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## **APPENDICES AND SPECIFIC GUIDANCE NOTES**

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In addition to the main section of this manual, a number of appendices are attached which amplify specific issues. Also, in the future, additional guidance notes may be required to assist schools.

### **Appendices**

Appendix A:	<a href="#"><u>Segregation of Duties</u></a>
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### **Guidance Notes (see notes following appendices)**

[Operating the VAT Reclaim Procedure](#)

Please use the link above to access the VAT Electronic Guidance Notes

1. **REGULATION AND CONTROL**

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1.1 **General**

1. These Regulations shall be complied with by the governing bodies of all schools operating under schemes of local management.
2. Both regulations, which are mandatory to comply with the law, and advice on good practice, which has been adopted by the Council, and is recommended to governing bodies, are included.
3. Cabinet means the Cabinet or any replacement committee or sub committee of Wiltshire County Council, which is the Local Authority (LA).
4. No exceptions to these Regulations or amendments or exceptions to the supplies procedure may be authorised except by the Cabinet.
5. These Regulations are issued to provide detailed guidance as provided by paragraphs 2.1.1 of the Scheme for Funding Schools.
6. The proper conduct of affairs requires that each party is clear about the nature and extent of the rights, duties and responsibilities placed on them. This is particularly important given the large amounts of public money delegated to the control of school governing bodies.

The following paragraphs describe the division of responsibilities between the County Council (as LA) and the school.

1.2 **Responsibilities of the Chief Finance Officer**

1. Under Section 151 of the Local Government Act 1972 the County Council has appointed the Chief Finance Officer as the officer with responsibility for the proper administration of the County Council's financial affairs.
2. In order that he/she may fulfil these statutory obligations:
  - 2.1 The Chief Finance Officer will issue such accounting and financial system instructions as he/she considers necessary.
  - 2.2 No financial procedure or system shall be varied without his prior agreement. It is expected schools will deploy financial system software to support their accounting and financial management responsibilities. It is further anticipated that schools will continue to use the currently installed software – in the majority of cases this is the SIMS financial system.

If any school wishes to replace their current financial system software, the Chief Finance Officer (or any officer delegated by him) must give prior approval. This is to ensure that the software is capable of meeting accounting and reporting standards appropriate to schools, the LA and external agencies.

Further guidance on this is given in Appendix P

- 2.3 The Chief Finance Officer shall be ultimately responsible for the production and distribution of financial management information to the Council, committees, sub committees, panels, working parties and other similar bodies of the Council and therefore will have the ultimate right to specify the accounting and reporting standards to be followed by all parts of the Council, including all maintained schools.
- 2.4 The Chief Finance Officer (or any officer delegated by him/her) shall have the right of access to the financial records and other relevant documentation held by any part of the Council, including all maintained schools.
- 3. Where provided in this manual, the Chief Finance Officer will deal reasonably and promptly with any requests by schools for specific permissions or authorities.

### 1.3 Responsibilities of Schools

- 1. The responsibility for proper administration of the school's financial affairs rests with the governing body.
- 2. Each governing body is responsible specifically for:
  - 2.1 The observance of these Regulations within their establishment and for the compliance of their staff with accounting and financial system instructions issued under paragraph 1.2.2.1 of these Regulations;
  - 2.2 the accountability of staff, and for the security of all other resources and assets in their establishment, in accordance with procedures agreed with the Chief Finance Officer;
  - 2.3 monitoring and controlling the present and projected financial performance of their establishment.
- 3. Governing bodies must consider delegating the exercise of their responsibilities under these Regulations to a **Responsible Officer** – typically the headteacher (or 'School Manager' where so designated) – or to share this delegation between such a Responsible Officer and a finance sub committee of governors, subject to the following:
  - 3.1 governing bodies must consider the extent to which their powers are to be so delegated;
  - 3.2 the decision (and any subsequent variation) is recorded in the minutes of the governing body;
  - 3.3 a written Scheme of Delegation is provided to the Responsible Officer. This scheme must be updated to reflect any subsequent variations resolved by the governing body.

This scheme has the status of 'relevant financial documentation' as referred to under paragraph 1.2.2.4 of these Regulations.

- 3.4 governing bodies cannot delegate away the requirement to consider on a regular basis reports describing the financial performance of their establishment.
- 3.5 In this manual, where the statement of a responsibility is preceded by the words “the school” or “the headteacher”, then this is a responsibility which can be delegated by the governing body. If however a statement of responsibility is preceded by the words “the governing body” then this is a responsibility which cannot be delegated – typically these relate to receiving and considering reports on various subjects.
- 3.6 The Responsible Officer must at least once in every financial year report to the governing body on the exercise of the responsibilities delegated to him/her by the governing body. This report should be explicitly included in the minutes of the governing body.
- 3.7 Where a governing body wishes to appoint a person other than the headteacher as the Responsible Officer, then specific written permission must be obtained from the Chief Finance Officer.
4. Where required, the school will provide such information – statistical, financial or otherwise – to the LA as it reasonably requires to fulfil its functions under the Scheme for Funding Schools.

Such information will be provided in the form, format and timetable that the LA requires.

Should such information not be forthcoming, the LA will not accept responsibility for any consequences.

5. The school is required to establish a **Register of Business Interests**.

The Register must list, for every member of the governing body and the headteacher, any business interests that they or any member of their immediate family have. The governing body and school staff have a responsibility to avoid any conflict between their business and personal interests and affairs and interests of the school. A Register of Business Interests must be maintained for every member of the governing body, the headteacher and any member of staff involved with the procurement and strategic/financial management procedures of the school.

The Register must include all business interests such as directorships, shareholdings and other appointments of influence within a business or other organisation, which may have dealings with the school. The disclosures should also include business interests of relatives and other individuals who may exert influence. The school should ensure the Register is up to date and complete, includes all governors and relevant staff and in this regard nil returns are also required. All entries should be signed and dated by the individuals.

The Register must be reviewed frequently – at least annually. The minutes of the governing body must officially note that a review of the Register has taken place.

The members of the governing body and the headteacher have the duty to notify any changes to the information held on the Register.

The Register must be made available for inspection by governors, staff and parents. For administrative convenience the school may define any reasonable means for governors, staff or parents to exercise their right to inspect the Register. The Chief Finance Officer may rule definitively on the reasonableness of any particular arrangement set up by a school.

#### 1.4 Responsibilities of the LA

1. The LA will supply schools with all information – statistical, financial or otherwise – held at LA level which is reasonably required for schools to efficiently plan their financial affairs.
2. The LA will publish the financial statements in respect of delegated and centrally-retained expenditure on the Schools Budget covering:
  - i Annual Budget Estimates
  - ii Outturn Expenditure

in accordance with the statutory requirements and timetable.

These statements will be available to every maintained school and to the public at the Council's offices and on the Council's website.

3. The LA will publish a Statement of the Wiltshire Schools Funding Formula – refer to Section 2.7 and Appendix H of this manual.

The LA will consult Schools Forum before any changes and these will be reflected in the annual budget statement which is required to be published under regulations in force at that time.

#### 1.5 This Manual

1. This manual remains the intellectual property of the Chief Finance Officer. No part of this manual or its contents may be used for other purposes without his/her express permission.
2. This manual is provided for the use of schools and LA staff who have dealings with schools.

One copy is provided free of charge to each school, appropriate LA staff and headteacher associations.

3. Recipients of this manual may make copies for use within their establishment only. Further copies may be obtained from the Chief Finance Officer or from the Department for Children & Education free of charge.
4. In the event of any dispute regarding the contents of the manual, the version held by:

**Wiltshire Schools Finance  
Manual September 2008**

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The Manager, Accounting & Budget Support Team  
Resources, Improvement & Young People Branch  
Department for Children & Education  
County Hall, Trowbridge

will be deemed to be the definitive version.

5. This manual is intended to be a living document and will change over time to reflect current situations.

The Chief Finance Officer welcomes any positive contribution to the contents of this manual and any input to its development. Any such comments should, in the first instance, be addressed to either:

- The Manager, Accounting & Budget Support Team
- or
- The School Finance & Funding Manager  
(both Department for Children & Education)
- or
- the Chief Accountant, Resources Department

6. Any updates to the manual will be sent (one copy) to the headteacher of all maintained schools, the managers of appropriate LA teams and the chair of finance sub committees of headteacher associations. They are then responsible for ensuring that any other copies held in their establishment are appropriately updated.

The LA will not accept any responsibility for any occurrence resulting from the failure of any recipient to update any extant copies of this manual held within their establishments, or for any failure to take note of the contents of any amendments.

2. **FINANCIAL MANAGEMENT**

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2.1 **Capital Expenditure**

- 1, This section refers to expenditure on the following items which are normally included in the capital programme:
  - i acquisition of land and buildings;
  - ii construction works, including alterations or additions to the building fabric;
  - iii purchases of plant, equipment, furniture and vehicles;
  - iv professional fees in connection with any of these items.
  
2. The general responsibility for capital expenditure is not delegated. Expenditure by the LA on capital is specifically excluded from the Schools Budget quantum by regulations issued under Section 46 of the School Standards & Framework Act 1998. However, schools will receive devolved Formula Capital Standards Funds and these may be spent for purposes prescribed by DCSF and communicated to schools annually.
  
3. Under paragraph 2.14 of the Scheme for Funding Schools, schools are specifically permitted to apply funds from their accumulated delegated revenue funds to undertake capital projects.
  
4. Before committing capital funds, schools should consult the LA's School Managed Project Guidance, submit an application for approval if necessary and reassure themselves that they will comply with statutory requirements and LA guidance. Capital funds must be spent on high priority Asset Management Plan priorities.
  
5. Where the premises of the school are owned by the LA, the consent of the LA to the proposed works must be sought through the notification process outlined in paragraph 2.1.4 above.
  
6. The capital ***de minimis value*** is the level above which spending from the revenue budget is classified as capital. This value is currently set at **£2,000**.

2.2 **Revenue Expenditure**

1. Funds are available to support expenditure by schools under two main categories – delegated funds and earmarked devolved funds.
  
2. Schools may spend delegated funds only for the purposes of the school. This is broadly defined in S.46 of the School Standards & Framework Act 1998 as the activities under the Individual Schools Budget, not counting those activities performed by the LA on behalf of all schools or individual pupils. The Chief Finance Officer has the right to decide whether any particular expenditure is properly definable as “for the purposes of the school”.
  
3. Delegated funds are also known as the School's Budget Share. This is determined by the application of the LA's Funding Formula to the Individual Schools Budget quantum as defined by S.46 of the Schools Standards & Framework Act 1998.

4. Schools may spend Earmarked Devolved Funds only for the purpose(s) for which they are allocated, within the time period for which they are allocated. Actual expenditure by a school which is in excess of the funds allocated must be found from delegated funds, while any surplus of allocated funds over actual expenditure must be returned to the LA.
  
5. Schools have the freedom to use delegated monies to purchase support services to assist in the management of the school. Funds were delegated from 1 April 1999 for the following financial support services (which are available, on a trading basis, from the LA):
  - Budgeting and Accounting
  - Financial Advice
  - Financial Training

Certain other financial support activities will also be available to schools at no charge, being funded from centrally retained monies:

  - Internal Audit
  - VAT Advice
  - Financial Results Consolidation and Corporate Reporting
  
6. If any advice given by a source external to the County Council conflicts with any past, present or future recommendation/opinion or decision given by the County Council, then the school must accept/adopt the latter as being correct and definitive.

### 2.3 **Accounting Standards**

1. Schools will maintain adequate records which will support all financial transactions related to Delegated, Earmarked Devolved and Private Funds.
  
2. Where accounting records are maintained in electronic form:
  - i then the software used must be approved by the Chief Finance Officer (refer to Section 1.2 paragraph 2.2 above);
  
  - ii schools must have due regard for the requirements of the ICT security guidance set out in Appendix J;
  
  - iii Charts of Accounts must identify separately income and expenditure relating to Delegated, some Earmarked Devolved\*, extended schools and Private Funds.

\* *There is no longer a general requirement to identify all Standards Funds separately, although schools may keep separate records if they so wish for internal purposes. However, schools are required to identify some devolved Standards Funds separately, e.g., Formula Capital Funding & Expenditure which has to be recorded separately to meet external reporting requirements. Other funds which must be identified separately in schools' accounts will be advised as and when necessary.*

- iv Charts of Accounts must also be capable of supporting the reporting requirement contained in these Regulations (cf Section 2.5 below).

The minimum subjective analysis to be used is shown in Appendix G, along with other Charts of Accounts issues.

- v Each record in the electronic accounting system will be supported by appropriate manual source documents.

- vi The software used must support statutory VAT accounting requirements.

- 3. Schools will account to the LA for income and expenditure on an accruals basis. The technical definition of this is contained in Appendix E, along with sample transaction formats.

Accounts prepared under this paragraph will form the definitive statement of the school's financial position at any point in time.

- 4. Any queries related to Charts of Accounts, standard book-keeping entries or accounting standards should be addressed to:

The Manager, Accounting & Budget Support Team,  
Department for Children & Education

## 2.4 **Budgeting**

### 2.4.1 Normal Procedures

- 1. As a minimum requirement, each school shall produce a budget for each financial year, within the limit of Delegated and Earmarked Devolved Funds.

- 2. The format of the budget will be as laid out in Appendix D, and will require the separate identification of net spending against:

- i Delegated Budget Share for the financial year
- ii Earmarked Devolved Funds for the financial year (where required)
- iii Accumulated reserves brought forward from previous years.

- 3. Schools will submit their budget templates, approved by the governing body or committee with delegated authority, in the required format by the end of June each year, relating to the financial year starting the preceding April.

- 4. Notwithstanding the detail contained in submitted budget templates, schools are free to restate their plans at any time by moving between budget heads. This is the general power of **Virement**.

In their Scheme of Delegation (refer to Section 1.3.3. above), governing bodies must specify the value of virements above which their express authorisation is required.

Such authorisation must be recorded in the minutes of the governing body. The school will ensure that all approved virements are recorded in their accounting system so that routine financial monitoring statements always show correct variances.

The general power of virement is applicable to Delegated Funds, the School Development Grant and the School Standards Grant. Schools may not vire Formula Capital or any other standards funds other than the School Development Standards Fund Grant.

5. It is good practice to incorporate the costs of school improvement priorities in the school budget plan, and to review progress towards delivering those priorities regularly.

#### 2.4.2 Deficit Budgets

1. Schools are required to set a net expenditure budget within the total funding available which is made up as follows:
  - i Delegated Budget Share for the financial year
  - ii Earmarked Devolved Funds for the financial year
  - iii Accumulated Reserves brought forward from previous years
2. Therefore in the normal course of events, spending above allocated funding (also known as a deficit budget) is not allowed.
3. However, if a school faces an unavoidable circumstance or set of circumstances, which makes it impossible to formulate a net expenditure budget within available funding, then the school may apply to the LA for permission to set a deficit budget.

Such an application must be accompanied by a comprehensive Recovery Plan detailing how the school intends to reduce net expenditure to the level consistent with aggregate funding. This must be accompanied by budgets, covered by the Recovery plan, until such time as the forecast accumulated reserves of the school returns to at least zero. The maximum deficit period is five years.

4. Should the LA approve the setting of a deficit budget, it may set special conditions on the school which will depend on the individual circumstances, and may include, but not be restricted to, the following:
  - that School Standards Grant must be used to offset the deficit
  - increasing the frequency of routine financial reporting by the school to the LA
  - requiring more detailed and/or more extensive forecasting of annual net expenditure (this will be limited to the time span of the approved Recovery Plan)
  - charging of interest on any additional cash supplied by the LA to support any approved deficit budget

- a representative of the Chief Finance Officer attending governing body meetings.
5. Deficit Budget Recovery Plans should be formally reviewed during the lifetime of the plan. These reviews should take place at least annually – if for no other reason than to restate the plan into the new year price base.

It is also recommended that plans should be reviewed immediately if any change is detected in any factor which is material to the fulfilment of the Recovery Plan and the Manager, Accounting & Budget Support informed immediately.

## 2.5 Financial Reporting

1. Generally schools will report to the LA on their financial performance on a quarterly basis according to the following timetable, and using the formats shown in Appendix D:

Figures as at:

end September	end October
end December	end January
end March	end April

(in CFR Format)

2. The quarterly School Financial Return pack will contain the following element:

Income & Expenditure Account showing actual results and forecast for the full year

3. Also, a statement detailing the intended use of accumulated reserves, if these reserves exceed the thresholds set out in the Controls on Surplus Balances Scheme, will be required once final outturn figures for the preceding financial year have been confirmed. Schools with reserves lower than the stated thresholds may voluntarily complete this statement. This statement should be submitted with the annual budget template no later than 30 June.
4. In addition, schools will also submit, at the end of each quarter along with the paper reports mentioned in paragraph 2 above, a 'Trial Balance' extracted from the local ledger software.

This 'Trial Balance' will consist of the current balance held against all accounts (Balance Sheet and Income & Expenditure) in the school's ledger. These balances must be the same as are reported in the "Actual Year-to-Date" portion of the paper reports.

This data will be loaded into the corporate accounting system to allow for consolidation of school accounts.

5. LA Reporting Packs must be countersigned by the Responsible Officer (normally the headteacher) and the chair of governors (or the chair of finance sub committee if this is included in the school's Scheme of Delegation).

## 2.6 Financing of School Expenditure

1. Schools can opt for a system of financing expenditure from the following list:
  - 1.1 The options are:
    - i Corporate Integration  
  
This option is not yet available.
    - ii Full Cash  
  
Under this option, the total funding available to the school from Delegated Funding (ie, budget share) is advanced in cash to the school's account with an approved bank or building society. The school will then be responsible for raising payments for all expenditure – including payroll.
  - 1.2 Where a school has delegated responsibility for payroll management and opts for a provider of this service other than the LA, then it must choose the Full Cash option.
  - 1.3 The financing option chosen must run for a complete financial year; therefore it is not possible to change financing options mid-way through a financial year.
2. Where a school chooses the cash option (ii per paragraph 1.1 above) the cash will be advanced monthly.  
  
The phasing and timing of these cash advances will be determined in accordance with the considerations in Appendix C of this manual.
3. Financing of Earmarked Devolved Funding will in general follow the pattern of financing established in paragraph 1 above.

Earmarked Devolved Funding which is distributed by means of a formula applying to all schools of any class of schools will be financed in accordance with the choice each school has made in relation to Delegated Funding under paragraph 1 above. Payments will in general be consolidated with those covering delegated funds.

All other Earmarked Devolved Funds will be financed by reference to the nature of the funds and the school's preferred financing option. In general payments are made separately from the normal financing stream but work is currently underway to unify various funds into one payment.

## 2.7 Funding of School Expenditure

1. Wiltshire schools will receive funding for the expenditure required to fulfil their delegated responsibilities by the operation of a Formula.
2. The basic shape of this Formula is to apply a Cost Rate to a Factor Driver to derive a Formula Funded Value.

Factor Drivers and Cost Rates are differentiated to reflect the different phases, characters or levels of delegated responsibilities.

3. The overall formula identifies a number of Factor Drivers which attract funding. The details of the Factor Drivers are published annually and distributed to schools.
4. Funding for Delegated Responsibilities can only be made by operation of the Formula – no “special cases” can be allowed.
5. Over time the shape of the Formula can be changed by:
  - i adding or removing Factors
  - ii adding or removing phase or character differentiation

Any such change will be the subject of open consultation with Schools Forum prior to implementation.

## 2.8 Best Value

1. Schools are required to include, when submitting their annual budget template, a statement setting out the steps they will be taking to ensure that expenditure, particularly, but not restricted to, large service contracts, will reflect the principles of the “Best Value” regime.
2. The current formulation of Best Value principles is summarised in Appendix K.

## 2.9 Charging of Schools’ Budget Shares

### 2.9.1 *General Provisions*

1. In the normal course of operations, schools may purchase goods and/or services from the LA. In all such cases, trading will be carried out on an ‘arms length’ basis. Thus all the normal purchasing procedures outlined elsewhere in this manual will apply. Normal County Council procedures for the management of trade debtors will also apply.
2. There are a number of special circumstances where the LA may also charge schools’ budget shares. These are discussed further in paragraph 2.9.2 below.
3. Because of the legal relationship between the LA and maintained schools, any “trading” dispute is not open to legal resolution. Therefore a Disputes Procedure is defined to deal with any such situation. This is outlined in paragraph 2.9.3 below.
4. The preferred administrative method of dealing with payments by schools to the LA is by direct debit on the school’s bank account.

2.9.2 *Special Circumstances*

1. The LA may charge a school's budget share in a prescribed list of circumstances. This power is granted by Section 6 of the LA's Scheme for Funding Schools.
2. The LA will consult the school on its intention to make such a charge under this provision – and will formally notify the school when such a charge is made.
3. The LA cannot act unreasonably in the exercise of the power granted by Section 6 of the Scheme for Funding Schools. A charge can only arise where the LA has a statutory responsibility and has incurred a liability.

2.9.3 *Disputes Procedure*

1. The steps in the disputes procedure are outlined in Appendix L attached.
2. The main characteristics of the procedure are:
  - i it is based on facts;
  - ii it involves assessment of the facts by non-active parties;
  - iii conclusions are binding on both parties.

2.10 Interest on School Balances

1. The issue of paying/charging interest on school balances with the LA is intimately correlated with the financing option chosen. For consideration of this refer to paragraph 2.6 of this manual.
2. Corporate Integration Option

This option is not currently available to schools. Consideration of the interest position will be included in any future consultation on this option.
3. Full Cash Option

In this option all cash relating to school activities is held in its own bank or building society account. Interest on these balances will be payable by the bank or building society under its current terms and conditions. Further consideration is outside the scope of this manual.

2.11 Cash flow management

1. Cash flow is the movement of money in and out of the school bank account during the year
2. Cash flow forecasting is a financial tool used to chart the expected flow of income and expenditure through the school bank account

3. The construction of cash flow forecasts *is not* a requirement under these Financial Regulations; however it is **recommended good practice** and is an element of the Financial Management Standard in Schools:
  - 3.1 To ensure you have sufficient funds to pay for your operations;
  - 3.2 To identify any significant cash balances;
  - 3.3 To foresee cash flow difficulties so that appropriate corrective action can be taken;
  - 3.4 To avoid an overdrawn school bank account; which is in contravention of Financial Regulations;
  - 3.5 To produce an initial cash flow forecast alongside the annual budget plan, and thereafter undertake periodic reviews.

**3. PURCHASING, TENDERING AND CONTRACTING REQUIREMENTS**

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**3.1 Purchasing**

**1. Introduction**

1. This section provides basic guidance to schools on the procurement of goods and services. Although the text is divided up into specific procurement processes, e.g., tendering and contracting, many of the points are applicable to other procurement processes.
2. The governing body must have regard to value for money considerations, that is, of quality or fitness for purpose and delivery against price, in all purchases of works, equipment, goods and services. Except where there are good reasons to the contrary, contracts must be placed on a competitive basis, the lowest tender or price to be accepted; where a different decision is taken the reasons for it must be documented.

Contracts should also be reviewed and renegotiated at regular intervals where appropriate.

**2. General Principles**

- 1, Schools will award orders for the purchase of goods and services which will be paid for with public funds. Therefore schools not only need to maintain the integrity of public funds, they must also be seen to do so. This entails three distinct aspects:
  - i Probity – demonstrate that all parties are dealt with on a fair and equitable basis and that there is no private gain, favouritism or corruption involved in the contractual relationships of the school.
  - ii Accountability – the school is publicly accountable for its expenditure and the conduct of its affairs.
  - iii Value for money – to demonstrate economy, efficiency and effectiveness in the use of public funds.

**3. Value for Money**

1. There are three main elements to value for money (VFM) – economy, efficiency and effectiveness – although the boundaries are often not clear cut.
  - i Economy is minimising the costs of resources used within schools, having regard to the appropriate quality.
  - ii Efficiency is the relationship between output, in terms of goods, services or other results, and the resources used to produce them.

- iii Effectiveness in the extent to which objectives have been achieved and the relationship between the intended results and actual results of an activity.
  
  - 2. The school must always have regard to value for money considerations. This may not always result in purchase of the cheapest goods or service. Consideration must be given to other factors such as quality, suitability, delivery date, credit terms, reliability of a supplier and the financial position of a supplier.
  
  - 3. The school may wish to maintain a list of approved major and regular suppliers which should be reviewed at least annually. This should ensure that orders are only placed with suppliers who have a proven capacity to provide quality, quantity and timely delivery at a competitive price and also complies with the governors' responsibilities in this regard. Volume discounts and credit terms should be taken into account both when placing orders and when making payment.
  
  - 4. Payments shall normally be made against original invoices, not photocopies, delivery notes, statements, faxes or reminders provided by suppliers. In the event of the original being lost, a copy must be obtained from the supplier, and must be clearly marked as such. There may be instances where payments have to be made without an invoice having been received, e.g., some payments must accompany an order. In such cases, all documents should be attached to the copy order form as supporting information.
  
  - 5. There may be benefits from building relationships with suppliers. This can manifest itself in hidden advantages such as soft service, for example, advice and after sales service beyond the normal contractual relationship. There are strong incentives for suppliers to look after customers and schools should bear this in mind.
4. Identification of Potential Suppliers
- 1. The following sources may be useful:
    - i business directories (e.g., Yellow Pages)
    - ii trade journals
    - iii visits from sales reps/mail shots
    - iv suppliers' catalogues
    - v information from other schools
    - vi information from the LA
    - vii other procurement media such as Schoolquote or OPEN

5. Orders and Quotations

1. Orders should be made in writing and placed at the time and on the basis agreed with the supplier. It should be exceptional for orders to be made verbally and these must be subsequently confirmed in writing. There may be occasions when standing orders are placed and goods and services are drawn against the original order. In these circumstances the items drawn must be recorded against the original order and records maintained to monitor when that order is completed.
2. Order forms should be pre-numbered. If manual order forms are used, they should be pre-numbered. (If the computerised accounting package used by the school automatically prints numbers on the order forms when issued, order forms cannot be pre-numbered.)

Access to order forms should be controlled to ensure that blank forms are restricted to authorised staff only. Orders must be signed by the person requesting the order and then approved by signature by an authorised person within the limits of their authority and their budget. Where value and/or delivery dates are critical these should be stated on the order. All copies of spoiled orders should be marked as such and retained for completeness.

3. Orders and requests for quotations should be clear and as specific as possible to avoid any misunderstanding. The following are relevant considerations:
  - i detailed specification of requirements;
  - ii quantity;
  - iii delivery date and address – the address should always be the school's address except in exceptional circumstances where specific authorisation is given by the headteacher;
  - iv terms and conditions – it is good practice to have these pre-printed onto orders as acceptance of the order by the supplier can imply acceptance of the purchasing organisation's terms and conditions;
  - v quotation reference, authorisation and date (if an order);
  - vi method to transmit quotations, e.g., telephone or letter (if a quotation).
4. For larger purchases a formal tendering procedure should be followed. Advice on tendering is given in Section 3.2 below.

5.1 Use of Payment Cards

The governing body or delegated committee is responsible for ensuring that there are adequate controls in place over the use of the school payment cards. These should be reviewed regularly. The governors must adhere to the following financial procedural rules:

- i Cards must only be issued in the name of the school. The governing body must nominate a responsible member of staff to have control over the care and PIN.
- ii The card must be kept in a secure place, eg, school safe, at all times and should not be taken home at any time (it is good practice to keep the card in an envelope, which is signed and sealed after each use).
- iii The card should only be used by nominated officers and must not be given out to members of staff for their own use.
- iv Purchases made using the card must relate to official funds for school activities only and all goods and services must be supplied to the school. The delivery address should always be the school and not home addresses, etc. Personal items must NOT be purchased using the card.
- v The card should only be used for low value purchases and the governing body should agree on a maximum limit for single transactions, daily and total monthly spend.
- vi There must be a prudent limit set on the card (this could be linked to the school scheme of delegation) based on projected supplier spend, and agreed by the governing body. This limit must not be increased or exceeded without proper authorisation from the governing body.
- vii To restrict improper use of the card, merchant/retailer types could be restricted by the card issuer to prevent expenditure on non approved items. Schools should discuss their requirements with the card provider.
- viii Cards must only be used after the correct authorisation to purchase has been obtained.
- ix Cash must NOT be withdrawn using the card.
- x Receipts must be attached to the statements to show a clear audit trail.
- xi VAT rules still apply to purchases made using the card; therefore VAT receipts must be requested.
- xii There should be a clear segregation of duties between the requisitioning/ordering and card purchasing processes and the reconciliation of the monthly statement and settlement payments made to the card issuer.
- xiii Statements must be addressed and sent to the headteacher at the school and not to named individuals.

- xiv The FULL balance must be paid off by the due date after all payment transactions listed have been checked (by a person other than the nominated card holder) and the statement has been reconciled. A spreadsheet or transaction log can be maintained to aid reconciliation and ensure that credit limits are not exceeded. Failure to settle the full balance by the due date will be construed as borrowing, which is not permitted.
- xv Payments to the card issuing company must be made via cheque or, preferably, direct debit and not using petty cash. Payments made by direct debit should be processed in SIMS FMS as a cash book journal: VAT can be reclaimed provided that a valid VAT receipt is obtained.
- xvi Schools need to ensure that any supplier refunds are re-credited to the card account correctly.
- xvii In the event of the card being lost, stolen or compromised the card issuer must be contacted immediately.

## 5.2 Internet Purchases

- i Purchases over the internet should only be used where the goods or services cannot be effectively or economically obtained via traditional methods and the school considers that best value is being achieved. The cost of P&P and any returns needs to be taken into account.
- ii If purchasing goods or services using the internet, the school should only purchase from secure sites (those displaying “https” at the start and displaying a padlock symbol).
- iii Individuals ordering goods and services should make it clear that these are being ordered on behalf of the school.
- iv When orders are placed with the supplier an order confirmation will usually be displayed or an email received together with the method of payment. This must be printed off and kept with the authorisation to purchase (along with all transaction documentation and associated emails).
- v The school should use the same procedures on receipt and payment of goods and services from the internet as per traditional methods, e.g., authorisation from budget holders.
- vi The school should also consider the risks when using the internet, to look at their card balances, etc, and ensure that the account is password protected and that only a limited number of personnel know the password.
- vii Some smaller traders may use third party payment agents (e.g., PayPal) who are unable to issue VAT receipts or invoices. Schools

must ensure that they obtain a valid invoice/receipt from the supplier direct.

- viii Schools may wish to purchase and download software. Payments could be required in foreign currencies (\$ and € - dollars and euros). Licence keys will need to be kept safe. There is a risk of viruses as well as conflicts with Windows or other applications.
- ix Schools should not click on links to on-line shops in emails, as they may link to fraudulent sites, and addresses should be typed manually.

6. Receipt of Goods or Services

1. All goods and services should be checked on receipt against the copy order for quality and quantity. This check should be recorded (signed for) on the copy order. The carrier/shipper should be notified promptly of any shortages or rejected items. For contracts and capital projects this may involve recording the receipt of goods or services over a long period of time against one order. In these circumstances separate systems should be initiated to ensure that the receipt of all goods and services is recorded and that the documentation is stored in an appropriate format.
2. The school should maintain clear policies on returned goods. A goods returned book should be maintained in order to document the return to the supplier. This will include a description of the goods and reason for the return. A procedure will be required to ensure that replacements or credits are received for all returns.

7. Processing Purchase Invoices

1. Invoices for payment should be matched with a note of the receipt of goods or work carried out. The invoice should be checked and marked off for accuracy of quantity, price and calculation against the original order. All these checks should be recorded on the invoice – a rubber stamp grid is ideal. Payment should only be made in respect of items which are properly due and invoiced. The checking and approval of invoices should be carried out only by authorised members of the school staff.
2. Supplier statements should be reconciled regularly to the outstanding invoices. Where a detailed creditors' ledger is maintained, the supplier statements should be reconciled with each individual supplier account.
3. Segregation of duties should be adequately maintained with reference to staff available. Segregation between incurring expenditure and authorising payments is essential. The segregation of duties relating to the ordering and receipt of goods and between the receipt of goods and the authorisation of payments is highly desirable. In schools where staff numbers are limited, compensating controls can be introduced to supplement the segregation of duties. Further guidance on segregation of duties is given in Appendix A attached to this manual.

4. An essential part of any purchasing system is a facility which enables commitments and creditors to be identified. Commitments are where orders have been placed for which goods or services have not been received. Creditors are where goods and services have been received but payment has not been made. This facility need not be especially sophisticated (it need not, for example, involve the school acquiring an additional commitment accounting computer module) but it is necessary to aid budgetary control.
5. Policies and procedures for making partial payments, taking of cash discounts and the settlement of disputed items should be established to ensure the school obtains all savings due and all outstanding items are resolved in a appropriate manner.
8. Issues for Negotiation
  1. Further savings may be achieved by examination of the following areas:
    - i A breakdown of the composition of the price: there may be items in a contract or agreement that are not essential for the school's needs and could be excluded.
    - ii Quantity discounts: schools should enquire as to the quantities necessary to obtain discounts and consider making a larger order and/or a call-off contract, particularly if the goods or service is used on an ongoing basis. A school should balance the potential benefits against the loss of potential interest earned on cash balances expended and the risks of holding stock, such as pilferage, obsolescence and damage.
    - iii Moving delivery dates to suit suppliers' production schedules and off peak periods: consideration should be given to the costs of holding stock as outlined above.
    - iv Variations in payment and credit terms: schools should, however, be conscious of the dangers of making payment in advance of receipt of all or part of the goods or service. First, if a firm were to go bankrupt the school would rank as an unsecured creditor, effectively the last in line to be paid. Secondly, if the goods or service are unsatisfactory, reclaiming payments may prove difficult and costly.
    - v Initially asking for less than the actual requirement as a negotiating tool with sales staff to obtain more favourable terms: this approach may be detrimental to a school attempting to build a relationship with a supplier resulting for example in the loss of soft service or preferential treatment.
9. Leasing and Rental of Equipment
  1. There are two kinds of leases, operating leases and finance leases. Finance leases are in substance borrowing and therefore schools are not empowered to enter into such leases without specific borrowing approval from the Secretary of State. Operating leases are in substance rental agreements and are

therefore an option available to schools. However, the rules that a LA must use to define leases changed from 1 April 2004 and are now subject to a stricter test. The definition of a finance lease is one that:

- transfers substantially all the risks and rewards of ownership of an asset to the lessee;
- the present value of the minimum lease payments amounts to substantially all (>90%) of the fair value of the asset;
- the present rate value should be calculated by using the interest rate implicit in the lease. (If this rate is not determinable it should be estimated by reference to the rate which a lessee would be expected to pay on a similar lease.)

If a lease meets any of these criteria it is a finance lease and the school must not enter this agreement. Leases not meeting any of these criteria can be considered operating leases.

These new rules will mainly impact on the leasing of IT equipment. As they depreciate quickly, leasing companies will not typically hold large residual values in them. Therefore, the minimum lease payments will usually amount to 90% or greater of its fair value even if the lease is as short as three years.

Where schools are intending to enter into any lease agreement appropriate advice should be sought from the Chief Finance Officer's Corporate Finance Section, unless use is made of bulk buying arrangements established by the Chief Finance Officer (eg, Investec scheme).

Schools should always read the terms and conditions of operating leases and rental agreements very carefully. Particular care should be taken over cancellation clauses which can be extremely onerous, e.g., some photocopier contracts.

2. The option of renting a piece of equipment can be a worthwhile consideration, particularly if the need is short term or the equipment may become obsolete quickly. Short term rental may cost a fraction of the purchase price. Other factors to consider are:
  - i the costs of repair and insurance are usually the responsibility of the hiring company; this, of course, should be checked and be specifically stated in the hire contract;
  - ii equipment that does not live up to expectation or is used less frequently than anticipated can be returned. Indeed, equipment can be rented to ascertain whether usage would make purchase or further rental cost effective;
  - iii contracts can be terminated in times of financial constraint as a cost saving measure;

- iv the full purchase price is not payable and instalments spread the cost thus improving cash flow;
- v rental can be the most cost effective way of procuring equipment that is used infrequently;
- vi long term rental may ultimately be more expensive than outright purchase.

10. EU Regulations

1. EU law requires that certain procedures must be followed up with regard to contracts awarded by public bodies that exceed certain thresholds. The values of these thresholds are detailed in Appendix B to this manual together with a brief summary of the requirements.
2. The basic principles are as follows:
  - i a ban on any discrimination of the grounds of nationality;
  - ii transparency of award procedures by the requirement to publish notice of the contract in the *Official Journal of the European Communities*;
  - iii indication of which type of tender procedure has been adopted: open, restricted or negotiated. The directives give specific guidance as to which may be adopted. A brief outline of these procedures is given in the section on tendering.
  - iv transparency of the criteria to be used to select contractors;
  - v compliance with technical standards. In this respect, European standards must take precedence over national standards;
  - vi certain obligations at the beginning of the budgetary year to give notice of works, supplies and services contracts above the stated thresholds that a body intends or hopes to award. This is not a call to tender but is an indicative notice to allow firms to be prepared if and when such a tender invitation is published.
3. Schools with a potential contract that may exceed the thresholds should refer to the relevant directives and statutory instruments. These are:
  - Council Directive 93/36/EC (The Public Supplies Directive)
  - Council Directive 93/37/EC (The Public Works Directive)
  - Council Directive 92/50/EC (The Public Services Directive)
  - Council Directive 89/655/EC (The Public Remedies Directive)
  - The Public Works Contracts Regulations 1991

(Statutory Instrument 1991 No 2680)

The Public Services Contracts Regulations 1993  
(Statutory Instrument 1993 No 3228)

The Public Supply Contracts Regulations 1995  
(Statutory Instrument 1995 No 201)

Copies of these directives are available in the European Commission publication *Public Procurement in Europe – The Directives* and together with the Statutory Instruments are available from The Stationery Office.

The interpretation of these detailed requirements is very complex and if appropriate schools are advised to seek expert advice.

11. Purchasing Controls

1. Governing bodies should set monetary limits clearly defining the level of expenditure staff can authorise without the approval of the governing body.
2. All paperwork and documentation should be retained for all quotation and tendering exercises. This should clearly show the basis upon which a purchasing decision has been made, especially if the chosen option is not the lowest initial cost.
3. Any member of the school staff must disclose to the governing body and the headteacher any interest that he or she may have, including that of relatives and friends, in any purchasing decision in which they may be involved. Staff who face such a conflict of interest should not participate in the decision with whom to place the contract. This will include the appointment of staff. The governing body must extend their register of business interests to include all staff involved in purchasing decisions.
4. Governing bodies must expressly prohibit divisible contracts. These arise where one contract which would exceed a particular level of authority is broken down into two or more smaller contracts. This is often done where staff have failed to take account of the longer timescales that may be involved or where the tender process will be invoked by the value of the proposed purchase. The need for forward planning is therefore stressed in the context of purchasing decisions. If the control procedure is avoided value for money may not be achieved and there is a loss of accountability and a fundamental contravention of the controls established by the governing body.
5. Purchasing and adherence to approved procedures should therefore be reviewed on a regular basis by someone independent of the purchasing process to ensure compliance.

12. Petty Cash

1. Petty cash is useful for making small purchases with a minimum of fuss. However, since cash is portable and desirable, it is important that proper

controls are in place to prevent its abuse or loss. The following contain petty cash controls covering authorisation, documentation and secure storage of cash.

2. The governing body should set out in writing an appropriate level for the amount of petty cash to be held. This amount should represent a balance between convenience and the risk of holding cash on the premises.
3. The headteacher should ensure that the petty cash fund is held securely and that only authorised staff have access to it.
4. Payments from the petty cash fund should be limited to minor items which have been approved in advance by an authorised member of staff.
5. All expenditure from the fund must be supported by receipts, identifying any VAT paid. It must be signed for by the recipient and countersigned by an authorised member of staff.
6. Proper records should be kept of amounts paid into and taken out of the fund.
7. The amount in the petty cash fund should periodically be checked against the accounting records and reviewed by an independent member of staff.
8. Personal cheques must not be encashed from the petty cash fund.
9. If the school has an imprest account, periodic checks should be carried out between the petty cash accounting records and the bank statements, and reviewed by an independent member of staff.

### 3.2 **Tendering**

#### 1. Introduction

1. Tendering is a formal procedure in which suppliers are invited to submit a sealed bid to a purchaser. Their bid is then evaluated together with other bids received against specified criteria. This process is undertaken by a team normally comprising the user, the purchaser and a technical expert if appropriate.
2. This section sets out what is generally regarded as good practice in tendering and should be considered subject to any requirements imposed by EU Regulations.

#### 2. School Policy

1. The governing body should establish a tendering policy. This entails determining:
  - i the threshold value of goods and services above which a tender must be used, and the minimum number of tenders required. (Financial

Regulations require that no fewer than three tenders should be obtained for any contract with a value over £50,000 in any one year, unless there are exceptional circumstances such as those outlined under Negotiated Tender below.)

- ii the levels of delegated authority in decision making;
  - iii when such authority and approval is necessary.
2. The threshold levels for the value of goods and services above which the tender process should be used will vary from school to school, subject to the minimum requirements at Section 3.2.2 paragraph 1 (i) above. The levels chosen can depend on a variety of factors such as the overall size of the school in financial terms or the nature of the purchase/supply. Different levels may, for instance, be appropriate for equipment or building work. It is not the role of the LA to prescribe threshold levels but to give guidance to the school. In this case, the school's financial advisers or auditors will generally be pleased to advise the governing body on a tendering policy, eg, the threshold value for tendering which provides a suitable degree of control without being administratively cumbersome.
3. A careful analysis and comparison of all possible options is essential to make sure value for money is obtained. The school must also retain all documentation supporting tender decisions, particularly where it is decided to accept other than the lowest tenders. It must ensure that no work commences until formal letters of approval are issued.

### 3. Types of Tenders

1. There are three basic types of tender:

**Open Tender:** this is where all potential suppliers are invited to tender. It is the preferred type as it is most conducive to competition and the propriety of public funds. The school must consider either how best to advertise for suppliers, e.g., general press, trade journals, or whether to identify all potential suppliers and contact directly if practical.

**Restricted Tender:** this is where certain suppliers are specifically invited to tender. Restricted tenders are appropriate where either:

- i a large number of suppliers would come forward;
- ii the nature of the goods are such that only specific suppliers can be expected to supply the school's requirements;
- iii the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering; or
- iv there is a need to maintain a balance between the contract value and administrative costs.

**Negotiated Tender:** the school may negotiate the terms of the contract with one or more suppliers of their choice. This is appropriate in specific circumstances where either:

- i open and restricted tendering has resulted in either no or unacceptable tenders;
- ii only one or very few suppliers are available and therefore direct negotiation will prove more effective with each supplier than attempting an open or even a restricted tender;
- iii extreme urgency exists; or
- iv additional deliveries by the existing supplier are justified.

Instances of negotiated tenders should be reported to the next meeting of the governing body where necessary, with the reasons for deciding to negotiate.

2. If using open or restricted tendering, the process will be facilitated if schools:

- i do not invite too few or too many first to tender;
- ii research the market thoroughly;
- iii do not issue unnecessarily bulky tender documents;
- iv allow suppliers enough time to prepare submissions;
- v have a systematic evaluation procedure;
- vi advise suppliers of selection and evaluation criteria;
- vii use post tender negotiation for clarification where appropriate (fine tuning);
- viii use adequately trained staff.

4. Preparation for Tender

1. Clarity is essential to avoid misunderstanding. Initial specifications need to be drawn up as precisely as possible and schools need to ensure that all suppliers' bids are based on exactly the same specifications as the original invitation to tender. Full consideration should therefore be given to:

- i budgeted funds available;
- ii objective of project;
- iii overall requirements;
- iv technical skills required;

- v after sales service requirements;
  - vi form of contract;
  - vii delivery dates/times.
2. Consideration should also be given to the shortlisting process (if necessary) and the format of presentations and/or interviews.
5. Invitation to Tender
- 1. If a restricted tender is to be used then an invitation to tender must be issued. If an open tender is used, an invitation to tender may be issued in response to an initial enquiry.
  - 2. An invitation to tender should include the following:
    - i a letter of invitation with instructions to tenderers;
    - ii a pre-addressed referenced label for tenderers to submit with their response;
    - iii introduction/background to the project;
    - iv scope and objectives of the project;
    - v technical requirements;
    - vi implementation of the project;
    - vii terms and conditions of tender;
    - viii form of response.
  - 3. A tendering checklist is provided in Appendix [M]. Schools may wish to use this as a framework against which to draft their own *Invitation to Tender* bearing in mind the level of information requested should be determined by the value of the tender.
  - 4. Tenders should be submitted as sealed bids and on receipt a school should:
    - i record the date and time of receipt on the envelope;
    - ii store safely and securely the unopened tenders until the specified date and time for opening.

6. Opening of Tenders

1. Tenders should be opened as soon as possible after the specified deadline for receipt and this should only be undertaken by staff authorised to do so. The following information should be recorded:
  - i date and time of opening;
  - ii names and signatures of those present;
  - iii value of each tender;
  - iv details of suppliers who declined the invitation, or failed to submit a tender;
  - v any omissions in the submission, eg, documents, signatures, missing data, etc;
  - vi any changes made with correction fluid should be circled and initialled.
2. Late tenders should normally be rejected and retaining unopened until the contract has been awarded and then returned to the tenderer together with an explanatory note.

7. Criteria for Evaluation of Tenders

1. It may be useful after all requirements have been established to rank requirements (eg, mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.
2. Financial issues to consider should include:
  - i whether like is being compared with like and that a lower price does not mean a reduced service or lower quality. If this is the case schools should consider whether the specification will be met; alternatively, a higher specification at a higher price may be in excess of the school's requirements and thus may not represent value for money.
  - ii ensuring that the tender price is the total price and that there are no hidden or extra costs;
  - iii whether there is scope for negotiation;
  - iv financial status of supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. Schools may wish to examine suppliers' audited accounts. Schools should be aware that credit agencies can provide financial information on companies for a small charge;
  - v the difficulty in changing contractors part way through a contract should this prove necessary. The financial implications may be significant.

3. Technical issues to consider should include:
  - i qualifications of the contractor;
  - ii relevant experience of the contractor;
  - iii descriptions of technical and service facilities;
  - iv certificates of quality/conformity with standards;
  - v quality control procedures;
  - vi details of previous sales and references from past customers.
4. Other considerations to be taken into account are:
  - i pre-sales demonstrations;
  - ii after sales service.

8. Re-tendering of Contracts

1. Schools should consider carefully the frequency with which ongoing contracts are put out to tender. A balance needs to be struck between regularly testing value for money against developing a supplier relationship and administrative costs. For example, if a tender were issued too frequently, unsuccessful firms may lose interest in re-tendering and a good relationship may not develop with the successful supplier. If a tender is issued too infrequently, the existing supplier may become complacent leading to poor value for money.

9. Evaluation and Approval of Tenders

1. Tenders should be evaluated against the set criteria. This will assist in ensuring value for money is achieved. The evaluation should be documented fully and the documents retained.
2. The decision-making level will depend on the scheme of delegation within the school. It may, for example, be the headteacher for small contracts, with a report to the governing body of decisions made, and the governing body, or committee for larger contracts. In all cases, a formal report should be prepared, summarising the evaluation with a recommended decision. After consideration, the decision should be recorded fully. All tenderers should be informed of the decision.
3. The evaluation process should involve at least two people. Those involved should disclose all interests, business or personal, that might impact upon their objectivity. If there is a potential conflict of interest then that person must withdraw from the tendering process. Positive confirmation should be required from all involved in a decision that they have no interest in the award. This should include friends and relatives.

4. Schools may wish to engage the assistance of professional contract managers where tenders or contracts are complex and for significant sums of money. For example, in the case of the acquisition of a major computer system, appropriate technical and evaluative advice may be available from specialists. Alternatively the County Council may be able to provide such services on a contractual basis.
5. Gifts or excessive hospitality from potential suppliers should not be accepted since it could compromise or be seen to compromise impartiality.

10. Notification to Tenderers

1. All organisations who submitted a tender should be advised of the outcome of the process as soon as is reasonably possible following evaluation of the submissions. Examples of letters to successful and unsuccessful tenderers are given as Appendices D and E respectively and should be used by schools as guidance in framing their own documentation.

### 3.3 Contracting

1. Service Levels

1. When considering future service provision the current level of service should not be regarded as the standard needed. Schools should consider whether the service is necessary, and the appropriate level given the school's budgetary constraints. The school may decide that a higher level of service is appropriate.

2. Potential Providers

1. When considering the provision of services, schools should consider three options:
  - i provide in-house;
  - ii local authority;
  - iii external contractor.
2. Evaluation of the value for money of each option should be made. The in-house option may appear in some instances to be the cheapest. However, factors such as disruption of current activities, overload of staff, quality and expertise, cost of management and administrative time, and management risk should be considered.
3. Schools should consider a LA as a contractor along with all other sources before awarding a contract. As with any existing contractor schools should consider the quality of service received in the past, quality of service expected in the future, together with cost compared with that of other providers.

3. Service Contracts

1. Contracts are essentially of three types:
  - i pay as you use (hourly rate);
  - ii fixed entitlement;
  - iii insurance (where a supplier covers all circumstances for a fixed price)
2. Schools must consider the costs and benefits of each.
3. Pay as you use (hourly rate) contracts are straightforward but may give the supplier little incentive to control their time as the cost is passed on. If a school needs to use the service more than anticipated the additional costs will be met by the school. This type of contract allows schools to adjust to changing circumstances by using less or more of the service.
4. Fixed entitlement contracts allow the exact cost to be known in advance. This aids budgeting and planning. However, suppliers may be tempted to inflate prices in anticipation of problems and therefore may be more expensive. The school is offered a fixed entitlement to a specific level of service at a set price, eg, a certain number of days' advice on curriculum.
5. Insurance type contracts are most appropriate where usage is difficult to predict in future periods, eg, legal advice, personnel advice. The school pays a premium to ensure unlimited access to a service if and when certain conditions are met. Insurance type contracts may have a no claims bonus attached.
6. All contracts should be specifically drawn up and be as detailed as possible to eliminate any likelihood of misunderstanding. Key areas to cover are:
  - i level of service;
  - ii scope of work;
  - iii frequency and timing;
  - iv calculation of charges;
  - v criteria for successful delivery of the contract;
  - vi means of redress if this is not achieved;
  - vii any cancellation costs;
  - viii due date for payment.
7. Before the governing body enters into any contract it should consider whether or not to take legal advice. Factors to consider are the size of the contract, the nature and extent of the liabilities to be taken on by the school, the likely cost of

obtaining legal advice and whether there are any special conditions to be incorporated in the contract.

4. Monitoring of Agreements and Contracts

1. It is essential that schools monitor all agreements and contracts closely and on an ongoing basis to ensure satisfactory delivery. Issues to consider are:
  - i the governing body should approve all major contracts as set out in their scheme of delegation;
  - ii staff involved with the service should be involved in the purchasing and monitoring operation. The role of negotiation and administration could be delegated accordingly. The responsibilities of staff should be clearly defined and be in line with their capabilities and experience;
  - iii monitoring should be an ongoing process and all concerns should be raised with the contractor. The school should maintain a written record of communications related to all such concerns;
  - iv schools should ensure that the hirer or lessor has arrangements in place for prompt repair of equipment under contract.
2. In accordance with the County Council's Financial Regulations, every contract over £500 must be recorded in writing, and full supporting documentation must be kept, including a clear statement of:
  - i what the contract is for;
  - ii what is to be paid for it;
  - iii when it is to be performed.

3.4 **Construction Industry Scheme**

1. The HM Revenue & Customs amended the Construction Industry Scheme from 6 April 2007.
2. Under the new scheme schools that control their own budgets (all Wiltshire County Council schools) will be exempt from the scheme.
3. This means that schools:
  - i can pay suppliers in the building industry direct without having to process invoices via the Exchequer Section at County Hall;
  - ii are no longer required to send in Construction Industry Scheme returns, including nil returns, on a termly basis;
  - iii no longer have to ensure that contractors are registered under the Construction Industry Scheme.

**4. INTERNAL AND EXTERNAL AUDIT**

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**4.1 Why do we need Internal Audit?**

1. All money within the Individual Schools Budget is LA money subject to oversight by the LA's chief financial officer, the Chief Finance Officer. One of the ways that the CFO discharges his/her duties under S151 of the Local Government Act 1972 (ie, to make arrangements for the proper administration of the LA's financial affairs) is through the use of Internal Audit.
2. The governing body is responsible for the school's financial systems, records and procedures and must comply with the requirements set out in the Scheme and the Schools Finance Manual.
3. Internal Audit is needed so that the Chief Finance Officer, governors and headteacher can be satisfied that the school's financial systems and internal controls are adequate and sufficient to discharge the school's responsibilities for the stewardship of public funds.
4. Internal Audit's assessment will identify any major weaknesses that could potentially expose the school to financial risk, and where necessary, suggest improvements that might be made to improve a school's control systems. Internal Audit will also offer constructive advice and assistance with any suggested improvements.
5. The audit may also be used by a school to measure existing financial arrangements or in the setting up of new systems and controls. It may therefore be seen not only as a benchmark for measuring current systems and procedures, but also as a tool for self-improvement by schools.

**4.2 Who Monitors Internal Audit?**

1. The County Council has delegated to the Chief Finance Officer the responsibility for maintaining an adequate and effective internal audit service and he will ensure that:
  - i the service operates in accordance with professional guidelines;
  - ii schools receive regular internal audit reports;
  - iii Internal Audit and External Auditors work with maximum cooperation.
2. As Internal Audit is part of the County Council's control environment, the adequacy of its work is also assessed by our external auditors.

**4.3 What about External Audit ?**

1. Because schools' expenditure comes within that of the County Council, schools do not require a separate external audit and will not receive a separate external audit report. The External Auditor may wish to visit a few schools but is likely to place reliance on the work of Internal Audit for the majority of schools and so minimise the costs of audit and the disruption to schools and the LA.

#### **4.4 What is the Audit Approach?**

1. Internal Audit approaches the audit of schools through the use of strategic plans, annual plans and audit programmes. These are flexible and will change with changing priorities. The plans will seek to minimise the risk of poor internal controls, loss of assets and fraud and corruption.
2. In summary:
  1. The strategic plan covers three years and is prepared on a risk assessment basis, whereby schools are ranked against various risk factors (eg, size of budget, date last audited, etc). As a result, schools will receive an audit either annually (generally the bigger schools), every two years, or every three years. The risk assessment process is subject to annual review, so frequencies may change.
  2. The annual plan shows schools due for a full audit in the year and also contains a provision for additional audits which will be undertaken if an audit is requested, for example, where any of the following trigger factors apply:
    - i concerns about the financial arrangements at schools or suspected irregularities;
    - ii a new member of staff in a key post involved in financial procedures;
    - iii a new school or where a school experiences significant change.
  3. Audit programmes detail the areas to be covered by the auditor as part of the review.
  4. The cost of this audit work will not be met from schools' delegated funds, but will instead be part of Strategic Management, which is paid for centrally by the LA.

#### **4.5 What if fraud or other irregularities are suspected?**

1. The governors must take reasonable steps to prevent and detect fraud. These include:
  - i providing reasonable assurance that activities are conducted honestly and assets safeguarded;
  - ii establishing arrangements to deter fraudulent conduct and detect any that occurs;
  - iii ensuring that financial information reported is reliable to the best of knowledge and belief.
2. If fraud or other financial irregularities occur, or are suspected, the governing body must report the matter to Internal Audit immediately, giving full details of the circumstances. Internal Audit will provide advice and may investigate and report to the governing body. The governing body must take appropriate legal and/or disciplinary

action and effect any necessary changes to systems and procedures to minimise the risk of similar matters arising again.

#### **4.6 How should the School prepare for Audit?**

1. Internal Audit will usually arrange the date and time of the audit with the school, as it is important to be able to speak to staff involved in financial procedures. When the visit is arranged, Internal Audit will provide a list of reports to be run off the school's local ledger system in readiness for the audit and despatch an audit questionnaire for completion prior to the audit.

Occasionally, a short, unannounced visit may be made to a school as part of the anti-fraud work that Internal Audit must complete for the County Council. Schools will be selected at random to take part in this programme.

Also, Internal Audit may carry out county-wide system audit reviews and select a sample of schools to check the adequacy of procedures.

2. If the school contracts out financial services such as payroll or accountancy, the governing body must retain records for detailed checking to be carried out at the school and arrange access for the auditors to the school's papers, records and systems held by the provider. Such access should be included in the agreement governing the relationship between the school and the provider.
3. Internal auditors must have full access at all times to all papers and records, assets and premises used by the school, and governors and staff must provide explanations that the auditors consider necessary to complete their work. The governing body must pass on to the auditors any information which the auditors should be aware of to carry out the audit.

#### **4.7 What if a School wants to purchase an additional Audit?**

1. Schools may use delegated funds to purchase an external audit certification of its accounts, which may include a high level review of financial systems. This would be regarded as in addition to and separate from the internal and external audit work described above.
2. A school may purchase additional internal audit work if desired and should contact the Internal Audit Section to discuss requirements. Such additional work would again be paid for out of schools' delegated funds, since it would be outside the scope of the audit plans referred to above.

#### **4.8 Audit of Voluntary and Private Funds**

1. It is important for schools to demonstrate proper accountability for the use of all monies held in voluntary and private funds, and any trading organisations which they run. Schools must therefore prepare annual accounts for each fund and/or organisation, and arrange for an annual audit of each fund to be carried out by an independent and suitably qualified person. The audit should be completed as soon as practicable after the end of the fund's financial year.

2. In practice it is not necessary to employ a qualified accountant for this purpose. However, any person undertaking the audit should be competent and should not have any role in managing the fund. It is important to ensure that the auditor is able to reconcile the balances shown in the annual accounts of the fund, and that all income and expenditure of the fund can be supported by appropriate vouchers.

3. On completion of the audit, the auditor should sign and date an audit certificate as follows:

*'I have examined the receipts and payments statement with the books and vouchers relating thereto, and have obtained all the information and explanations required. In my opinion the receipts and payments statement presents a true and fair view of the . . . . .  
. . . . . fund's activities for the year ended . . . . . . .'*

The certificate should be entered on or attached to the accounts of the fund.

4. The audited accounts should then be presented to the next meeting of the governing body for approval. The chair of governors should sign and date a certificate as follows:

*'The . . . . . fund accounts and audit certificate for the year ended . . . . .  
have been presented to the governors at their meeting on (date).'*

5. The Chief Finance Officer's Internal Audit Section has an overall interest in ensuring that the audit requirements for voluntary and private funds are being properly observed. Schools should therefore provide Internal Audit with a summary of the accounts of each fund, incorporating the auditor's signed certificate and the chair of governors' certificate approving the audited accounts, not later than 31 December following the fund's financial year end.

5. **INCOME**

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5.1 **General**

1. The arrangements for the collection of all money due to the County Council shall be under the supervision of the Chief Finance Officer, who shall consult with the Solicitor for the Council where appropriate.
2. Heads shall promptly render accounts for the recovery of income due.
3. No debt shall be discharged, other than by payment in full or being written-off: refer to Section 5.2 for information on Debt Write-Off.
4. Officers authorised to collect County Council monies shall, where appropriate, give an official receipt. Unless the prior authorisation of the Chief Finance Officer is obtained, all collections shall be paid, intact, into the County Council's banking account, or Girobank account, or direct to the Chief Finance Officer, at such intervals as the Chief Finance Officer may prescribe. Where the income relates to the delegated budget, similar arrangements shall apply except that it will be paid into the local bank account for the school, rather than the County Council's account.
5. Each officer who receives money on behalf of the County Council shall keep an accurate and chronological account of all monies received and thereafter paid to the Chief Finance Officer and County Council's bankers, or the local bank account, and such other records as may be approved by the Chief Finance Officer.
6. No third party or personal cheques shall be cashed out of any official monies of the County Council, except with the prior written approval of the Chief Finance Officer.
7. Before the variations in scales of charges for goods supplied, work done, or services rendered by the establishment are considered by the governing body, the headteacher should report on the cost of the activity for which the charge is being made. Charges, goods supplied, work done or services rendered by the establishment, are codified in an official "Scale of Charges". Variations to this can be considered by the governing body only after consideration of a report by the headteacher of the true cost of undertaking the activity for which the charge is being made. Governing bodies are reminded of the requirement, when setting scale charges, that delegated budgets may not subsidise non-school activities.

5.2 **Writing-Off Debts**

1. Governing bodies are able to write-off debts up to the value of £500. The minutes of meetings of the governing body must record the decision to write-off any particular debt, along with the details as required by paragraph 2 below.
2. The write-off of debts above the value of £500 can only be actioned following the prior approval of the Chief Finance Officer.

Requests must be made in writing and show:

- the reason why the income is due;

- the steps taken to collect the monies due;
  - the reason for requesting the write-off.
3. A written record of all debts written-off must be maintained and retained for inspection.
  4. When a debt is written-off, schools should take care to remove the value from their forecasts of future income as reported to governors and the LA.

**6. BANKING ARRANGEMENTS**

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**6.1 Bank Accounts**

1. All schools can have external bank accounts.
2. Schools can use any of the financial institutions listed in Appendix F.
3. Investment may only be made directly in accounts of the approved bank which are clearly shown to provide no risk to the capital sum. Investment must not be arranged through any intermediaries.
4. The investment must be in any current or deposit account (including single deposits) placed with a bank on the approved list or a local authority. Deposit accounts include managed money market accounts, providing that the bank provides a written agreement incorporating a guarantee of the capital sum invested.

**6.2 Interest/Overdrafts**

1. Schools will retain all interest payable on the accounts and bear any charges made by their bank.
2. Because of the tax status of the County Council, interest should be paid gross, without deduction of tax.
3. Schools must not themselves offer any security to the bank. If requested the County Council *may* guarantee individual accounts. Applications should be made to the Chief Finance Officer.
4. Schools must not make arrangements for overdrafts, loans or any other forms of credit or deferred purchases.

**6.3 Cheques**

1. Schools will order from their own banks their own cheques. They can be available in continuous stationery in which case they should be designed to match the printing format of the computerised accounting package in use.
2. The cheques must identify the school name somewhere in the account name. The school must ensure that the "name" on their bank account and pre-printed on their cheques are in the required format.
3. Cheques must be signed in manuscript by two members of staff. Where possible, they should not be the same staff who authorise orders or certify accounts for payment. The school may appoint a governor as an additional third signatory, for instance, for cheques over a certain value or for a certain purpose. This governor's signature must be in addition to those two members of staff.
4. Any alterations to a cheque must be initialled by an authorised signatory. Blank cheques must not be pre-signed and they must be kept in a secure place. Payments must not be made against any bank account unless properly authorised.

#### 6.4 Reconciliation

1. Schools must reconcile the balance on their bank or building society statement with the balance on their ledger bank account.
2. This reconciliation must be done regularly – at least monthly. The reconciliation should be signed by the Responsible Officer to signify that it is complete and accurate.
3. A full audit trail of the explanation of the differences between the bank statement and the ledger bank account must be retained.
4. The main elements within a difference between the bank statement and the ledger bank account are:
  1. Items in the Ledger Bank Account not in the Bank Statement  
(unreconciled items)  
  
unpresented cheques  
uncleared pay-ins  
  
No action is required by the school.
  2. Items in the Bank Statement not in the Ledger Bank Account  
  
sundry credits (ie, cash receipts) – e.g., bank interest  
sundry debits (i.e., cash payments) – e.g., returned cheques  
  
The school must create appropriate ledger (journal) transactions to recognise these payments and receipts in the ledger. It is recommended that these are actioned prior to the next bank reconciliation.
  3. To complete the reconciliation, the unreconciled items report must be printed. The balance should be added/subtracted from the bank statement balance to reconcile to the current ledger balance. The unreconciled items report must include all items up to the date of printing.

**7. STORES AND OTHER ASSETS**

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**7.1 General**

1. Headteachers shall be responsible for the custody and physical control of the stocks and stores in their establishment and for ensuring that these do not exceed reasonable requirements.
2. Adjustments to stores records arising from stocktaking shall be agreed by head teachers. If the value of such adjustments for any item exceeds £250, it should be reported to the governing body, who shall record it in the minutes of their meetings.
3. No surplus stores or other property of the County Council shall be sold to any member of the staff of the County Council without the specific approval in each particular case of the Chief Finance Officer.

**7.2 Inventory Registers**

1. Each school will maintain an inventory of its moveable non-capital assets with a value exceeding £1,000. Schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000.
2. No specific format for this will be specified except that it is required that, as a minimum, the following data is held against each asset identified:
  - i identification number;
  - ii description;
  - iii manufacturer's serial number;
  - iv location (ie, where it is in the school);
  - v estimated value (preferably the cost at purchase);
  - vi date of last check (ie, when the asset's presence was last visually established);
  - vii source of funding.

The school must regularly verify that all assets on the list are still physically in the stated location. Each school can establish its own methods but, at least, each asset must be checked at least once per financial year.

On completing each checking episode, the inventory must be updated to reflect:

- i the new "date of last check";
- ii any change in location of the asset.

The person undertaking the checks should initial/sign and record the date of the check in the inventory.

3. All inventories should be made available for inspection at all times.
4. All inventories, or hard copies of the inventory where a computer system is used, should be kept in a safe or fireproof cabinet.
5. All items entered in the inventory should be security marked.
6. To enhance the physical checking process it is advisable to fix the identification number to the asset.
7. The names of staff who are responsible for each section of an inventory, or if the school maintains more than one inventory, should be identified and recorded.
8. Computerised inventory lists used for checking items should be initialled, dated and retained as confirmation, or ticked and each page signed and dated.
9. Where items are taken off site a record should be kept and signed and dated by the person removing the item.
10. A register of laptop computers allocated to teachers should be maintained and recipients should sign to confirm they are taking care of the equipment whilst it is on loan to them.
11. If a new inventory system is to be introduced, all previous inventories must be retained and entries in the new inventory cross-referenced to those in the old inventory/ies.
12. If in the course of the inventory check it becomes apparent that an asset is missing, then the record must be deleted from the inventory and appropriate investigations undertaken to determine the fate of the asset.  
  
A record of the results of the investigation must be kept along with the data record deleted from the inventory.
13. If any asset is scrapped or otherwise disposed of (in accordance with any regulations contained in this manual), then the inventory register should be adjusted accordingly.
14. The governing body must regularly (at least once in each financial year) receive a report on the results of inventory checks and the value of any assets lost/disposed of.

This report should also highlight any security or control issues arising from investigation of inventory losses.

The minutes of the governing body must record any action resolved by the governing body on consideration of such reports.

### **7.3 Disposal of Assets**

#### **1. General**

The decision as to whether an item is surplus to current requirement and of no continuing or future value rests with the headteacher.

Once assets are identified as surplus, obsolete or beyond repair, their sale or disposal can be authorised by the headteacher and the school inventory updated accordingly and retrospectively reported to the full governing body.

As a result of deciding an item is surplus an alternative use should be considered.

Whilst the item may be of no continued or future use to the school it may well be of some value to other parts of the Council.

In the first instance, due consideration should be given to advertising surplus assets, including minibuses, to other schools or education establishments.

If an offer is not received, or the items are considered to have no value, items may be disposed of safely, in accordance with the following procedures.

When assets are sold to employees, the transaction should be recorded in the Register of Pecuniary Interests – the headteacher must be able to demonstrate the item has been advertised, sold at market price and value for money obtained.

#### **2. Valuation of Assets for Disposal**

It is important prior to disposal of an asset to ascertain an outline value of the item in order to ensure that value for money is obtained on the sale and so the appropriate procedures can be applied.

An estimated value should be recorded in the inventory and agreed by the headteacher prior to disposal.

#### **3. Non-Valuable Items – under £50**

Where items are adjudged to be of low value it is reasonable for the school to dispose of items via internal advertising or selling the item in a school fete.

#### **4. Valuable Items – more than £50**

To ensure value for money is obtained and to protect members of staff from criticism, goods should be advertised to the public and parents as well as employees.

Advertisements can be placed in the school or PTA newsletter and in local newspapers.

If an item is considered to be of exceptional value and is worth more than £1,000 the proposed sale should be discussed with the school's finance officer to obtain specific advice and guidance and referred to the governing body.

**5. Electrical and Mechanical Equipment – including computers**

Care should be taken in the disposal of electrical and mechanical equipment especially if items are offered for sale.

Accidents caused by faulty equipment previously owned and maintained by the authority may result in a financial liability.

In view of this, it is recommended these items are checked for safety by a competent professional, such as an electrician or engineer, and a certificate issued identifying the item and verifying its safety.

The cost of obtaining a certificate will inevitably determine whether such items are placed for sale or are disposed of as scrap.

IT and computer equipment has the additional requirement of secure disposal, both from an electrical safety point of view and security of the school's data.

The hard discs have to be wiped clean before being sold or disposed of.

A certificate should be produced to evidence that the computer has been wiped/de-gaused to the appropriate standard.

Once the hard disc has been wiped, if the equipment is not to be sold on and re-used, it should be disposed of appropriately, i.e. dismantled and put in a hazardous landfill site or recycled.

It is important to be aware that re-using a computer requires the installation of an operating system which requires a licence for it to be used legally, evidenced by an authentic certificate. Schools can not sell on operating system licences.

**6. Proceeds**

Proceeds from the sale of assets purchased with delegated funds should be credited in the school budget.

Further advice regarding coding of income is available from the school's finance officer.

Income should not be banked into the unofficial school fund.

**7. Donated Assets**

Where items to be disposed of have previously been donated to the school, such as from the PTA, it is considered prudent to consult the original provider.

8. **VALUE ADDED TAX**

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- 8.1 Schools, in respect of delegated and devolved funds, are able to utilise the County Council's ability to reclaim VAT on expenditure relating to non-business activity. Amounts reclaimed will be passed back to schools on an individual basis. For information on how to operate this reclaim system refer to Guidance Note 1 attached to this manual.
- 8.2 Due to the complexities of VAT, the Resources Department has produced a separate VAT manual for schools. It is strongly recommended that all schools hold a copy of the manual and nominate someone to have responsibility for this important area of work.
- 8.3 The Resources Department offers regular training programmes on VAT, and also operates a VAT hotline to deal with queries. Schools are requested, however, to only use this facility as a last resort as the answer to most queries can be found in the VAT manual. The telephone number is 01225 713699.
- 8.4 For further information contact Khadija Tahari, Treasury & VAT Officer, Resources Department, County Hall (telephone 01225 713625).

9. **INSURANCES**

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9.1 **Introduction**

1. Insurance arrangements were delegated to all schools with effect from April 1999.

This section of the manual:

- i lays out the minimum specification of insurance cover required in the event that schools wish to purchase insurance from an external provider;
  - ii sets out details of the insurance arrangements that are provided by the County Council.
2. For all County Council establishments other than schools, existing insurance arrangements, continued post 1 April 1999. This is a centrally funded activity with the County Council self-insuring a proportion of its risks. Both of these factors allow the costs of insurances that are borne by service committees to be kept to a minimum. **Schools can choose to remain party to these arrangements if they wish.** The more schools that choose to do so, the lower insurance costs can be kept for the mutual benefit of participating schools and all other County Council services.

9.2 **Minimum Insurance Requirements**

1. Insurance cover is required to be maintained in respect of the following risks:

i Material damage (buildings) including all risks policy

The following perils must be covered:

- fire, lightning, aircraft impact, other impact, explosion, riot, civil commotion, storm flood, burst pipe damage, earthquake, subterranean fire, subsidence and malicious damage;
- a policy for terrorism should also be obtained.

ii Employer's Liability

This must be covered to a minimum of £5 million.

iii Public Liability

This must be covered to a minimum of £5 million.

iv Motor

This must be covered minimum third party.

v Fidelity Guarantee

This must be covered to a minimum of £1 million, subject to individual school size.

vi     Official/Professional Indemnity

This must be covered to a minimum of £2 million and should also provide indemnity against libel and slander.

2.     The level of premium charged by the Insurance Market will depend on a large number of factors, many of which are outside the control of individual schools. Those that a school can influence include the level of 'Excess' it is prepared to stand (a form of self-insurance) from its own delegated budget. It can also, over the longer term, reduce its premiums by demonstrating an ability to "manage down" its own risks, through various forms of preventative measures.

### 9.3     **Provision by the County Council**

1.     The Insurance Team within the Treasury & Pensions Section of the Resources Department is able to provide a range of insurance services. Details of these, including the cover provided against individual risks, are set out in the publication "A Guide to County Council Insurances".
2.     Cover is arranged for each financial year, and all-inclusive premiums will be invoiced through the Right choice procedures to schools on an individual basis.
3.     For further information, contact Mrs Judy Neville (01225 713076) or Julian Goacher (01225 713080). A 24 hour answer phone service is also available.

### 9.4     **Supply Cover Insurance**

1.     The LA operates a scheme providing supply cover insurance for schools. This is open to all schools.
2.     For further information contact the Accounting & Budget Support Team on 01225 713511.

10. **PAYROLL**

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10.1 **Minimum Specification for Payroll Service**

When deciding on a supplier to provide a comprehensive payroll service to an education establishment a number of factors must be considered.

Any school seeking a payroll service from an alternative provider must be aware that there are certain elements of a payroll service that must be provided for within the software to comply with legislation; these are designated below as 'essential'. Other elements of a payroll service can be catered for outside the software to comply with legislation and conditions of service and these are designated below as 'desirable'. Either the school or the payroll provider **must** perform these tasks.

1. Calculation, payment and costing:

<b>Essential</b>	<b>Desirable</b>
1 Elements of gross pay for multiple jobs, on multiple NI tables, and in multiple pension schemes	3 Overtime, lettings and bonuses
2 National Insurance liability on reimbursing mileage costs	4 Occupational and statutory pay
	5 Occupational and statutory maternity/paternity pay
	6 Taxable benefits associated with travelling expenses
	7 Pay awards
	8 Retrospective awards
	9 Increments
	10 Manual payments
	11 Calculate pensionable numeration for LG pension fund

2, Deductions on behalf of third parties:

<b>Essential</b>	<b>Desirable</b>
1 PAYE Income Tax, National Insurance, student loans and tax credits	
2 Pension Fund contributions	
3 Additional Voluntary Contributions (AVCs)	
4 GAYE	
5 Attachment of Earnings Orders (AEOs)	
6 Voluntary deductions, including union subscriptions	
7 Car loans	
8 Rent	

3. Payroll Administration:

**Essential**

- 1 Production of P35, P60

**Desirable**

- 2 All other HMIT forms, including P45, P46, P11d
- 3 Third party accident claims
- 4 Updating Local Government Pension Fund ((LGPF) and Teachers' Pensions (TP) records
- 5 Calculation and payment of redundancy entitlements
- 6 Calculation and recovery of over-payments
- 7 Work associated with AEOs  
Reconciliation of payroll accounts
- 8 Reconciliation of bank accounts
- 9 Despatch of pay slips and related
- 10 documents
- 11 Deal with enquiries from:  
Employees  
Other LAs  
LGPF, TP  
Inland Revenue, DSS  
Building societies, banks  
Mortgage companies

4. Record Maintenance:

**Essential**

**Desirable**

- 1 Sickness entitlement
- 2 Unpaid leave
- 3 Salary history
- 4 Tax code history
- 5 Pay slip and costing history
- 6 Information for statistical returns to central and local government

5. Related Services:

**Essential**

**Desirable**

- 1 Ad hoc reports
- 2 Advice on legislation
- 3 Advice on budget estimates for salary costs
- 4 Advice on conditions of service
- 5 Provision of stationery

## 10.2 Responsibilities of School and Payroll Provider

Since April 2002 **all** schools have received their full delegated budget in cash. It is transferred into their own bank accounts and they have the choice of purchasing a payroll service from the Chief Finance Officer, or finding an external provider. Any school option to use an alternative payroll supplier must ensure that the provider, and the school, delivers a similar service to that of County Council.

### Wiltshire County Council Payroll Service

The Chief Finance Officer offers a fully audited payroll service sufficient to discharge his responsibilities and the schools, and comply with legislation. This service is available at two levels, Complete and Partial.

1. If a school chooses the County Council's **Complete** payroll service:
  - a) the school must register as a BACS user with their bank or building society. This facility allows net pay to be deducted from the school's account and credited to employees' accounts on pay day;
  - b) the Payroll Section at County Hall will be responsible for providing an accurate and timely service based on information received from the school;
  - c) if the school chooses not to purchase a Personnel Administration service from WCC, the work of the Payroll Section will be more extensive and, therefore, more expensive;
  - d) the Payroll Section will be responsible for creating a BACS transaction to take from the school bank account payment for pension contributions to be paid to Teachers and the Local Government Pension Schemes on the last working day of the month;
  - e) the Payroll Section will be responsible for paying over all other payroll deduction and liabilities, eg, PAYE, NI, Court Orders by due dates;
  - f) the Payroll Section offers a help/advice line on payroll related issues.
2. If a school chooses the County Council's **Partial** payroll service:
  - a) the school must register as a BACS user with their bank or building society. This facility allows net pay to be deducted from the school's account and credited to the employee's account on pay day;
  - b) the Payroll Section at County Hall will be responsible for providing an accurate and timely service based on information received from the school;
  - c) if the school chooses not to purchase a Personnel Administration service from WCC, the work of the Payroll Section will be more extensive and, therefore, more expensive;

- d) the Payroll Section will be responsible for creating a BACS transaction to take from the school bank account payment for pension contributions to be paid to Teachers Pensions on the last working day of the month, alternatively the school will raise a cheque and send it to the Payroll Section at County Hall before the last working day;
- e) the school will be responsible for paying over all other payroll deductions and liabilities, e.g., PAYE, NI, Court Orders and Local Government Pension Scheme by due dates;
- f) the Payroll Section offers a help/advice line on payroll related issues.

**Any school choosing to receive a Partial Payroll Service will be responsible for paying over all deductions from pay to third parties excluding Teachers Pensions, as they deem Wiltshire County Council accountable for submitting all contributions deducted in respect of teachers pensions.**

- 3. If a school chooses the payroll service to be provided by an alternative supplier:
  - a) the school is responsible for ensuring the supplier provides an accurate and timely service based on information received from the school;
  - b) the school is responsible for ensuring that the Children & Education Department is informed of relevant changes;
  - c) the school will be responsible for supplying a cheque for pension contributions to Teachers Pension to the Payroll Section at County Hall by the last working day of the month, together with audit assurance that the contributions are correct;
  - d) the school will be responsible for paying over all other payroll deductions and liabilities, e.g., PAYE, NI, Court Orders by due dates;
  - e) the school will be responsible for providing change details to Local Government Pension Scheme. At year end full contribution details will be required to update the Local Government Pension Scheme.

## **SEGREGATION OF DUTIES**

### **A.1 Principles of Segregation**

1. Duties should be properly segregated between individuals. One of the prime means of control is the separation of those responsibilities or duties which would, if combined, enable one individual to record and process a complete transaction. Segregation of duties reduces the risk of error or intentional manipulation through checks built into the routine.
2. Functions which should be separated include those of:
  - i authorisation (the authorisation of a transaction such as a purchase order or a payment);
  - ii execution (the placing of an order, receiving of goods and services or charging and receipt of a fee);
  - iii custody (the holding of the goods or services);
  - iv recording (the completion of the accounting records);
  - v in the case of a computerised accounting system, systems development and operation (the determination of operating procedures and the carrying out of those procedures).

### **A.2 Segregation in Practice**

1. The segregation of duties will need to be addressed in relation to the staff available and their levels of responsibility in the financial organisation of the school. It will not be possible in many schools to allocate all the functions in paragraph 2 to different staff. In most cases it is not necessary to separate the functions between more than two or three staff.
2. Internal Audit will review segregation of duties as part of their audit procedures and will advise schools accordingly if alterations to the financial systems are required.
3. Segregation of duties can be simplified if it is possible to centralise the execution and recording functions to be carried out by a person with no authority to authorise transactions. The person authorising a transaction can therefore never execute or record the transaction and if payments are authorised by a third person there should be adequate segregation of duties.

### **A.3 Role of Governing Body**

1. In some schools the finance function is only a small part of the school's overall activities. Nevertheless, many schools are funded at a level comparable with the income of the medium-sized business and especially given their use of public money, must implement sound financial controls. Therefore, even where it is not possible to have full separation of all responsibilities, the governing body must satisfy itself that there are adequate checks and segregation to ensure that the risk of error or fraud is minimised.

**APPENDIX B**

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**BRIEF SUMMARY OF EU PROVISIONS**

**B.1 Scope of the Regulations**

1. Estimated contract thresholds as at 31 January 2006 for inclusion in the *Official Journal of the European Communities (OJEC)* are:

	<b>ECU</b>	<b>£ Approx</b>
Services and Supplies	206,000	139,893
Works	5,150,000	3,497,313

(ECU = European Currency Unit)

2. For regular, ongoing contracts the estimated value shall be established on the basis of:
- i either the actual aggregate value of similar contracts concluded over the previous fiscal year or 12 months adjusted, where possible, for anticipated changes in quantity or value over the following 12 months;
  - ii the estimated aggregate value during the 12 months following first delivery or during the term of the contract where this is greater than 12 months;
  - iii for works contracts, if the contract is divided into lots then the total value of the lots must be considered.
3. The term *Services* refers to the procurement of a wide range of services including travel, accounting and auditing, market research and management consultancy, property management services, refuse disposal, and financial and computer services. *Supplies* refers to the purchase, hire, lease or hire purchase of goods and *Works* refers to the procurement of civil engineering and building works and the award of works concessions contracts.
4. The directives are explicit that no procurement requirement for a given quantity of supplies may be split up with the intention of avoiding the application of this directive – Article 5 paragraph 6 of *Public Supplies Directive 93/36/EC*. *The Works Directive* contains a similar clause in Article 6 paragraph 4 and the *Services Directive* Article 7 paragraph 3.

**B.2 General Requirements**

**B.2.1. Prescribed Tendering Procedures**

1. Contracts falling within the relevant financial threshold must be tendered under one of the three procedures outlined in the section on **Tendering** above. Additionally, a procedure known as *Accelerated Procedure* may be applied where urgency arising from outside the control of the school renders it impractical to use the minimum time limits laid down in the standard open, restricted and negotiated procedures.

### **B.2.2 Prescribed Timescales**

1. Each procedure has minimum timescales for the periods between specific activities starting from the date that the notice was sent to the *OJEC*. The minimum timescale under the restricted procedure is 78 days and the accelerated procedure is 31 days. These procedures make it difficult to award contracts quickly and therefore forward planning by schools is essential.

### **B.2.3 Advertising in *OJEC***

1. Contracting authorities are required to advertise their major requirements through *Indicative/Prior Information Contract Notices* for individual requirements and *Contract Award Notices*. The regulations supply model layouts from the structure and minimum content of the notices and standard forms are available from The Stationery Office. When a Contracting Authority intends to award a contract which falls within the scope of the Regulations, it must be advertised (subject to limited exemptions) in the *OJEC* through a Contract Notice. Details of contract award must also be published in the *OJEC*. Regulations specify the information which must be published and divulged to unsuccessful tenderers, and that which must be kept confidential. Advertising is free of charge.

**APPENDIX C**

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**PROFILING OF CASH ADVANCES**

**C.1 FULL CASH OPTION**

**1. Annual Totals**

The annual total will be determined initially by the published Delegated Budget share. Subject to further more definitive information becoming available, the annual totals to be advanced will be redetermined no less frequently than quarterly – for advances in July, October or January as required.

Redetermination of advances will operate retrospectively with future advances stated at correct redetermined levels.

**2. Monthly Amounts**

Monthly amounts will adhere to the following pattern:

April	4/36 of current annual total
May – February	3/36 of current annual total
March	2/36 of current annual total

Instalments will be rounded to the nearest £, with any cumulative rounding effect shown in March.

**3. Variation in Profiling**

In general the presumption is that schools will plan their affairs to match the profile of cash receipts outlined in paragraph 2 above.

If, however, for reasons outside the control of the school, forecast cash outflows cannot be accommodated within the above profile, then the school may request a tailored profiling of their cash advances. This should be done in writing explaining the circumstances and included with the budget template submitted to the LA a cash flow forecast.

**4. Timing of Advances**

In general, cash advances will be timed to arrive in schools' bank accounts three days before the date of the LA's main teachers' pay date.

This relationship will be maintained should there be any future change in the dates of relevant payroll runs.

5. **Coverage**

The arrangements for determination, redetermination, profiling and timing of cash advances will be the same for all primary, middle, secondary and special schools declaring for Full Cash Option.

6. **Accounting**

The book-keeping required in the school ledger is outlined in Appendix E.

**APPENDIX D**

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**REPORT FORMATS**

**D.1 Introduction**

This appendix describes the formats of the documents which schools must use when reporting to the LA on:

1. Quarterly Actual and Forecast Income & Expenditure & Trial Balance.
2. Annual Budget Template.
3. Statement of Intended Use of Reserves

**D2 Income & Expenditure return & Trial Balance**

The format for the Income & Expenditure return is attached as Schedule D1.

In addition, schools will also submit electronically at the end of each quarter a 'Trial Balance', extracted from the school financial software in the format required for automatic consolidation with the LAs ledger.

**D3 Annual Budget Template**

The formats for this are attached as Schedule D2.

**D4 Statement of Intended Use of Reserves**

The formats for this are attached as Schedule D3.

**APPENDIX E**

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**ACCOUNTING STANDARDS**

**E1 Definition of Accrual Accounting**

1. Income is recognised at the point when it is due to the school.
2. Expenditure is recognised at the point that the goods or services are supplied.
3. Accrual types are as follows:
  - i Creditors – goods or services received but payment not made
  - ii Receipts in advance – income received relating to goods or services not yet supplied
  - iii Debtors – income due but not yet received
  - iv Payments in advance – payments made relating to goods and services not yet supplied
4. Accruals can be actioned monthly or quarterly but must be actioned before the accounts are closed at the year end.
5. It is good financial practice to action accruals before producing financial reports that forecast the year end position.

**E2 Delegated Budget Share & Earmarked Devolved Funds**

1. These will be accounted for as **Income**.

**E3 Balance Sheets**

1. Each school's ledger must be self-balancing, therefore each school will have a balance sheet.
2. The accounts required in the balance sheet will be as follows:

Debtor accounts:     Bank account  
                              VAT settlement account

Creditor accounts:   Accumulated reserves account  
                              Payroll deduction accounts

3. Schools with an approved deficit budget will also have, in addition to the above:

Creditor account:     LA loan account

**E4 Sample Accounting Entries – Full Cash Schools**

1. Delegated Budget Share and Earmarked Devolved Funds

DR Bank account  
CR Income

(Schools should note the requirement to sometimes account separately for income from Earmarked Devolved Funds – probably by use of specific ‘cost centres’ within the Income & Expenditure Account.)

2. Payroll

DR Expenditure  
CR Payroll deductions  
CR Bank account

3. Purchases

DR Expenditure  
DR VAT settlement account  
CR Bank account

4. Other Income

CR Income  
CR VAT settlement account  
DR Bank account

5. Reimbursement of VAT

DR Bank account  
CR VAT Settlement account

(Assuming input tax paid exceeds output tax charged – the likely position)

6. Year End Close Down

DR Income accounts  
CR Expenditure accounts  
(this effectively reduces the balances on all these accounts to zero)  
CR/DR Accumulated reserves account

If total expenditure exceeds total income, then the balance on accumulated reserves will reduce (i.e., a debit posting).

If total expenditure is less than total income, then the balance on accumulated reserves will increase (i.e., a credit posting).

**APPENDIX F**

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**APPROVED FINANCIAL INSTITUTIONS**

**F.1 Introduction**

Schools may hold cash advanced for financing of expenditure against delegated and devolved funding in any bank or building society on the County Council's current approved lending list.

This is shown in para. F.2 below. It is recognised that certain of the organisations on the list may not currently have branches in Wiltshire.

**F.2 List of Approved Organisations**

<b>Bank</b>	<b>Building Societies</b>
Abbey National	Chelsea
Alliance & Leicester	Coventry
Allied Irish Bank	EBS (Eire)
Barclays	Leeds
Bank of Scotland	Nationwide
Bank of Ireland	Newcastle
Clydesdale	Skipton
HSBC (Midland)	Yorkshire
Lloyds TSB	
MBNA Europe	
National Westminster	
Royal Bank of Scotland	
Standard Chartered	
Ulster	

**F.3**

It should be noted that new banking arrangements may only be made with effect from the beginning of a new financial year (April 1<sup>st</sup>). This will also apply in a situation where a school is required to change its account because the relevant bank or building society has been removed from the County Council's approved lending list.

## APPENDIX G

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### CHART OF ACCOUNTS

#### G1 Introduction

The “Chart of Accounts” is simply the means by which some order and regularity is imposed on the activity of collecting accounting transactions.

Schools are required to follow the Charts as outlined in this Appendix so that consolidation of all school results are meaningful and financial benchmarking data is reliable.

#### G2 Categories of Income & Expenditure

The first stage is the allocation of normal items of Income & Expenditure to Categories. These follow the DCSF’s Consistent Financial Reporting framework.

#### G3 Codes allocated to Items of Income & Expenditure

Since all accounting activity is performed using appropriate software, it is necessary to attach a unique numerical code to each item of Income & Expenditure. It is also necessary to define an appropriate unique numerical code to each balance sheet item.

All reputable accounting software allows the creation of unique codes by the combination (with varying degrees of complexity) of basically two elements:

1. the COST CENTRE
2. the ACCOUNT NUMBER

It is Wiltshire County Council policy to enforce the use of standard “ACCOUNT NUMBERS” across all accounting applications. Schedule G lays out these as relating to the items of Income & Expenditure and balance sheet which affect schools.

The use of the account numbers is mandatory in schools.

It is also Wiltshire County Council policy that the choice of cost centre structure is left to local decision. Therefore schools can define the structure of cost centres as they require. The only issues which schools have to take into account is the requirement to collect and report income and expenditure on some “Earmarked Devolved Funds” separately. This can be achieved by defining and using separate cost centres for these funds.

**Schedule G1** (Please double click the below file to access the Ledger Code/CFR Line Mapping)



Ledger Code/CFR  
Line Mapping

**APPENDIX H**

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**LMS FUNDING AND FORMULA FACTORS**

The schools funding formula and funding values are published annually in the Section 52 Budget Statement which is made available to all schools.

### **ICT Security Policy**

The following sets out best practice relating to the management of IT in schools.

#### **1. Physical Security**

- I. Servers and other network equipment should be located in dedicated rooms which are air-conditioned and kept locked when not in use.
- II. Access to server rooms should be restricted to as few staff as practicable.
- III. Server rooms should be protected by an intruder alarm system.
- IV. Server rooms should not be used for other purposes, such as stationery stores etc
- V. Server rooms should be fitted with smoke/fire detectors, which should be inspected or serviced in accordance with the manufacturers' recommendations.
- VI. Servers should be protected by uninterruptible power supplies (UPS) with sufficient capacity to allow servers to be powered down in a controlled fashion in the event of a mains power failure
- VII. Classrooms and offices containing IT equipment should be kept locked when unoccupied.
- VIII. Moveable IT equipment, especially laptops, should be locked away whenever not in use, ideally in locked laptop trolleys.
- IX. Valuable items of IT equipment (desktops, laptops and monitors) should be security marked.
- X. Inventories of both hardware and software should be maintained and periodically verified.
- XI. Prior to disposal, hard disks should be securely wiped to ensure data removed and software licences are complied with. Commercial software, some of it freeware, is readily available for this purpose. Alternatively, specialist firms can provide this service. In either case, documentation should be retained as evidence that wiping has taken place.
- XII. DCE should liaise with ESD (Waste) to develop a strategy for dealing with redundant school hardware in the light of the WEEE regulations.

#### **2. Support Arrangements**

- I. Schools in the same geographical area should consider combining to make a consortium-type arrangement for the provision of hardware and software support. Larger support firms can provide better continuity, and would reduce reliance on very small numbers of key support engineers.
- II. Schools should ensure that adequate formal agreements are in place, which document the levels of service to be provided and the charges.
- III. Schools should ensure that all support engineers who have access either to children or to child-related data are CRB-checked.

#### **3. Firewalls and Anti-Virus Protection etc**

- I. Schools should regularly sample check PCs, laptops and servers to ensure that ant-

- virus software (as well as Microsoft patches) are up to date.
- II. Where used, wireless networks should be encrypted, and the security of this should be periodically tested.

#### **4. Backup and Disaster Recovery**

- I. Schools should risk-assess the data held on both curriculum and admin servers, and adopt an appropriate backup regime. The highest risk servers should be fully backed up each day, and tapes for a two week period should be maintained. In addition, the two preceding Friday tapes should also be retained (a total of four weekly tapes. Tapes for each term and/or financial year should also be retained.
- II. Backup media should be stored away from the servers they are backing up (ideally in a separate building) in secure storage (e.g. a fireproof safe).
- III. Disaster recovery plans should be drawn up. Responsibility for this should be formally allocated, and the plans should be approved by the board of governors. The plan should be reviewed at least annually. Network and server configurations should be fully documented, to enable replacement equipment to be installed with the minimum of delay. Suppliers of such equipment should be identified and their contact details recorded, along with those of key school and support staff who would be required to assist.
- IV. Business continuity plans should be developed for key activities, to ensure the school can still function as much as possible in the absence of IT facilities.

#### **5. User Account Management**

- I. Policies and procedures should be drawn up for user account management.
- II. Utilities should be used to analyse domain user accounts, so that inconsistencies can be eliminated, such as dormant accounts or accounts with unnecessary privileges.
- III. User account passwords should be at least 8 characters long and should include upper case, lower case and non-alpha characters (numbers or punctuation characters).
- IV. Passwords should be changed regularly, either each term or each month.
- V. System administrator and equivalent accounts should have longer and more complex passwords. At least one of these passwords (for the Administrator account) should be written down and kept by the Head or Chair of Governors in a sealed envelope. This account should only be used for emergencies, and system administrators should use their own accounts for day to day systems work.

#### **6. Internet and E-mail**

- I. Parental consent forms or staff acceptance forms should be signed in all cases.
- II. Internet and e-mail usage policies should be reviewed annually. When changes are made to policies users should formally acknowledge this.

**PRINCIPLES OF BEST VALUE**

The twelve principles of Best Value are listed below. These have been sourced from the Department of the Environment, Transport and the Regions.

1. The duty of Best Value is one that local authorities will owe to local people, both as taxpayers and the customers of local authority services. Performance plans should support the process of local accountability to the electorate.
2. Achieving Best Value is not just about economy and efficiency, but also about effectiveness and the quality of local services – the setting of targets and performance against these should therefore underpin the new regime.
3. The duty will apply to a wider range of services than those covered by CCT.
4. There is no presumption that services must be privatised and once the regime is in place there will be no compulsion for councils to put their services out to tender, but there is no reason why services should be delivered directly if other more efficient means are available. What matters is what works.
5. Competition will continue to be an important management tool, a test of Best Value and an important feature in performance plans. But it will not be the only management tool and is not in itself enough to demonstrate that Best Value is being achieved.
6. Central government will continue to set the basic framework for service provision, which will in some areas, as now, include national standards.
7. Detailed local targets should have regard to any national targets, and specified indicators to support comparisons between authorities.
8. Both national and local targets should be built on the performance information that is in any case needed by good managers.
9. Audit processes should confirm the integrity and comparability of performance indicators.
10. Auditors will report publicly on whether Best Value has been achieved and should contribute constructively to plans for remedial action. This will include agreeing measurable targets for improvement and reporting on progress against an agreed plan.
11. There should be provision for intervention at the direction of the Secretary of State on the advice of Audit Commission when an authority has failed to deliver Best Value.
12. The form of the intervention should be appropriate to the nature of failure.

**APPENDIX L**

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**DISPUTES PROCEDURE**

1. The scope of the Disputes Procedure can be summarised as follows:
  - i the Active Parties to the dispute will be:
    - the school receiving the goods/services or having an exceptional charge levied on it under Section 2.9.2 of this manual.
    - The LA department or unit providing the goods/services or exercising the right to make an exceptional charge under Section 2.9.2 of this manual.
  - ii only Active Parties can instigate the disputes procedure.
  - iii in laying out the steps in the procedure, for clarity of exposition it will be assumed that the disputes procedure is instigated by the school. This is regarded as the most likely scenario. It is likely that the other active party will only instigate a disputes procedure in the event of a school not settling invoices or other notifications submitted to them.

The steps as laid out will however be the same whoever instigates the procedure.
  - iv In any dispute, the only matters of fact which can be brought into consideration relate to the transaction itself.

2. The steps in the procedure are:

Step 1: In the first instance the school should contact the other party direct to resolve any issues. Both active parties are expected to deal with the matter promptly and reasonably.

If Step 1 fails to achieve resolution, either active party may escalate to Step 2.

Step 2: The first action under Step 2 is for the active party instigating the dispute to declare formally in writing that the dispute exists. This should be addressed to the other active party with copies to:

- i the Exchequer Section of Chief Finance Officer's Department [Resources Department]. This will halt any further 'debt recovery' procedural activities.
- ii The Director, Department for Children & Education

The Director, Department for Children & Education will call for written position statements from each of the active parties detailing the facts of the case, and having considered these (and any other relevant details) will make a recommendation based on the facts. This recommendation will be communicated in writing to both active partners within 15 working days of receipt of the position statements.

Non-receipt of requested position statements will be construed accordingly.

If Step 2 fails to achieve resolution, either active partner may escalate to Step 3.

Step 3: The active party which does not accept the recommendation of the Director, Department for Children & Education must notify this in writing to the other active party and to the Director, Department for Children & Education, within seven days.

The papers relating to the dispute will be passed to the Chief Finance Officer who will consider the facts and make a recommendation based upon them (and any other information he/she deems relevant).

The recommendation will be final and binding on both active partners.

**TENDERING CHECKLIST**

**1. Form of Tender**

An example is included in Appendix N. You should note the specific requirements placed upon tenderers.

**2. Instructions to Tenderers**

There should be clear and precise instructions on how to go about completing and submitting a tender. This may cover a whole range of things, but as a simple guide, put yourself in the place of the tenderer receiving the documents – what information will the tenderer need to know to give you what you want? (These are not the Conditions of Contract.)

**3. Closing Date**

This is a specific date and time, which you decide on. You should give tenderers a reasonable time to prepare the bid, and yourself sufficient time before the start of the proposed contract, to fully analyse the results and gain authorisation.

**4. Award Criteria**

This is a statement of how you intend to award the contract. The criteria to be used for awarding the contract must be set out in the tender documents and, for contracts tendered under EC Directives, included in the advertisement.

Well-defined award criteria will help you lay out the tender documentation and assist at the evaluation stage. They will be split between price and quality but must lay down specific measurable criteria.

You should determine the whole life cost of the contract, by including all factors, e.g., running costs, maintenance, and final disposal costs, etc.

You must also state if you intend to split the contract in any way.

**5. Size and Scope**

This has been mainly covered in earlier references but remember that informed tenderers make better bids. It is not just the overall size but the patterns, variations and trends that are also vital information.

**6. Specification**

Earlier references give pointers to the construction of a clear, precise specification – you may wish to consider whether further background information and an overview of the requirements would enable the contractor to make a more informed judgement of what you need.

**7. Contract Period**

You must know the time period within which you want your contractor to perform. The length of contract may have a great influence on the final price but you cannot afford to allow open-ended commitments.

Contracts for finite requirements should be for an appropriate period, which is relevant to the market.

**8. Conditions of Contract**

These are the conditions that the contractor will have to observe during the contract period. Beware of confusing “Instructions to Tenderers” with “Conditions of Contract”.

In the final analysis, you will only get what is in the contract. Contract conditions are designed to manage our exposure to risk – a contractor’s conditions of sale may take the opposite view!

**9. Performance Criteria**

You must ensure the tenderer knows what performance you wish to achieve and what will happen if it is not achieved. Consider specifying the required results rather than the detailed method by which they are to be achieved. The contractors’ methods can always be made subject to approval. It is clearly better to specify the required outcome and say:

*“The grass should be kept between ¼” and 1” high at all times, using an approved method”;*

rather than:

*“The grass shall be cut 16 times every day using a pink petrol driven mower of no more than 502cc capacity”.*

This is obviously absurd but serves to illustrate a common fault. The preference should always be for an output – or outcome-based specification, but there may be circumstances where for practical or economic reasons, a method specification may be used. The golden rule is: “say what you want – not how to do it”.

**10. Method Statement**

With an output or outcome based specification, you may wish to ask the tenderer to submit method statements or business plans to demonstrate their understanding of the requirement and their ability to deliver.

**11. Change Controls**

Change may be appropriate or necessary during your contract. For example, in a service delivery contract – sites may open or close, usage or requirements may change, experience or developing technologies may identify a better way of doing this. Your contract needs to have clauses that cope with all eventualities, including:

### 11.1 **Variations**

The contractor, the end user and the contract manager may all identify potential variations. Issues of service and performance will inevitably be reduced to costs that may decrease, increase or be withheld.

### 11.2 **Continuous Improvement**

In the search for Best Value it may be appropriate to include incentives and develop working practices that deliver process improvements and cost reduction in partnership with the successful contractor.

## 12. **Termination Clause**

There can be many reasons why we might want to terminate a contract. These could include the changes in the contractor's status (bankruptcy, take-over, etc), behaviour (bribery, corruption, etc), or performance. Or our needs may have significantly changed.

## 13: **Format for Reply**

You should include within the document a format prepared for the tenderers to complete so that you can easily evaluate their offerings.

This will be derived from your Award Criteria (see 4 above). It should include itemised headings for all the information you require (including prices, costs and options and any other information). This should enable you to do an accurate assessment of the tenders without having to seek clarification.

## 14. **Instructions for Return**

These should be covered within the formal invitation. It is standard practice to enclose a return address label with the required wording (an example is given at Appendix O).

All organisations invited to tender should be listed on a Tender Acceptance Form. This form is used to record details of all tenders received and opened. Following evaluation, the recommended tender is indicated on the form and approved by the appropriate manager prior to the award of contract.

## 15. **Pricing Document**

It is confusing and misleading if tenderers are not quoting on a similar basis. Your earlier discussions with the market will have identified the method by which the pricing operates and you may need to establish how VAT is to be treated.

It is common misconception that VAT does not affect the Council. If we do not pay it or charge it on the supplies or services that it is applied to, our omissions can have significant financial consequences. If you are not absolutely clear about the application of VAT to the arrangements you are making please contact the Council's VAT helpline.

Unless you have decided to place a contract at a fixed price, you must also include a statement of the method through which you see prices being adjusted.

Price escalation formulae may be used, but in specifying them, make sure they are relevant. Remember market prices can fall as well as rise and your document should provide for this through a condition, which ensures a competitive level is maintained throughout the contract period. This may well not be achieved by simply relying on a formula.

It is often better to allow a series of options so that you can identify the best option for the authority.

**16. Other Prescribed Information**

This could be a checklist or proforma detailing any additional information you require in support of the tender. This information will be relevant to your Award Criteria (see above).

**APPENDIX N**

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**FORM OF TENDER**

**(Undertaking to be produced on the Tenderer's headed notepaper)**

Having examined the Specification, the Appendices to the Specification (if any), the Schedules, the Conditions of Contract with Annexes (if any), the Pricing Document and this form of Tender (the "Tender Document"), we offer to provide the Service specified in the Tender Documents at the prices stated in the Pricing Document.

We undertake to perform the contract in accordance with the Tender Documents.

We agree that this Tender shall remain open for acceptance by the employer for three months from the date stipulated for the return of tenders.

Unless and until a formal Agreement is prepared and executed, this tender, together with your written acceptance thereof, shall constitute a binding contract between us.

We understand that you are not bound to accept the lowest or any tender you may receive.

We certify that this is a bona fide tender, intended to be competitive, and that we have not fixed or adjusted the amount of the tender by or under or in accordance with any agreement or arrangement with any other person. We also certify that we have not done and we undertake that we will not do at any time before the hour and date specified for the return of the tender any of the following acts:

- (a) communication to a person other than the person calling for these tenders the amount or approximate amount of the proposed tender, except where the disclosure, in confidence, of the approximate amount of the tender was necessary to obtain insurance premium or performance bond quotations required for the preparation of the tender;
- (b) entering into any agreement or arrangement with any other person that he shall refrain from tendering or as to the amount of any tender to be submitted;
- (c) offering or paying or giving or agreeing to pay or give any sum of money or valuable consideration directly or indirectly to any person for doing or having done or causing or having caused to be done in relation to any other tender or proposed tender for the said system any act of thing of the sort described above.

In this certificate, the word "person" includes any person or any body or association, corporate or unincorporated; and "any agreement or arrangement" includes any such transaction, formal or informal, and whether legally binding or not.

Yours faithfully

Signature  
Full name of signatory and position in company  
Name and address

Date:

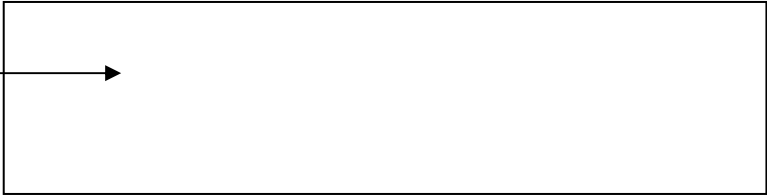
APPENDIX O

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EXAMPLE TENDER RETURN LABEL

Tender for: \_\_\_\_\_

Ref: \_\_\_\_\_

Enter School Name here: 

To be delivered on or before: \_\_\_\_\_ (time)

On \_\_\_\_\_ (date)

**Guidance Note For Schools Considering Changing Their Financial Management System.**

**1. Introduction.**

- There are a number of key requirements which you should take into account when considering changing your Financial Management System (FMS). These are set out below. Although the list is not exhaustive it highlights the most critical areas and is aimed at ensuring that, if you do choose to move to a new FMS, the migration progresses smoothly. Your implementation project plan should ensure that all of these points are considered fully.
- You should also be aware that Wiltshire School's Financial Regulations require schools to seek approval of The Chief Finance Officer before taking on a new FMS and follow appropriate procurement requirements. We would therefore strongly advise you to involve LA officers at the initiation stage to avoid delays.

**2. Key Requirements.**

- The move should be subject to a detailed project plan;
- Internal audit's right to visit and review progress must be recognised;
- The system must comply with Wiltshire Schools Finance Manual;
- All external financial reports must be in WCC's required format;
- Implementation must not delay any statutory reporting deadlines;
- All VAT requirements must be met;
- WCC reserve the right to charge for any costs incurred caused by a schools decision to change their system.

More detailed guidance on the above points is given below.

**3. Project Planning.**

A change of financial system is a major undertaking and it is therefore recommended that schools do not proceed to change their current system until a project plan has been constructed. There should also be a clear link to the School Development/Improvement Plan.

You may find it helpful to follow these steps before embarking on the project:

- Be clear about what you are hoping to achieve by changing your FMS
- Consider different ways in which the change could be achieved
- Assess the costs and benefits of alternative arrangements
- Consider any risks and have a contingency plan
- Consider what system represents the best value

Please note that the Local Authority may ask to see a project planning document prior to deciding whether to approve the school's move to another financial system.

#### **4. Internal Audit's Role.**

Internal audit provide an assurance function so the Chief Finance Officer, school governors and head teacher can be satisfied that the school financial systems and internal controls are adequate and sufficient to discharge the school's responsibilities for the stewardship of public funds. Internal Audit will also offer constructive advice and will, if necessary, extend its remit to the overall control environment and consider wider risks (i.e. not just financial)

One of the ways the Chief Finance Officer discharges his statutory S151 responsibilities is through the use of Internal Audit who will advise him as to whether the FMS satisfies the LA's requirements. It is therefore essential that you notify Internal Audit of your intention to change your FMS and routinely keep them informed of progress towards implementing the change.

Other audit requirements:

- Schools must satisfy the Chief Finance Officer that the system can produce specific reports, in the format required, before the "go live" date. These reports are required to be available in electronic as well as hard copy format.
- Make sure that balances can be captured in the new system.
- Make sure that schools administrative staff are capable of producing the necessary reports.
- Provide a named person who is deemed to take ownership of the system i.e. the person who will be responsible for system security and legislative compliance e.g. Data Protection, Freedom of Information.
- Notify Internal Audit before the school sends invitations to tender for a replacement FMS. Invitations should be made to the existing FMS supplier and at least two other potential suppliers.
- Provide Internal Audit with the name of the system manager e.g. the person who controls system "permissions".
- Advise Internal Audit of any system project developments as and when they occur.
- When specifying the new system schools should ensure the system has e-procurement capability.

#### **5. Compliance with Wiltshire Schools Finance Manual**

See chapter 2, section 2.3 of the School's Finance Manual which sets out the accounting standards required of accounting records maintained in electronic format.

## **6. External reports**

The system must be able to produce the following reports and be capable of being sent electronically, in the required format, to the LA by the timescales notified to schools from time to time.

- Quarterly Trial Balance
- Consistent Financial Reporting Report
- Quarterly Income & Expenditure Report
- Monthly VAT reports (see Section 8)

Schools must ensure that the supplier of the chosen FMS is made aware of these reporting needs and that they confirm before the system “goes live” that it has the capability to comply with these requirements.

## **7. Statutory reporting deadlines**

It is essential that implementing the new system does not delay any statutory reporting deadlines. For instance, due consideration must be given to ensuring that the County Council's year end reporting deadlines are adhered to and that the DCSF's deadline for providing the annual CFR report is met.

Please therefore consult with us and we will work with you and your chosen provider to arrange a suitable go-live date that will be the most convenient and appropriate for all parties.

## **8. VAT**

- The system must be able to use the WCC schools VAT category codes (alpha) against individual transactions or parts of an invoice where there are different rates of VAT for one transaction.
- The system must be able to produce reports that show the entries line by line within each VAT category.
- The system must be able to produce summary reports for VAT values in each category of VAT for both input and output tax separately.
- The system must be able to produce a summary report of statistics of the (net of VAT) turnover for each category of VAT for input and output tax separately.
- If possible the system should show a comparison of the amount of VAT calculated automatically by the system and the actual amount of VAT entered, against each line of transaction.
- All information from the system must be available in electronic data format as well as hard copy print.

**9. General.**

- It would be advisable to discuss your proposed move to a new FMS with the Local Authority at the earliest possible time. The contact initially should be the Schools Accounting & Budget Support Manager.
- You should ensure that you are licensed to operate your current system for a period beyond the implementation of any new FMS. For advice on this issue you should contact your current FMS supplier.
- If you decide to move to a new FMS you should ensure that prior to “go-live” the new and old FMS’s are run in parallel (the Chief Finance Officer’s Office will give guidance on this if required). This will provide reassurance to The Chief Finance Officer and the school that the new FMS is sound and avoid problems at a later stage of its implementation.
- Reference has been made on a number of occasions in this guidance note about ensuring that your chosen FMS can produce reports in the required format. For an up to date copy of these reports please contact the Manager, Schools Accounting & Budget Support Team.
- It is likely that a change to your MIS would affect other general management information for internal school use but could also affect data required externally, by the Local Authority for instance. We would therefore advise you to contact the LEAs ICT/E-Learning Advisor at an early stage so that other relevant officers can be involved early in the process.