in exceptional circumstances, for example when a cheque is payable to the school and cannot be paid into the Council bank account. Where this occurs the reimbursement from the school fund to the school budget should be made within one month of the monies being paid into the school fund and should be made either through the delegated budget bank account (secondary schools) or through e-returns (primary/special schools).

Any monies collected and held within the unofficial fund in respect of school trips, etc. where the payment for such trips is planned to be made out of the school's delegated budget, should be transferred to the delegated budget prior to the payment of the invoice.

Guidance on the operation and format of accounts is provided in Section 10 of the Authority's guidance and recommended procedures for school strategic and financial management.

### **2.9 Register of business interests**

The governing body of each school is required to establish a register which lists for each member of the governing body and the headteacher, any business interests they or any member of their immediate family have; to keep the register up to date with notification of changes and through annual review of entries; and to make the register available for inspection by governors, staff, parents and the Authority.

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

Schools are required to abide by the County Council's Financial Regulations and

Standing Orders in purchasing, tendering and contracting matters.

Schools are also required to assess in advance, where relevant, the health and safety competence of contractors, taking account of the Authority's policies and procedures.

However, any section of the Financial Regulations and Standing Orders will be disapplied if they would require schools:

- (a) to do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU Procurement Directive;
- (b) to seek Local Authority officer countersignature for any contracts for good or services for a value below £60,000 in any one year;
- (c) to select suppliers only from an approved list;
- (d) to seek fewer than three tenders in respect of any contract with a value exceeding £10,000 in any one year.

The County Council has established a list of approved suppliers and there is an expectation that schools will utilise these contracts in order to ensure and demonstrate they are obtaining value for money. Details of these contracts can be found at <http://intranet.powys.gov.uk/index.php?id=390>.

Purchasing is inextricably linked to the budgeting process. Schools must have in place mechanisms to monitor levels of commitment against budgets and consideration must always be given to whether there will be adequate funds available to pay for an order before that order is authorised and placed. This is particularly relevant in relation to the tender process where the financial sums involved are higher and any difficulties are likely to impact upon the school's financial position more significantly. Suitable commitment records must be maintained in accordance with minimum standards.

Before entering into any recurring commitment (including staffing) the governing body must ensure that the projected expenditure is demonstrably supported by the resources likely to be available to them in the years over which the commitment extends.

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

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

Although governing bodies are empowered under paragraph 3 of schedule 10 to the SSAF Act 1998 to enter into contracts, they do so on behalf of the Authority as the maintainer of the school and owner of the funds in the budget share. However, other contracts may be made solely on behalf of the governing body, where the governing body has clear statutory obligations e.g. contracts made by aided or foundation schools for the employment of staff.

The Authority will supply schools on a regular basis with a list of the services which it intends to provide and into which schools may enter on a contractual basis. The Authority reserves the right to alter or amend these services in line with its duty to

secure Best Value.

Schools with deficit budgets that are unlicensed or which exceed £2,000 (primary) or £10,000 (special and secondary) will be required to purchase the Authority's financial support service level agreement.

### **2.12 Grants and central funds**

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

Schools are required to maintain their accounting records in such a way as to be able to demonstrate that where appropriate the requirement to spend only on the purpose for which funding is given, and not to vire into the budget share, has been complied with.

Schools are required to account for any grant funding at the end of the financial year and/or at the conclusion of the specific funding allocation. Grant funding must be returned to the Authority if not spent in-year or within the period over which schools are allowed to use the funding, if different.

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

Although s50(3) of the SSAF Act 1998 allows governing bodies to spend budget shares for the purposes of the school, this is subject to any provisions of this Scheme.

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

Governing bodies are allowed to use their budget shares to meet the cost of capital expenditure on the school premises. This includes expenditure by the governing body of an aided school on work which is their responsibility under paragraph 3 of Schedule 3 of the SSAF Act 1998.

The Authority must be notified of any capital spending from budget shares and, if the expected capital expenditure from the budget share in any one year will exceed £10,000, the governing body is required to take into account any advice from the Section 151 Officer as to the merits of the proposed expenditure. If the premises are owned and maintained by the County Council then the governing body is required to seek the consent of the Authority to the proposed works but such consent can be withheld only on health and safety grounds.

Whilst all proposals for capital expenditure will be considered on their individual merits, governing bodies should be aware that the Authority will not normally approve works which could lead to the creation of spare (surplus) places, or which are contrary to the school modernisation programme. Similarly, the Authority will not



normally approve works which incur additional ongoing revenue costs, unless the governing body is able to demonstrate an ability to meet such additional costs from its budget share.

Reference should also be made to the requirements contained within the Education (School Premises) Regulations 2012 and DfES Construction Standards, and health and safety legislation.

### **2.15 Notice of concern**

The County Council sees effective stewardship of the resources available to schools as underpinning the delivery of the curriculum. However, there are occasions when a school is not demonstrating appropriate control and management of its finances and Local Authority intervention is required. The Authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Section 151 officer :

- the school has failed to comply with any provisions of this Scheme; or
- there are concerns about the standard of financial management; or
- action needs to be taken to safeguard the financial position of the Local Authority or the school; or
- the financial conduct of the school threatens the standard of educational attainment.

Such a notice will set out the reasons and evidence for its being issued and may place on the governing body restrictions, limitations or prohibitions (see also para 4.9) in relation to the management of funds delegated to it. The notice may require the governing body to produce an action plan to address the concerns of the Authority.

The notice will clearly state the nature of these requirements and the way in which, and the time by which, such requirements must be complied with in order for the notice to be withdrawn. It will also identify a named officers/advisors who will provide support in scrutinising the school's finance, curriculum and staffing to help in producing a viable recovery plan. It will also state the actions that the Authority may take where the governing body does not comply with the notice, including formal intervention by way of suspension of the School's delegated budget. .

If the concerns are significantly serious to warrant immediate formal intervention, the Authority may not use the notice of concern provisions (referred to above) where the situation in respect of a school's standard of management makes suspension of delegation appropriate.

### **2.16 Suspension of delegation**

Section 8 of the 2013 Act enables a local authority to suspend the governing body's right to a delegated budget, by giving the governing body of the school notice in writing. This applies where a maintained school is eligible for intervention and the school has a delegated budget within the meaning of Part 2 of the School Standards and Framework Act 1998.

A copy of the notice to suspend the right to a delegated budget must be given to the governing body of the school and copied to the head teacher

The local authority may suspend a governing body's right to a delegated budget in order to secure control of staffing and other spending decisions. This allows the local authority to remove poorly-performing teachers or headteachers if necessary, or to take control of budget deficits. It also allows governors to focus their time and attention on other priorities for improvement. If the local authority has appointed an IEB, it cannot suspend the school's right to a delegated budget. If the local authority removed the right to a delegated budget before appointing an IEB, it must reinstate the delegated budget when the IEB comes into effect.

The principal effect of suspension of the right to a delegated budget is that the governing body loses the right to decide on how the budget should be spent (except to a limited extent if the Authority so decides) and loses the majority of decisions on staffing numbers and allocation.

### **2.17 Use of LA powers to suspend delegation**

Issue of a notice of concern with accompanying restrictions or loss of right to a delegated budget is a rare event and should remain so. The school and the Authority should discuss any problems which may lead to such action and seek to rectify them before the need for formal action arises. Schools must co-operate with the Authority's monitoring arrangements which are designed to identify financial problems and take a positive approach to their resolution. Any additional costs to the Authority arising from this action will be charged to the school budget.

The flow diagram below describes the process that will be followed for issuing an initial notice of concern, through to a formal Warning Notice and ultimately the suspension of financial delegation. The focus will be working through these stages at pace to ensure we minimise the deficit. Where necessary a detailed timeline may be provided within initial correspondence.

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Stage	School Action	Local Authority Action	Relevant Local Authority Officers
<b>1</b> School identifies deficit  or  LA Officer raises a concern	School notifies LA school finance officer  School acts with utmost prudence freezing all appointments and unplanned expenditure	Officer receiving notification of concern or who identifies concern notifies Chief Education Officer  Chief Education Officer arranges team to ensure that Stage 2 is undertaken to ascertain financial position of the school	Challenge Adviser School Finance Officer Chief Education Officer HR Adviser
<b>2</b> Exploration of issue	School provides LA with all necessary information and prioritises required meetings	Contact to be made with school to query and/or challenge financial assumptions / budget.  Notify Schools Finance Officer, HR Advisor and Challenge Adviser	Chief Education Officer School Finance Officer Challenge Adviser HR Adviser
<b>3</b> Finalisation of actions to be undertaken	Following exploration of issue, agree actions with LA, for example: <ul style="list-style-type: none"> <li>provision of 5 year forecast outturn/cashflow and curriculum plan</li> <li>a deficit recovery action plan including timescales agreed with LA is approved by governing body and signed by Chair</li> </ul>	Following exploration of issue, agree actions with the school LA named officers/advisors works with the school to develop recovery plan  Recovery plan submitted to LA for agreement. LA notifies school of conditions required as part of recovery action plan and of the support and monitoring arrangements.	Chief Education Officer Challenge Adviser School Finance Manager HR Adviser
<b>4</b> Implementation and monitoring  As detailed in recovery action plan	School implements recovery action plan complying with all limitations and monitoring requirements required by LA	LA monitors progress with action plan and provides school with support as required by the recovery action plan e.g. timely decisions of staff appointments, agreement to budgets etc	Challenge Adviser School Finance Officer HR Adviser
<b>5</b> Formal meeting	Attendance at formal meeting by Head, Chair of Governors and Chair of Finance Committee	A formal meeting to be held with the school if: <ul style="list-style-type: none"> <li>the actions agreed in stage 3 are not completed within the agreed timescale; or</li> <li>the school defaults on any aspects of the recovery action plan</li> </ul>	Section 151 Officer Chief Education Officer School Finance Manager Challenge Adviser HR Adviser
<b>7</b>			

## **POWYS SCHEME FOR THE FINANCING OF SCHOOLS 2017-18**

After Point 5 above and where the Authority deems it appropriate to issue a Warning Notice to a school the Welsh Government Schools Causing Concern Guidance 2017 (222/2017) will be adopted alongside the relevant legislative provisions.

### **SECTION 3: INSTALMENTS OF THE BUDGET SHARE; BANKING ARRANGEMENTS**

#### **3.1 Frequency of instalments**

The proportion of the budget share (Cabinet Projected balance) calculated as under section 3.2 will be paid into schools' bank accounts quarterly in advance by electronic transfer in accordance with the following schedule:

- |     |             |   |                       |
|-----|-------------|---|-----------------------|
| (a) | 1st April   | - | 30% of annual advance |
| (b) | 1st July    | - | 30% of annual advance |
| (c) | 1st October | - | 20% of annual advance |
| (d) | 2nd January | - | 20% of annual advance |

Monthly advances will only be considered where a school is running and paying its own payroll.

In either case advances will be adjusted for interest lost by the County Council as a result of making advance payments.

Interest will be calculated by comparing cash flow incurred by the County Council in making advance payments to school bank accounts with that estimated to be incurred if school expenditure were met directly by the County Council. The rate of interest will be the current bank rate averaged for the preceding year to 1<sup>st</sup> March.

An adjustment to reflect any over/under advances in the previous financial year will be included in the advance made on or after 1<sup>st</sup> July. If the level of adjustment is greater than the advance due then no advance will be made in that quarter and the school requested to transfer the balance back to the Authority.

When the payment date is a non-banking day payment will be made on the next banking day.

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

The proportion of budget share payable into a school's bank account will be exclusive of estimated pay costs and any other costs paid centrally on behalf of the school by the Authority, including utility charges, National Non Domestic Rates, central recharges and any other payment made centrally.

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

The Authority will add interest to late payments of budget share instalments, where such payment is the result of Authority error. The interest rate used will be the current bank base rate.

#### **3.4 Bank and building society accounts**

All maintained schools may opt to have an external bank account into which their budget share payments, as determined by sections 3.1 and 3.2, are paid. Schools having such accounts will be allowed to retain all interest payable on the account. Schools may operate deposit accounts to maximise interest on their cash holdings as well as current accounts. Deposit accounts may only be opened with the bank or building society which holds the current account for the school.

New accounts can only be opened, following receipt of written notice of intent signed by the headteacher and chair of governors:

- (i) from the beginning of the financial year, following three months notice;
- (ii) if the school can demonstrate they will end the year, leading up to their own bank account, in a break-even or a surplus position. The Authority will agree with the school an amount to be transferred representing its projected balance, on the basis that there is then a subsequent correction when the accounts for the relevant school year are closed. Should a school be in an overspend (deficit) position the request for its own account will be refused until such time as the deficit is cleared and in any case until the start of a financial year.

The governing body of each school will be responsible for ensuring that their bank accounts are managed properly and efficiently in line with the County Council's Financial Regulations.

As schools will not be able to register independently with HM Customs and Excise, all appropriate financial stationery used by schools must have reference to Powys County Council and its registration numbers.

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

### **3.4.1 Imprest bank accounts**

As an alternative to operating a bank account as set out in section 3.4, schools may opt to operate a bank account on an imprest basis, whereby a sum of up to £5,000 will be given as an initial advance. Schools will then submit a monthly claim of actual sums spent for reimbursement.

Following reimbursement the money held in a school's bank account will equal the initial advance given.

Alternatively, for small purchases, a school can apply for a corporate imprest account which does not involve the need to hold an associated bank account.

### **3.4.2 Restrictions on bank accounts**

All bank accounts including those held for unofficial funds must be notified to, and approved by, the Section 151 Officer before they are opened, except that former GM

## **POWYS SCHEME FOR THE FINANCING OF SCHOOLS 2017-18**

schools may nominate and use the same accounts as used by them for AMG in 1998-99. Bank and building societies must be selected from an approved list available from the Section 151 Officer.

All bank accounts relating to the school's delegated budget will bear the name of the school followed by "Powys County Council" ( - Powys County Council). Bank and building society accounts will be operated in accordance with detailed Financial Regulations issued by the Section 151 Officer. The Section 151 Officer or his representative will be provided with access to all school bank accounts. All balances in school bank accounts under this Scheme remain the property of the County Council. Bank accounts must not be overdrawn.

Governors who are not members of staff cannot be signatories to local bank accounts.

### **3.4.3 Debit and other charge cards**

Where a governing body considers that the use of a debit card, a corporate credit card or a purchasing card would fit within its purchasing strategy then a purchase card may be provided under arrangements approved by the Section 151 Officer. The governing body is responsible for ensuring that the cards are operated in accordance with Minimum Standards. Debit, credit or purchasing cards are not otherwise permitted. Debit, credit and purchasing cards must not be used to obtain cash advances.

### **3.5 Borrowing by schools**

Governing bodies may borrow money from a bank or building society only with the written permission of the Welsh Government. Any requests for such consent and the outcome should be notified to the Section 151 Officer. The Authority will not accept any responsibility for any such loans so authorised.

This does not apply to Trustees and Foundations whose borrowing, as private bodies, makes no impact on Government accounts. These debts may not be serviced directly from the delegated budgets but schools are free to pay for a service which the Trustees or Foundation are able to provide as a consequence of their own borrowing. Governing bodies do not act as agents of the Authority when repaying loans.

### **3.6 Lease/rental agreements**

Schools are legally only allowed to enter into rental (operating) leases e.g. photocopier, computer network system, and must have approval of the Section 151 Officer prior to entering into any lease agreement.

The County Council's Financial Regulations require all leases to be signed off by the Corporate Finance Department to ensure:

- the most appropriate and cost effective method of financing the asset is being utilised;
- all amounts outstanding on leases are included in the balance sheet as required

- by the Authority's accounting regulations;
- that the lease does not impact negatively on the County Council's borrowing capability.

The governing body must have an ongoing regard to Best Value considerations and should be able to demonstrate that they have been applied in relation to leases.

### **3.7 Resourcing of new schools and schools due for closure, amalgamation or merger (see also section 4.7)**

#### **3.7.1 New schools**

In the first year of the opening of a new school, the school will be formula funded for the appropriate proportion of the financial year e.g. if a school opens in September it will be resourced for 7 months of the financial year (7/12 of the formula allocation).

The Authority has the right to delegate selectively and optionally to the governing body of schools that have yet to receive delegated budgets.

#### **3.7.2 Schools due for closure, amalgamation or merger**

Where a school is scheduled to be closed, amalgamated or merged during a financial year, the school will receive formula funding for the proportion of the financial year for which it is open i.e. if a school closes on 31<sup>st</sup> August it will only be resourced for the first 5 months of the financial year (5/12 of the formula allocation). When the school closes, any balance (surplus or deficit) will revert to the Authority. It will not be transferred as a balance to any other school.

The remainder of the annual budget will be retained centrally, to meet any exceptional costs incurred during the closing process together with any cumulative overspend at the school. Thereafter the savings will be reinvested into the Schools Service budget.

In order to ensure effective stewardship of the resources available to schools, the Authority may impose additional restrictions on a school scheduled to close, including but not limited to:

- restriction of expenditure to agreed plans
- removal of powers of virement

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

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

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

For a school having a new bank account the Authority will calculate on a provisional basis the amount of any balance to be transferred to a school's bank account and

indicate the date by which the transfer would occur, pending a later reconciliation.

To ensure the overall financial robustness of schools it is expected that the collective balances should always be in surplus. Each school will be required to meet the conditions detailed in Sections 4.2 to 4.9 on an individual basis, with the Authority monitoring the overall planned balances for each of the 3/4 years in the planning cycle.

### **4.3 Controls and recovery of surplus balances**

In accordance with Section 4 of the School Funding (Wales) Regulations 2010, the Authority will monitor end of year balances. Following production of the outturn statement, cumulative surplus or deficit balances at year end will be calculated.

The Authority will automatically clawback year end balances which exceed 5% of the delegated school budget share or £10,000 whichever is greater. Schools may request to carry forward a balance greater than 5% or £10,000 which will be considered and approved the Chief Education officer.

In addition:

The authority may direct the governing body as to how to spend the surplus in the school balance for a funding period, if:

- a) in the case of a Primary school the surplus is £50,000 or more, and
- b) in the case of a Secondary School or Special school the surplus is £100,000 or more

Schools with balances above these limits will be required to report to the Authority on the proposed use of the planned surplus in subsequent years. Planned use of surplus funds will be considered by the Authority and approved where appropriate.

Any funding clawed back from schools will be held as a reserve for the benefit of all schools.

### **4.4 Interest on surplus balances**

Surplus balances held by schools with their own bank account may either be invested with the school's bank or building society or via the Section 151 Officer. The Section 151 Officer will advise on prevailing interest rates having regard to the sum to be invested, the term of the investment and market interest rates.

Interest will not generally be payable on surpluses arising from unspent budget shares held as part of the cash balance of the County Council other than stated above. However, if an imprest or non-bank account school identifies part of its carry forward balances as an earmarked reserve, interest will be paid in line with any inflation increase applied to school budget shares.



### 4.5 Obligation to carry forward deficit balances

A deficit balance at the end of a financial year will be treated as a deduction from the following year's budget share.

### 4.6 Planning for deficit balances

A governing body has no legal right to set a deficit budget without the consent of the Authority and should not presume that such consent will be granted. The Authority will consider approving a licensed deficit to a school in certain approved circumstances (see para. 4.9).

### 4.7 Charging of interest on deficit balances

The Authority will charge interest on deficit balances. The charge will be based on the school's closing cumulative balance at the end of the financial year. To ensure that the school will effectively repay, in real terms, the deficit sum its value will be increased each year in line with any inflation increase applied to school budget shares.

### 4.8 Writing off deficits (see also section 3.6)

The Authority has no power to write off the deficit balance of any school except for a closed school, subject to authorisation of the Portfolio Holder for Education.

### 4.9 Licensed deficits

The detailed arrangements applying to this scheme are set out below:

- (a) the length of time over which a school may repay a deficit is three years, except where a longer period, ~~not exceeding 5 years~~, has been agreed in exceptional circumstances and with the support of the Chief Education Officer and the Section 151 Officer. In practice the timescale will depend on the extent of the deficit and the school's ability to take early action.
- (b) deficit arrangements may be agreed in the following circumstances:
  - falling pupil numbers;
  - to spread the cost of cyclical maintenance works over two or more years;
  - other circumstances agreed by the Authority to be reasonable

In the primary sector the maximum licensed deficit which may be approved will be up to 10% of the school's budget share (including any amounts for pupil number adjustments), but with a ceiling of £50,000. In the secondary and special sectors the maximum licensed deficit which may be approved will be up to 7½% of the school's budget share (including any amounts for pupil number adjustments), but with a ceiling of £100,000 for special schools and £150,000 for secondary schools. A school with a planned deficit of less than £500 and a planned underspend in the following financial year will not have to apply to have the deficit approved.

The arrangements for licensed deficits will be operated by the Head of Financial

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Services , working within the accounting requirements of the County Council as set out by the Section 151 Officer.

Schools wishing to apply to the Authority to set a deficit budget will be subject to detailed terms and conditions agreed between the governing body, headteacher and the Authority's officers. All Schools will be required to maintain a risk register linked to their deficit budget, the format of which will be provided by the Schools Forum. Restrictions on expenditure and a higher level of budget monitoring will be required by the school and the Authority for the period of the deficit and until such a time as the Authority is satisfied that the school has met repayment targets and is in a position of financial stability. The Authority will appoint a named officer / adviser to support the school in analysing its finance, curriculum and staffing needs.

Requests for licensed deficits will not normally be approved unless the school can produce a recovery plan which, in the view of the Authority, is realistic, prudent and does not exceed three years (exceptionally as agreed by Section 151 officer and Chief Education officer). The Authority's named officers / advisers will have a key role in determining whether the recovery plan can be recommended to the Authority as fulfilling these criteria.

Schools have a duty to identify potential deficits and to plan recovery action early. The Authority expects the recovery plan to be submitted by 1<sup>st</sup> May. The format of the recovery plan, and arrangements for its submission, will be specified by the Authority. The recovery plan will have to be updated at least annually until the school returns to a cumulative surplus budget and is in a position of financial stability. Failure to comply with the agreed recovery plan will mean the re-activation of the process set out in para 2.16.

The Authority will impose additional restrictions on a school during the term of the licence, as part of the licence, including but not limited to:

- the right of approval of staffing appointments and any other changes to staffing that increase costs;
- the right of approval of contracts over a specified value;
- restriction of expenditure to agreed plans and removal of powers of virement;
- a requirement to purchase the full Local Authority financial support package;
- agreed repayment targets, etc.
- the written agreement to the terms by the Chair of Governors, following a resolution passed by the full governing body.

The named officers / advisers will be the first point of contact for the school in relation to these restrictions. He or she will make appropriate recommendations to the Section 151 Officer and Chief Education Officer. The need for and extent of such restrictions will be assessed on a school by school basis

### **SECTION 5: INCOME**

Schools will be able to retain income except in certain specified circumstances.

#### **5.1 Income from lettings**

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The Authority supports the use of its buildings outside the normal school day however schools must ensure that income received from lettings covers the full cost of that letting.

Schools will be allowed to retain income from lettings of the school premises which would otherwise accrue to the Authority, subject to alternative provisions arising from any joint use or PFI/PPP agreements. Schools will be allowed to cross-subsidise lettings for community and voluntary use with income from other lettings and other non-delegated sources, provided there is no net cost to the delegated budget share. Schools will be required to have regard to any directions issued by the Authority as to the use of school premises, as permitted under the SSAF Act 1998 for various categories of schools and in particular the use of the school for pre-school provision.

Income from lettings of school premises or payment for use of school facilities, such as the photocopier, should not be paid into voluntary or private funds held by a school. In schools using the Council's financial system such income must be paid into the Council's corporate bank account and accounted for on an e-return in order to account correctly for the VAT. In secondary schools using bank accounts the monies should be paid into the school's delegated bank account.

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

Schools will be allowed to retain income from fees and charges except where a service is provided by the Authority from centrally retained funds. Where schools provide a service which is normally provided by the Authority e.g. home to school transport, the provision must be fully cost recovered either through parental contributions, user fees or PTA funding and should not be subsidised from the school's delegated budget. In schools using the Council's financial system such income must be paid into the Council's corporate bank account and accounted for on an e-return in order to account correctly for the VAT. In secondary schools using bank accounts the monies should be paid into the school's delegated bank account.

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

Schools will be allowed to retain income from fund-raising activities.

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

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

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

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

### **6.1 General provision**

The Authority may charge the budget share of a school without the consent of the governing body only in circumstances expressly permitted by this scheme. The Authority will consult schools as to the intention to so charge, and notify schools when it has been done.

The Authority will charge salaries of school-based staff to school budget shares at actual cost.

The Authority will not act unreasonably in the exercise of any power given by this Scheme, or it may be the subject of a direction under s.496 of the Education Act 1996.

For each of these circumstances set out in 6.2 (except 6.2.11) the Authority would need to demonstrate that the Authority had necessarily incurred the expenditure now charged to the budget share. This means that where the Authority cannot incur a liability because the statutory responsibility rests elsewhere, no charging is possible. Therefore the position on charging will vary between categories of school.

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

Charges may be made in the circumstances set out below.

In some cases the ability to charge budget shares depends on the Authority having given prior advice to the governing body. The Authority will need to ensure that it has taken steps that enable it to give advice whenever possible.

6.2.1 Where premature retirement costs have been incurred without the prior written agreement of the Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Authority).

6.2.2 Other expenditure incurred to secure resignations where the school had not followed the advice of the Authority.

6.2.3 Awards by courts and industrial tribunals against the Authority arising from action or inaction by the governing body contrary to the Authority's advice.

6.2.4 Expenditure by the Authority in carrying out health and safety work for which the Authority is liable where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.

6.2.5 Expenditure by the Authority incurred in making good defects in building work funded by capital spending from budget shares, where the premises are owned by the Authority or the school has voluntary controlled status.

6.2.6 Expenditure incurred by the Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Authority.

6.2.7 Recovery of monies due from a school for services provided to the school,

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where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the Authority.

6.2.8 Recovery of penalties imposed on the Authority by the Board of Inland Revenue, the Contributions Agency or HM Revenue and Customs, Teachers Pensions or regulatory authorities as a result of school negligence.

6.2.9 Correction of Authority errors in calculating charges to a budget share (e.g. pension deductions), unless the error dates back several years and such charging would be unreasonable.

6.2.10 Additional transport costs incurred by the Authority arising from decisions by the governing body on the length of the school day, and failure to notify the Authority of non-pupil days resulting in unnecessary transport costs.

6.2.11 Legal (and other similar) costs which are incurred by the Authority because the governing body did not accept the advice of the Authority (see also section 11).

6.2.12 Costs of necessary health and safety training for staff employed by the Authority, where funding for training had been delegated but the necessary training had not been carried out.

6.2.13 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.

6.2.14 Cost of work done in respect of teacher pension remittance and records for schools using non-Authority payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.

6.2.15 Costs incurred by the Authority in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of that statement.

6.2.16 Costs incurred by the Authority due to submission by the school of incorrect data.

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

6.2.18 Costs incurred by the Authority as a result of the governing body being in breach of the terms of a contract.

6.2.19 Recovery of interest on late creditor payments by schools under the Late Payment of Commercial Debts (Interest) Act 1998.

6.2.20 Where the Authority loses any grant income e.g. Education Improvement Grant, due to schools not providing the necessary information or not complying with any grant conditions then the school will bear the cost of that loss.

### **6.3 Education Workforce Council**

6.3.1 Under the Education (Wales) Act 2014, the Education Workforce Council is able to charge a fee for registration and retention of entries on the Register of Education Practitioners. The Education Workforce Council (Registration Fees) (Wales) Regulations 2015 require an employer, who has been notified by the Council, to deduct any such fee from a practitioner's salary and remit it to the Council within 14 days.

6.3.2 Schools are entitled to deduct, or arrange for the deduction of, the registration fee from the salaries of those practitioners who are registered, or who are required to be registered, if the fee has not been paid by any other means.

## SECTION 7: TAXATION

### 7.1 Value Added Tax

7.1.1 Generally HM Revenue and Customs has agreed that VAT incurred by schools when spending any funding made available by the Authority is reclaimable by the Authority. This does not include governors of a voluntary aided school when carrying out their statutory responsibility to maintain the external fabric of the buildings. Guidance has been issued regarding this but please contact [vat@powys.gov.uk](mailto:vat@powys.gov.uk) if you require any further guidance or would like a copy of the guidance.

7.1.2 Schools with purchase cards must upload suitable evidence to the specified website in order to support the VAT recovery.

7.1.3 Schools operating bank accounts must send in to the County Finance Department their claim for VAT on a monthly basis (this claim can be made using the facility available on SIMS or as otherwise directed). Schools must retain all documentation to support their claim as required by HM Revenue and Customs.

The VAT claim must be returned (on the form approved by the Section 151 Officer) to the Schools Finance Team on the first working day following the month end.

7.1.4 The Technical Finance Team will recover the VAT from HM Revenue and Customs and reimburse the school bank account.

7.1.5 Monthly accounting returns are required by the County Finance Department showing an analysis of the month's transactions. Monthly bank reconciliations should be completed and retained by the school, and made available to the County Finance Department on a monthly basis.

7.1.6 Schools must obtain guidance from the Technical Finance Team on the management of VAT. Schools must pay full regard to the Authority's VAT manual which is available at

<https://powyscc.sharepoint.com/sites/services/finance/systems/Shared%20Documents/VAT%20Manual%202019.docx>

Further guidance is available from the Technical Finance Team. This is particularly

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pertinent in respect of aided schools undertaking duties which are the responsibility of the trustees or the governing body under the trust agreement.

7.1.7 Failure to comply with any of above conditions will result in the removal of the bank account from the school.

### **7.2 Construction Industry Taxation Scheme (CITS)**

The administrative complexity of CITS requires that payments to all building contractors, who successfully tender for maintenance work, must be made through the County Finance Department's Creditors System. The invoice and a cheque made payable to Powys County Council for the gross amount should be sent to the County Finance Department and a copy of the invoice kept in the school's filing system. VA schools should inform suppliers when ordering Construction work that Powys County Council is not the end user.

Schools must abide by this procedure or any amendment to this procedure determined by the Section 151 Officer.

### **7.3 PAYE & NI – Schools with their own Bank Accounts**

Schools making payments for goods and services to individuals should be aware that the self-employed status of those individuals is subject to the Inland Revenue 'Categorisation Regulations' and is not a matter of the individual's choice. Schools will be liable for any penalty and back tax/NI that the Authority incurs for non-compliance where payments are made by schools without deduction of tax and NI.

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

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

The Authority will determine on what basis services from centrally retained funds will be provided to schools. Such services could include Home to School Transport; certain Special Educational Needs Services; Educational Psychology and Education Welfare Services.

The Authority will not discriminate in its provision of services on the basis of categories of schools except where (a) funding has been delegated to some schools only or (b) such discrimination is justified by differences in statutory duties; this provision encompasses Premature Retirement Costs (PRC) and redundancy payments.

Charges for centrally provided services will not be increased in-year and consultation will be undertaken with both the Schools Forum and schools where a Service Area proposes to increase charges to schools by more than the rate of inflation applied to the linked expenditure area.

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

For any arrangement with a school to buy services or facilities from the Authority the term will be a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the later, and periods not exceeding five years for any subsequent agreement relating to the same services. This provision does not apply to centrally funded premises and liability insurance.

When a service is provided for which expenditure cannot be retained centrally by the Authority, it will be offered at prices which are intended to generate income which is no less than the cost of providing these services. The total cost of the service will be met by the total income, although schools may be charged differentially.

### **8.2.1 Packaging**

Any service which the Authority is providing on a 'buy back' basis will be offered in a way which does not unreasonably restrict schools' freedom of choice among the services available and, where practicable, this will include provision on a service-by-service basis as well as in packages of services.

### **8.3 Service level agreements**

8.3.1 If services or facilities are provided under a service level agreement - whether without charge or on a 'buy back' basis - the terms of any such agreement starting on or after the inception of this scheme will be reviewed at least every three years if the agreement lasts longer than that.

Schools who opt for a term longer than one year will be offered the opportunity of reviewing the arrangement on an annual basis when the budget position for the following year is known.

8.3.2 As far as practicably possible, the Authority will consult with schools on the design and content of service level agreements.

8.3.3 Services, if offered by the Authority, will be available on an ad hoc basis, as well as on the basis of service level agreements.

## **SECTION 9: PFI/PPP**

It is not envisaged that any PFI/PPP projects will be undertaken in respect of Powys schools.

In any case, any proposals for PFI/PPP must be considered by the Section 151 Officer and approved by the Authority prior to proceeding. Where a school is part of a PFI/PPP project, the Authority will reach an agreement with the governing body in respect of those charges the school will have to bear for services incorporated into delegated formula funds.

## **SECTION 10: INSURANCE**



### 10.1 Insurance cover (see also section 6.2.6)

If funds for insurance are delegated to any school, the Authority will require the school to demonstrate that under a policy arranged by the governing body, cover relevant to an Authority's insurable interests is at least as good as the relevant minimum cover arranged by the Authority where the Authority makes such arrangements, paid for from central funds or from contributions from schools' delegated budgets.

The Authority will have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools.

## SECTION 11: MISCELLANEOUS

### 11.1 Right of access to information

Governing bodies will supply all financial and other information which might reasonably be required to enable the Authority to satisfy itself as to the school's management of its delegated budget share, or the use made of any central expenditure by the Authority (e.g. earmarked funds) on the school. This requirement to supply additional financial information does not extend to copies of internal reports to the governing body on financial matters.

### 11.2 Liability of governors

As the governing body is a corporate body and because of the terms of s.50(7) of the SSAF Act 1998, governors of maintained schools do not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith. This protection does not extend to fraudulent, reckless or grossly negligent acts.

Powys County Council has public and employer's liability insurance cover in place which covers the legal liabilities of the Council in respect of death, bodily injury and illness to its employees and third parties, or damage to their property, subject to the terms and conditions of the policy. The *Insured* within the policy is Powys County Council and this definition is extended to include governors of schools under the control of the Council (and which buy into the Council's insurance package), whilst engaged on their official duties and activities. The Governing Body of a Voluntary Aided or Foundation School is the employer of the staff. The Powys County Council public and employer's liability insurance policy is extended to include any governor of such schools that are within the Powys County Council area and listed within the schedule of insurance, whilst they are engaged on their official duties as governors of the school, subject to the terms and conditions of the policy.

The Council's Chief Finance Officer acts on behalf of all insureds in respect of this policy and has full discretion in the conduct of any claims or potential claims that may be made against the policy. Where a school governor is entitled to indemnity under the above-mentioned policy any retention (the "excess" or first part of each claim that

the insured has to pay) that is the responsibility of the Insured shall be borne by Powys County Council.

### **11.3 Governors' expenses**

The Authority is allowed to delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses

Under schedule 11 of the SSAF Act 1998, only allowances in respect of purposes specified in regulations may be paid to governors from a school's delegated budget share; schools are forbidden to pay any other allowances. Schools are also barred from payment of expenses duplicating those paid by the Welsh Government to additional governors appointed by him to schools under special measures. The amounts of any such allowances will be set by the Authority.

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

Legal costs incurred by the governing body are part of the cost of maintaining the school (unless they relate to the statutory responsibility of voluntary aided school governors for buildings) and may be charged to the school's budget share if the governing body does not act in accordance with the advice of the Authority.

The procedure which schools should follow in obtaining legal advice where there is a conflict of interest between the Authority and the governing body with the advice of the Authority is as follows:

- notification should be given to the Authority that the governing body does not accept the legal advice tendered by the Authority and that it is seeking alternative legal advice;
- legal advice should then be obtained by the governing body from an appropriately qualified legal advisor.
- that legal advice should then be presented to the Authority.

### **11.5 Health and safety**

Governing bodies are required, in expending the school's budget share, to have due regard to duties placed on the Authority in relation to health and safety and to the Authority's policy on health and safety matters in the management of the budget share.

Directions issued by the Authority to the governing body and headteacher of a community or voluntary controlled school are enforceable, so far as governing bodies are concerned, under s.497 of the Education Act 1996 if not complied with.

### **11.6 Right of attendance of Section 151 Officer (and Chief Education Officer )**

Governing bodies are required to permit the Section 151 Officer (and the Chief Education Officer ) of the Authority, or any officer of the Authority nominated by the Section 151 Officer, to attend meetings of the governing body at which any agenda items are relevant to the exercise of her or his responsibilities.

The Authority will give prior notice of such attendance unless it is impracticable to do so.

### **11.7 Delegation to new schools**

11.7.1 Where a new school is being established, the Authority will allocate to the temporary governing body any approved costs required to carry out its statutory functions prior to the opening of the school.

11.7.2 Resources will be allocated for the first 3 full financial years using the funding formula, based on an Authority forecast of pupil numbers projected for the date of opening. This will be subject to adjustment in the event of the actual number of pupils being different.

### **11.8 Special educational needs**

Schools will be required to use their best endeavours in spending the budget share, to secure appropriate SEN provision for pupils of the school. Should a school substantially and persistently breach its responsibilities in this context, the Authority may instigate proceedings to suspend delegated status.

### **11.9 Community use of facilities**

Governing bodies are able to provide facilities or services, the provision of which furthers any charitable purpose for the benefit of pupils/families at the school or people who live or work in the locality. Expenditure can be incurred to provide staff, goods, services or accommodation to any person. Expenditure can be cross subsidised using income from charges but should not be subsidised from the school's delegated budget. Governing bodies may charge for any services/facilities provided. This arrangement is subject to consultation with the Authority, staff and parents (and pupils if relevant).

### **11.10 'Whistleblowing'**

The procedures to be followed by persons working at a school or school governors who wish to complain about financial management or financial propriety at a school, and how such complaints will be dealt with by the Authority, are contained in Powys County Council's 'Whistleblowing Policy for School Staff'.

### **11.11 Child protection**

Schools should make reasonable efforts to release staff to attend child protection case conferences and related events. Funding to meet such costs is within delegated budgets.

### **11.12 School meals**

The Authority has not produced a policy document for school meals. Where schools have funding delegated for school meals provision they have the option of buying back into the Authority service or making alternative arrangements. Where schools make alternative arrangements they should have regard to any guidance and

implement any regulations regarding health and safety and nutritional standards.

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

The category of work which governing bodies must expect to finance from their budget is included in **Annex B**.

Voluntary aided schools should note the information in **Annex Cii** which should be read alongside the more detailed information on the definition of repair work in 'Capital Grant Programme – A guide to Governors' issued to all voluntary aided and special agreement schools in September 2002 by the National Assembly for Wales. For the purpose of determining whether the Local Authority or Voluntary Aided governors are responsible for funding capital or repair work that publication, which details the full division of liabilities, should be consulted. Items that are not the responsibility of Voluntary Aided governing bodies will be treated on the same basis as community and foundation schools and funding delegated by the Authority under its scheme.

**ANNEX A**

**SCHEDULE OF SCHOOLS MAINTAINED BY POWYS LOCAL AUTHORITY**

**No. on Roll  
January 2016**

**Primary Schools**

ABERMULE CP SCHOOL	67
ARCHDEACON GRIFFITHS C IN W VOLUNTARY AIDED SCHOOL	129
ARDDLEEN CP SCHOOL	84
ARDWYN NURSERY & INFANTS SCHOOL	63
YSGOL-Y-BANNAU	158
BANW CP SCHOOL	33
BERRIEW CP SCHOOL	79
YSGOL BRO CYNLLAITH	38
YSGOL BRO TAW	217
BRONLLYS CP SCHOOL	38
BRYNHAFREN CP SCHOOL	59
BUILTH WELLS CP SCHOOL	262
BUTTINGTON/TREWERN CP SCHOOL	175
CAERSWS CP SCHOOL	54
YSGOL GYNRADD CARNO	39
YSGOL Y CRIBARTH	145
CARREGHOFA CP SCHOOL	113
CASTLE CAEREINION C IN W VOLUNTARY CONTROLLED SCHOOL	44
CHURCHSTOKE CP SCHOOL	53
CLYRO C IN W VOLUNTARY CONTROLLED SCHOOL	95
CRADOC CP SCHOOL	136
CRICKHOWELL CP SCHOOL	233
CROSSGATES CP SCHOOL	150
YSGOL DAFYDD LLWYD	176
YSGOL DOLAFON	77
YSGOL DYFFRYN TRANNON	122
YSGOL GYMRAEG DYFFRYN Y GLOWYR	332
FORDEN C IN W VOLUNTARY CONTROLLED SCHOOL	86
FRANKSBRIDGE CP SCHOOL	33
YSGOL GOLWG Y CWM	218
GLADESTRY C IN W VOLUNTARY CONTROLLED SCHOOL	47
YSGOL GLANTWYMYN	72
GUILSFIELD CP SCHOOL	146
GUNGROG C IN W VOLUNTARY CONTROLLED INFANTS SCHOOL	87
HAFREN CP JUNIOR SCHOOL	158
HAY-ON-WYE CP SCHOOL	166
IRFON VALLEY CP SCHOOL	55
KNIGHTON C IN W VOLUNTARY CONTROLLED SCHOOL	242
LADYWELL GREEN NURSERY & INFANTS SCHOOL	127
LEIGHTON CP SCHOOL	76
LLANBEDR C IN W VOLUNTARY AIDED SCHOOL	40
LLANBISTER CP SCHOOL	31

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	No. on Roll January 2016
YSGOL LLANBRYNMAIR	56
LLANDINAM CP SCHOOL	54
LLANDRINDOD WELLS CP SCHOOL CEFNLLYS	300
LLANDRINDOD WELLS C IN W VOLUNTARY CONTROLLED SCHOOL TREFONNEN	195
LLANDYSILIO C IN W VOLUNTARY CONTROLLED SCHOOL	89
LLANELWEDD C IN W VOLUNTARY CONTROLLED SCHOOL	85
LLANERFYL C IN W FOUNDATION SCHOOL	37
LLANFAES CP SCHOOL	237
LLANFAIR CAEREINION CP SCHOOL	195
LLANFECHAIN C IN W VOLUNTARY CONTROLLED SCHOOL	40
LLANFIHANGEL RHYDITHON CP SCHOOL	31
LLANFYLLIN CP SCHOOL	169
LLANGATTOCK C IN W VOLUNTARY AIDED SCHOOL	118
LLANGEDWYN C IN W VOLUNTARY CONTROLLED SCHOOL	31
LLANGORS C IN W VOLUNTARY CONTROLLED SCHOOL	146
LLANGYNIDR CP SCHOOL	137
LLANIDLOES CP SCHOOL	290
LLANRHAADR YM MOCHNANT CP SCHOOL	80
LLANSANTFFRAID C IN W VOLUNTARY AIDED SCHOOL	119
YSGOL MAESYDRE	182
MAESYRHANDIR CP SCHOOL	202
YSGOL MEIFOD	75
MONTGOMERY C IN W VOLUNTARY CONTROLLED SCHOOL	125
MOUNT STREET CP INFANTS SCHOOL	191
MOUNT STREET CP JUNIOR SCHOOL	138
NEWBRIDGE-ON-WYE C IN W VOLUNTARY CONTROLLED SCHOOL	121
OLDFORD INFANTS SCHOOL	68
YSGOL PENNANT	68
PENYGLODDFA CP SCHOOL	323
PRESTEIGNE CP SCHOOL	172
YSGOL PONTROBERT	37
PRIORY C IN W VOLUNTARY AIDED SCHOOL	147
RADNOR VALLEY CP SCHOOL	65
RHAYADER C IN W VOLUNTARY CONTROLLED SCHOOL	166
YSGOL RHIW BECHAN	166
SENNYBRIDGE CP SCHOOL	122
ST. MARY'S CATHOLIC SCHOOL	110
ST. MICHAEL'S C IN W VOLUNTARY AIDED SCHOOL	134
TALGARTH CP SCHOOL	73
TREOWEN CP SCHOOL	132

## POWYS SCHEME FOR THE FINANCING OF SCHOOLS 2017-18

No. on Roll  
January 2016

### Secondary Schools

BRECON HIGH SCHOOL	556
BUILTH WELLS HIGH SCHOOL	554
YSGOL UWCHRADD CAEREINION	494
CRICKHOWELL HIGH SCHOOL	768
GWERNYFED HIGH SCHOOL	450
LLANDRINDOD HIGH SCHOOL	558
LLANFYLLIN HIGH SCHOOL	832
LLANIDLOES HIGH SCHOOL	528
YSGOL MAESYDDERWEN	447
NEWTOWN HIGH SCHOOL	1091
WELSHPOOL HIGH SCHOOL	900

### Middle School

YSGOL BRO HYDDGEN	520
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### Special Schools

BRYNLLYWARCH HALL SCHOOL	64
YSGOL CEDEWAIN	118
YSGOL PENMAES	110

### Pupil Referral Units

PUPIL REFERRAL UNIT – MID / SOUTH
PUPIL REFERRAL UNIT – NORTH

## **Creditor Invoices from Suppliers / Purchase Card Transactions**

As a local authority we are expected to be able to prove all of our expenditure, most importantly for VAT recovery purposes, evidence for a grant claim and/or audit purposes. As such, please make sure you have proper evidence of any spend (invoice requirements are listed below). For purchase card transactions please upload your invoices to the Barclaycard Spend Management system. Failure to do this will mean any vat amount will not be reclaimed and your budget will be charged the gross amount.

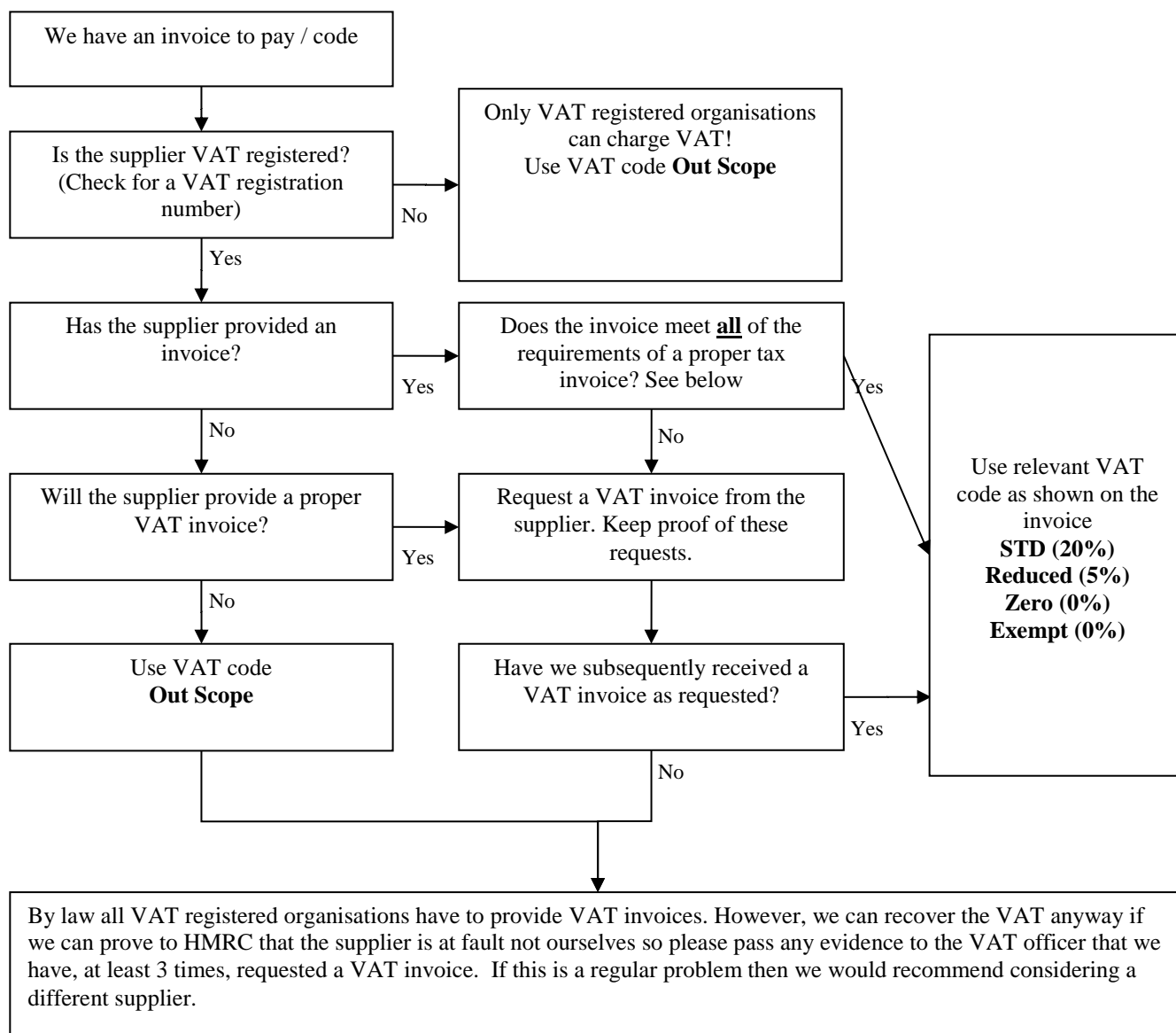
### **What VAT Code should I use?**

A nil VAT amount does not automatically mean zero-rated and, on some occasions, it can be that the supplier is not actually VAT registered. If there is a UK VAT registration number quoted, the invoice/receipt should also give you information as to the VAT treatment for that purchase. If this is not the case, then please speak to the supplier for confirmation so that you can apply the relevant VAT code.

This is important for the Council as it reduces the number of issues we have to investigate when carrying out our annual partial exemption calculation for HMRC.



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### Invoice Requirements:

#### **Transactions Over £250 including VAT**

- Invoice number
- Date of supply, or tax point
- VAT registration, and name and address of supplier
- Name and address of customer i.e. us - Powys County Council
- Description of the goods and/or services supplied
- Type of supply - i.e. sale, hire, rental, etc.
- Quantity supplied for each category of goods or services - the net charge made (i.e. excluding VAT) and the rate of VAT charged.
- Total VAT exclusive charge made
- Rate of any discount offered
- Total amount of VAT charged

#### **Transactions Under £250 including VAT**

Sometimes referred to as 'less-detailed tax invoices', this will often be the type of document issued by retailers (and only retailers) and must contain the following information:

## POWYS SCHEME FOR THE FINANCING OF SCHOOLS 2017-18

- Date of supply or tax point
- VAT registration and name and address of supplier
- Description of goods and/or services supplied
- Total VAT inclusive amount payable and
- Rate of VAT charged

In this type of invoice, the VAT is not shown separately, and should be calculated by dividing the VAT inclusive amount payable by 120 and multiplying by 20 (where the VAT rate is 20%).

### VAT Rates:

#### Zero Rated (0%)

Zero rate supplies are taxable supplies that are chargeable to tax at 0%. Common examples for the Authority include:

- Books and certain publications
- Children's clothing
- Unprepared food/provisions
- Public transport
- Sewerage & water

#### STD - Standard (20%)

All taxable supplies that are not exempt, zero-rated or chargeable at the lower rate are standard rated, i.e. 20%.

#### Exempt (0%)

Such supplies do not incur VAT. Examples include

- Postage (please check invoice as this can sometimes be Standard Rated – Stamps brought at the post office are exempt)

#### Outside Scope

These transactions are outside the scope of VAT. The most common example for purchases made by the Authority is:

- Supplies and services from businesses that are not VAT registered

#### Reduced (5%)

There are five types of supply that are charged at the lower rate of 5%. Most of these do not apply to Powys. However, you may find the odd invoice applying 5% vat.

- Fuel and power for qualifying use (domestic or by a charity for its non- business activities)

**Efinancials and the Barclaycard system have all relevant VAT codes available i.e. standard rated, lower rate, zero rated, exempt, outside scope and foreign (non-UK). Please ensure you are using the correct code for each transaction.**

### Common Problems with VAT on Purchase cards

#### General:

- Proper VAT invoices/receipts are not being sourced as a matter of course, even when available, but VAT is still being reclaimed
- VAT is being reclaimed when the paperwork clearly states "This is not a tax invoice"
- Despite having a correct VAT invoice/receipt, the VAT is not being reclaimed – this is a loss to the Council and the relevant budget
- VAT has been reclaimed when there isn't any VAT amount i.e. the receipt says 0.00 against VAT but the transaction has still been coded using the standard rated VAT code

## POWYS SCHEME FOR THE FINANCING OF SCHOOLS 2017-18

- When there is no VAT amount, many transactions are being coded as zero-rated instead of exempt or outside scope
- VAT has been claimed when an invoice is clearly a foreign one e.g. with a Luxembourg VAT registration and VAT amount
- Invoices/receipts are not in the name of Powys County Council – many are in the name of the establishment but the name/address on an invoice must contain “Powys County Council” per our VAT registration
- Some invoices/receipts are made out to individuals and some of these are at home addresses not Powys addresses – any vat is not claimable
- Some invoices are made out to just a Christian name – any vat is not claimable

### Amazon:

Amazon transactions are often non UK transactions despite the fact some may appear to be UK on the face of it. The problems with Amazon invoices arise as follows:-

- If the purchase is outside of Europe then we cannot claim any VAT/tax amount quoted so you must not choose the standard rated VAT option on the Barclaycard system, you must choose Outside Scope
- If the purchase is non UK but within Europe you need to contact the supplier and give them our VAT registration number prior to purchasing anything so that the transaction is a business to business supply and not a business to consumer supply. If it is a business to business supply the supplier will show no VAT on the invoice – however, this requires an extra separate entry on the monthly VAT return hence Finance has to see all these invoices in order to do this. If it is a business to consumer transaction any VAT on the invoice will be at the rate applied in that country e.g. Germany is 19% and the VAT registration number on the invoice will not start with GB. In these cases we cannot reclaim the VAT and the budget has to pick up the gross cost. VAT code outside scope should be used for these transactions.

If you are using Amazon for purchases please always check who the supplier is prior to buying – this can be done by clicking on “Dispatched and sold by” underneath the item, in the top right hand corner of the next screen it gives Detailed Seller Information. Based on this you may be better off using a UK supplier whereby we can reclaim the VAT.

### Breakfast clubs:

Many schools are not claiming vat on purchases made through budget for breakfast club either via Purchase Cards or Petty Cash. Many basic food items are zero rated but certain things e.g. fruit juice are standard rated as are cleaning products. The VAT amounts may be small individually but they mount up over a financial year. Most supermarkets provide a till receipt suitable for vat purposes – some show the actual vat amount included in the receipt, others (Tesco’s e.g.) mark vatable items with an asterisk. As such, it is quite easy to calculate the amount that can be input with the vat zero rated code used and the amount with the vat standard rated code used. The only time you need to be aware is, if you are receiving a grocery delivery, as the online receipts are not always suitable for reclaiming vat as they are just an order summary – Tesco’s actually state “This is not a tax invoice”. In these circumstances you cannot claim any vat amount.

**Page 4327 of the Intranet (VAT page) has a section with common food items listed – please speak to Finance if you are unsure of the VAT treatment of an item on your receipt that is not on this list by emailing [vat@powys.gov.uk](mailto:vat@powys.gov.uk)**

## School Income

Please note that if you are charging external bodies/groups/individuals for anything that relates to school assets e.g. room hire, pitch hire, photocopying, land for camping, etc. this must be done via school budget (County’s bank account) and not via your School Fund bank account (even if you intend to pass the income on to school budget by writing a cheque from School Fund). Any such income should come direct to County and any invoices raised for such activities must be raised via the corporate debtors system and not on your school letter heads.

Failure to follow the correct process means that you are not complying with Financial Regulations, the Scheme for Financing Schools nor, more importantly, VAT regulations.

The codes and vat treatment you need to use/apply for income can be found on your e-return. If you do not

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have a suitable code please contact your Schools Finance Officer or, if you are unsure of the vat treatment, please contact Finance on 01597 826334/826327.

### **Hiring out rooms, etc.:**

Please be aware that the rules in respect of hiring out rooms, sports halls and any sporting facilities e.g. pitches, astroturf, etc. have different vat treatments.

Hire of a basic room with tables/chairs is exempt from VAT. However, hire of a room with extra facilities e.g. ICT equipment, musical instruments, etc. is classed as hire of a facility and is vatiable.

Hire of sporting facilities, including pitches, is also normally standard rated as is hire of a school hall if you are supplying other things alongside the hall e.g. sporting equipment, stage lighting, etc. Charges for camping are also vatiable. You have relevant lines on your e-returns for all these purposes. Camping income can be allocated to the Hire of Facilities line.

If you are charging another Powys School for anything please note there is no vat involved and you do not need to raise an invoice as these transactions can be journalled between school cost centres. Please speak to your School Finance Officer regarding this.

### **Parental Income including School Trips income:**

Where possible and appropriate, expenditure and income should go through School Budget in order to achieve best value via vat recovery on expenditure. There is no vat recovery on items purchased via School Fund.

#### **Trips:**

Trip monies can be processed through School Budget as long as the trip is related to the provision of education i.e. the trip is for an educational purpose. The expenditure and income for any trip that does not meet this criteria should be processed via School Fund.

Admission fees to many places are vatiable (if the supplier is vat registered) hence you can reclaim this vat as long as you have a vat invoice/receipt and payment is made via School Budget. VAT receipts/invoices should always be made available if requested so please ask for one.

As schools go cashless and are increasingly using school budget to account for school trips, the following rules need to be applied:

- If the trip can be classed as part of the pupils' education you can treat the income as outside the scope of vat (vat code 03) and recover any vat charged on the costs of the trip.
- If the trip cannot be considered as part of the pupils' education e.g. pantomime, theme parks AND the pupils are paying no more than the cost of the trip (the school is not making a profit), you can treat this income as outside the scope of vat (vat code 03). However, you cannot recover any of the vat on the costs of the trip so any relevant invoices must also be treated as outside scope (vat code 03).
- If the trip cannot be considered as part of the pupils' education but the pupils are paying more than the actual cost of the trip (the school is making a profit), you can recover the vat on the costs of the trip BUT the cost to pupils must also include vat (vat code 01).

As the cashless system does not calculate vat for us, can you please use your school fund bank account on the cashless system for collecting money for non-educational trips and only use the Council's corporate bank account for educational trips (bearing in mind the guidance above).

Please note there are different rules if you are running a trip via a Tour Operator as they come under a different vat scheme and cannot always supply proper vat invoices so you may not be able to recover any vat charged – please speak to Treasury Management if you have any queries regarding this.

### **School uniform:**

If you wish to collect school uniform income via the cashless system please note that, due to vat issues, you will need to do this via your School Fund bank account.

Annex D:

Voluntary Aided Schools & VAT on Capital Works/Purchases

Governing bodies of maintained/aided schools are classed as separate legal entities and are not Section 33 bodies for VAT purposes as local authorities are.

HMRC previously allowed local authorities contributing funding to a governing body to help meet the cost of its responsibilities, to recover the VAT on such costs.

HMRC reviewed this policy and, in late 2009, issued a briefing to say that VAT could no longer be recovered by local authorities in these circumstances.

However, it does continue to be applicable for local authorities to recover VAT on expenditure at a maintained/aided school for which they are statutorily responsible as long as:-

**the authority, rather than the governing body, procures a supply of works and pays for that supply from its own corporate funds and not from the delegated budget.**

Capital expenditure for which the governing body of a maintained/aided school is responsible is defined as:-

- the existing buildings (internal and external)

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- those buildings previously known as “excepted” (kitchens, dining areas, medical/dental rooms, swimming pools, caretakers’ dwelling houses)
- perimeter walls and fences even if around the playing fields
- playgrounds
- furniture, fixtures and fittings – including ICT infrastructure and equipment
- other capital items e.g. capital work to boilers or other services.

The expenditure has a de minimus of £10,000 i.e. any expenditure below this amount can be processed as normal through school budget. Please note that the de minimus of £10,000 cannot be avoided by e.g. buying or paying for equipment or work in small lots over a short period of time so that each invoice is sub £10,000.