ANNEX C

(deleted)

ANNEX D

PROCUREMENT RULES AND GUIDELINES

1 The procurement framework for Surrey County Council maintained schools is set out in the Procurement Standing Orders for Schools. The latest version (issued September 2016) is available within Section E of the School Finance Manual. The Scheme for Financing Schools requires Governors and headteachers to comply with those standing orders. **The Standing Orders are not themselves part of the Scheme and may be revised by the council from time to time**. Schools will be notified of such changes via the bulletin. This Annex summarises the main features of the Standing Orders.

2 The Standing Orders aim to balance the need to give schools the freedom necessary to manage their delegated budgets to best advantage and the need to maintain due regard for the proper accountability for and control over the expenditure of public funds. The Secretary of State expects that, within reasonable value for money requirements, schools should be able to purchase goods and services from whatever source they see fit, taking into account quality and convenience for the school as well as price. Schools must also ensure that proposed purchases comply with National and County Safety Standards and meet current fire regulations.

3 The Procurement Standing Orders have been drawn up to ensure that purchases meet appropriate safety standards and to assist schools to obtain optimum prices and value for money. In some cases convenience and speed of delivery are also important considerations.

4 The method of purchasing set out in the Procurement Standing Orders can be summarised as follows (the financial limits are revised by the Council from time to time and Governors informed accordingly):

(a) Low -Value Transactions

For transactions valued at or below **£9,999**, Governors, and where Governors have delegated these powers Headteachers, must obtain a written quotation from the supplier before a formal purchase order is issued specifying the supplies, services or works and setting out prices and terms of payment. A faxed quotation is acceptable in these cases. Schools should consider call-off contracts for supplies and services, where they exist, regardless of value.

(b) Intermediate-Value Transactions

For transactions valued over **£9,999 but at or below £49,999**, at least three written quotations must be invited. Either a formal contract must be entered into or a formal purchase order issued as appropriate, specifying the supplies, services or works and setting out prices, terms and conditions of contract and terms of payment. Faxed quotations are acceptable in these cases.

(c) Full Tender procedures for higher value transactions

For transactions valued at over **£50,000**, tenders must be invited and Governors must follow the requirements of standing orders as regards advertising to invite tenders, the number of tenders to be obtained and the opening of tenders. Schools should be familiar with contract standing orders and advice contained in Chapter E of the Schools Finance Manual before undertaking any tendering process.

Full EU compliant tendering is required for transactions over the EU limit (£172,514 at 1 September 2014), although there are some exceptions which are set out in the Procurement Standing Orders.

The Procurement Standing Orders also specify the requirements to be met if governors wish not to follow the procurement process normally expected for orders of any particular value.

5 The County Council negotiates special contracts (“Call-off” or - “Standing” Contracts) for the regular supply of certain items (e.g., heating oil). Schools are recommended to use these arrangements where they are available and so obtain the benefits of bulk purchasing. Indeed these benefits will only be sustained if schools provide good information on their requirements at the outset and give a reasonable commitment to the “call-off” they have forecast. Details of “call-off” contracts are circulated and updated from time to time.

6 Governing Bodies are required to ensure that contractors they engage have public liability insurance cover at the level determined by the Authority . This applies to all contracts, including those for less than £5,000. Currently the insurance requirements are:

* £5m or higher for contracts for works and designated services valued at up to £499,000

* £10m or higher for all other contracts for works and designated services

Full details are in the Procurement Standing Orders

Separate limits apply to direct advice, design and consultancy work.

ANNEX E

CONDITIONS AND REQUIREMENTS FOR THE OPERATION OF LOCAL BANK ACCOUNTS

This Annex summarises the conditions and requirements for the operation of local bank accounts included in section G of the Finance Manual. Nothing set out below alters any pre-existing requirements included in the Financial Regulations.

1 **Choice of Banking Arrangements**

(a) Any school with a delegated budget may opt to operate a local bank account or change the bank or bank account option from the beginning of any financial year provided written notice of this intention is given by the preceding 31 January (to the Babcock 4S Finance consultancy team).

(b) Schools are free to choose their own bank, but any choice outside the recommended list (s3.5.1) must be agreed in advance with the Chief Finance Officer, although existing accounts with banks not on that list can be retained;

(c) Bank accounts can be in the name of the school. Alternatively, schools can opt to hold an “Umbrella “account which will be in the name “Surrey County Council - the correct educational name of school” and will be opened by the Authority on behalf of the school.

(d) Former Grant maintained Schools are able to retain their existing bank account which was used to receive AMG in 1998/99. If this account is closed then the new account must conform to section 1 (b) above.

2 **Use of Local Bank Accounts**

(a) Payments from school bank accounts may only be made in respect of any expenditure which is a legitimate charge against the school’s budget or any community facilities expenditure which is being met from eligible funds or from income.

(b) Any cash income received by schools that is to be credited to the delegated budget should be paid into the local bank account.

(c) Schools are not empowered to incur overdrafts on their local bank accounts or to borrow funds other than advances from the County Council to avoid incurring overdrafts

(d) Any charges imposed on a school's chosen account(s) by the banker for whatever reason fall to be met from the school's delegated budget.

(e) Schools are not allowed to invest the Authority's funds in the money markets or any other non-authorised investment activity.

(f) Schools are permitted to operate high interest or deposit accounts or term deposits of less than one year, although their use is not encouraged and it is anticipated that the need for such accounts will be very limited. Schools wishing to operate such accounts may only maintain them with institutions on the authority's list of approved banking institutions. Schools should not account for transfers to and from any such accounts as income and expenditure, but should make appropriate arrangements to record such activities in their accounts, and should maintain full supporting evidence of the transactions. Any school using term deposits should have due regard to the risks of adverse interest rate movements. Details of balances on any such accounts, and of movements to/from such accounts, must be provided to the authority alongside the information required at the year end for reconciliation of local bank accounts. Further details will be provided in the Finance Manual.

3 Transfers of funds to local bank accounts

(a) Transfers of funds will be based on schools' budget share or a proportion of this depending on the chosen option.

(b) Termly transfers will be made on the first banking day of April, September and January. Monthly transfers including salary costs will be made three working days prior to the school pay date. Schools receiving monthly payments will receive a flat rate payment of 1/36th of budget share on 1 April which will be deducted from the month 12 payment.

(d) The County reserves the right to charge interest at the average local authority seven day rate for the relevant period on the funds advanced to the school to avoid the school going into overdraft on its local account.

4 Accounting Requirements

(a) Schools will be required to maintain a certain minimum level of analysis within the accounting records which support their local payments and receipts processes. These requirements will be consistent with responsibilities placed on the authority by external bodies.

(b) Schools will be required to submit monthly returns of payments from and receipts to their local bank accounts to the Chief Finance

Officer by the 18th of the following month. The return will be in a specified format consistent with the requirements outlined in paragraph (a) above.

(c) Schools will be required to submit a statement of annual expenditure and income in a specified format by 30 April following the end of the financial year. Schools will be required to convert their record of local payments and receipts into expenditure and income in a manner consistent with the Authority's accounting principles

(d) Schools with local bank accounts will be acting as the agents of the County in respect of the collection of VAT and income tax under CIS. Any penalties imposed by either Customs and Excise or Inland Revenue because of errors in the proper treatment of, or accounting for VAT and CIS income tax by schools will be recharged to their delegated budgets.

(e) Schools operating local bank accounts will retain locally all prime documents relating to their local payments and receipts processes. They will be required to retain these documents for such periods as specified by the Chief Finance Officer (see Finance Manual Section D Annexe 3) and may be required to make these available to the County's internal and external auditors and to representatives of Customs and Excise, Inland Revenue, Department of Work and Pensions and other similar bodies.

ANNEX F

Arrangements for the Approval of a Licensed Deficit

Content

Section

1. Framework and Timetable for Approval of a Licensed Deficit
2. Code of Practice for Schools with a Deficit Budget
3. Legislation Concerning the Management of Deficit Budgets
4. Data for Analysis and Management of Deficit Budgets

Appendix

A Model Agreement to a licensed Deficit

Section 1

Framework and Timetable for Approval of a Licensed Deficit

Introduction

Schools are required to operate within their formula allocation and most schools are able to achieve this. However, at any point in time, a minority of schools are unable to operate within their budget. This is sometimes due to circumstances partly outside their control and sometimes due to poor management of their budget.

Where a school finds itself in difficulty, it is normal for a Finance Consultant to assist the school to plan a balanced budget over a period of years, through a licensed deficit. The criteria for such a licence is detailed below.

Timetable :

Draft Budget Plan	30 November
Formula Published	End February
Budget Plan	1 May
Cabinet member meeting	July (for Member Approval of Budget)

Approval of Licensed Deficits

Officer Approval (up to 5% of budget share)
The scheme provides for officer approval for licensed deficits up to 5% of the budget share. .

Member Approval (over 5% of budget share)
Requests for a licensed deficit requiring member approval will need to be finalised two weeks prior to the Cabinet member meeting.

Consultants associated with individual schools will provide an opinion as to the likelihood that a school can deliver the proposed strategy.

Documentation Required:

A current year budget in the new format contained in Finance Manual.

Projected Budgets for years covering the period of the licence in the specified format. (also found in the Finance Manual)

The request should:
- not exceed 3 years, including current year;
- not exceed 10% of budget share in any year;
- show the budget balancing at the end of the licensed period.

In some cases it may be impossible for a school in the early stages of a deficit strategy to show a balanced budget position at the end of the licensed period. If member approval is sought to a non balancing license, this must first be approved by the Head of Finance for Schools and Learning.

Where a Governing Body cannot produce a balanced budget over 5 years, the Director for Education, Lifelong Learning and Culture may recommend that there is a review of school places and provision in the community served by the school (See Section 3).

Section 2

Code of Practice for Schools with a Deficit Budget

Introduction

The intention of this code is to ensure that the Governing Body retains responsibility for managing the budget. The Authority believes that spending decisions are best made locally. Any steps taken by the Authority to intervene would be short term and only taken as a last resort.

Code of Practice

Schools which will go into an unplanned deficit at year end, or anticipate a deficit budget in the following year(s) are required to complete a budget plan showing how they will repay the deficit over an agreed period up to three years..
The format of this plan can be found in the Finance Manual.

The budget plan will be reviewed and signed by the Authority if it is deemed to be realistic and achievable. The plan must be signed by the Headteacher, Chairman of the Governing Body and Director for Ecucation, Lifelong Learning and Culture to ensure all parties are signed up to the licensed budget strategy. A copy of the agreement will be retained by the school and the Authority.

Agreed licensed deficits will be reviewed annually. Schools with licensed deficits will be required to provide monthly monitoring reports, together with supporting evidence, during the terms of the licence, and quarterly reports for a minimum of one financial year thereafter (ie schools recently in deficit will be deemed to be in need of frequent monitoring under s2.1.2 of the Scheme). The format of the monitoring statements and the content of the supporting evidence will be advised by the authority when the recovery plan is approved.

If due to changing circumstances, a school is unable to comply with the terms of the agreement, a meeting will be held between the school and representatives of the Authority. Where a school can demonstrate genuine difficulties regarding compliance, it may be possible to renegotiate the length of agreement subject to a total length of licence not exceeding five years.

If a school fails to take the action specified within the agreement, and refuses to comply with negotiated amendments to the agreement designed to rectify the situation, the Authority may issue a formal warning. (See Section 3 - Legislation)

This warning will reiterate the steps which the Authority requires the Headteacher/Governing Body to take and will specify a compliance period. If the Headteacher/Governing Body fails to comply with the conditions set out in the warning, the Authority will be obliged to withdraw delegation from the Governing Body.

Section 3

Legislation Concerning the Management of Deficit Budgets

Suspension of Delegation

School Standards and Framework Act 1998
Schedule 15 (Section 51)

The Authority can consider withdrawal of delegation where it appears to the Authority that the Governing Body of a school:

(a) has been guilty of a substantial or persistent failure to comply with any delegation requirement or restriction, or
(b) is not managing in a satisfactory manner the expenditure or appropriation of the school budget.

Other More Radical Approaches

The Director for Education. Lifelong Learning and Culture may recommend a review of school places and provision in the community served by the school.

Closure and reopening a new school provides the only legal mechanism for the Authority to write-off accumulated school deficits leaving the school to operate without the burden of debt hanging over it.

Section 4

Data for Analysis and Management of Deficit Budgets

Introduction

When a school finds itself facing a possible deficit budget, there is a need to undertake some self evaluation. This evaluation should include the following data which the Authority would expect to see employed in formulating a balanced budget strategy.

Project pupil numbers:

First Preferences
Anticipated Numbers
School Pupil number trends

Prepare Formula Forecast
Prepare formula forecasts for the years covered by a possible license from the planning tool on the Schools and Learning Finance Website.

Surrey Benchmarking Data
Analysis of spending compared to Surrey average via schools database. This can be used to produce a per pupil variation on cost centres, and the overall impact of these on the school budget compared to average. (This is a tool to assist budget planning - schools are not expected to operate at average spending levels due to their differing circumstances)

Audit Commission - National Benchmarking Website
The Audit Commission website allows school expenditure to be compared to other schools nationally, by selection of a data group of similar schools.

Audit Commission - Self Evaluation Website
The Audit Commission website facilitates school self evaluation.

In Year Financial Performance
This should be calculated for each year covered by a licensed deficit. In its pure form it makes allowance for pupil number adjustments in previous and past years. This allows schools to see if they are using balances to support ongoing expenditure, a strategy that could flag up a potential future deficit.

Identify and detail why a school is in deficit:
Which costs are high and how can they be reduced if appropriate.
Could the school have avoided the deficit if timely decisions had been made?
Are changes in pupil numbers within or outside the control of the school?

Motivation

Governors, Heads and members of the Senior Management Team should all engage in the self evaluation and recovery plan. Schools should not expect solutions to be generated by Authority officers. However, officers will assist schools in any way they can within their individual specialism. It is unlikely that a school will overcome a significant deficit without acceptance of the financial problem and the subsequent recovery plan.

ANNEX G

RESPONSIBILITY FOR PREMATURE RETIREMENT AND REDUNDANCY COSTS

This Annex summarises the position relating to the charging of voluntary early retirement and redundancy costs. It sets out what is specified in legislation and provides some examples of when it might be appropriate to charge an individual school's budget, the central Schools Budget or the local authority's non-schools budget. The Annex is based closely on Annex B of the DFE Statutory Guidance on Schemes for Financing Schools, as updated in March 2018**. It is attached to the Surrey Scheme for information and is not part of the Scheme as such, nor is it a statement of Surrey County Council policy**. The fact that circumstances are listed in the Annex in which it might be appropriate for a local authority to meet premature retirement costs centrally does not mean that Surrey will always, or ever, meet such costs in those circumstances.

Section 37 of the 2002 Education Act states that:

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

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

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

The default position, therefore, is that premature retirement costs must be charged to the school's delegated budget, while redundancy costs must be charged to the local authority's budget. In the former case, the local authority has to agree otherwise for costs to be centrally funded, while in the latter case, there has to be a good reason for it not to be centrally funded, and that cannot include having a no redundancy policy. Ultimately, it would be for the courts to decide what was a good reason, but the examples set out below indicate the situations in which exceptions to the default position might be taken.

Charge of dismissal/resignation costs to delegated school budget
Charges to a delegated budget may be considered in the following circumstances

- If a school has decided to offer more generous terms than the authority's policy, then it would be reasonable to charge the excess to the school;
- If a school is otherwise acting outside the local authority's policy;
- Where the school is making staffing reductions which the local authority does not believe are necessary to either set a balanced budget or meet the conditions of a licensed deficit;
- Where staffing reductions arise from a deficit caused by factors within the school's control;
- Where the school has excess surplus balances and no agreed plan to use these
- Where a school has refused to engage with the local authority's redeployment arrangements.

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

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

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Premature retirement and redundancy costs for community facilities staff
For staff employed under the community facilities power, the default position is that any costs must be met by the governing body, and can be funded from the delegated budget if the governing body is satisfied that this will not interfere to a significant extent with the performance of any duties imposed on them by the Education Acts, including the requirement to conduct the school with a view to promoting high standards of educational attainment Section 37 states:

(7) Where a local education authority incur costs—
(a) in respect of any premature retirement of any member of the staff of a maintained school who is employed for community purposes, or

(b) in respect of the dismissal, or for the purpose of securing the resignation, of any member of the staff of a maintained school who is employed for those purposes,

they shall recover those costs from the governing body except in so far as the authority agree with the governing body in writing (whether before or after the retirement, dismissal or resignation occurs) that they shall not be so recoverable.

(8) Any amount payable by virtue of subsection (7) by the governing body of a maintained school to the local education authority may be met by the governing body out of the school's budget share for any funding period if and to the extent that the governing body are satisfied that meeting the amount out of the school's budget share will not to a significant extent interfere with the performance of any duty imposed on them by section 21(2) or by any other provision of the Education Acts.

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