

Bridgend County Borough Council

Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr



APPENDIX 1

A large, circular pile of gold coins, likely 100p coins, filling the central part of the page. The coins are stacked and overlapping, creating a textured, metallic appearance. The text 'Financial Scheme for Schools' is overlaid on this image in a large, white, sans-serif font with a blue outline.

Financial Scheme for Schools

**Primary, Secondary and
Special Schools**

BRIDGEND COUNTY BOROUGH COUNCIL

FINANCIAL SCHEME FOR SCHOOLS (FSS)

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1. INTRODUCTION

1.1 BACKGROUND

1.1.1 Under Section 48 of the School Standards and Framework (SSAF) Act 1998, Local Education Authorities (LEA's) are required to draw up schemes dealing with the financing of schools. These schemes are intended to govern the relationship between maintained schools and Local Authorities. The Welsh Government's aim in recent years has been to secure "*fair funding*" for all state maintained schools, and to increase the level of financial resources by delegating certain centrally held funding. The Local Authority has indicated its support for the seven principles set out in that paper:

1. Raising standards in schools
2. Self-management for schools
3. Clear accountability of both Local Authority and school
4. Transparency of school finances
5. Opportunity for schools to take greater responsibility for management decisions if they want this
6. Equity between the different categories of community, voluntary and foundation schools
7. Value for money for schools and Local Authorities

1.2 MAIN FEATURES OF FUNDING FRAMEWORK

1.2.1 Under the Education Act 2002 and subsequent School Funding (Wales) Regulations 2010, Local Authorities determine for themselves the size of their LEA Budget and Schools' Budget. The categories of expenditure which fall within the LEA and Schools' Budgets are prescribed under regulations made by the Welsh Government, but include all expenditure, direct and indirect, on an authority's education service. Local Authorities may retain funding for purposes defined in regulations made by the Welsh Government. The amounts to be retained centrally are decided by the authority, subject to any limits or conditions prescribed by the Welsh Government. The balance of the Schools' Budget after deduction of centrally retained funds is termed the Individual Schools Budget (ISB).

1.2.2 Local Authorities must distribute amounts from their ISB amongst their maintained schools according to a formula which accords with regulations made by the Welsh Government, and enables the calculation of the budget share for each maintained school. This budget share is then delegated to the governing body of the school, unless the school is a new school which has not yet received a delegated budget, or the right to a delegated budget has been suspended. The financial controls within which

delegation works are set out in this scheme. Subject to the provisions of the scheme, governing bodies of schools may spend budget shares for the purposes of their school. They may also spend budget shares on any additional purposes prescribed by the Welsh Government.

- 1.2.3 The Local Authority may suspend a school's right to a delegated budget if the provisions of the Financial Scheme for Schools (or rules applied by the scheme) have been substantially or persistently breached, or the budget share has not been managed satisfactorily. There is a right of appeal to the Welsh Government. A school's right to a delegated budget share may also be suspended for other reasons (s.17 of the SSAF Act).

1.3 **THE ROLE, PUBLICATION AND REVISION OF THE FINANCIAL SCHEME**

- 1.3.1 The Local Authority aims to secure, through its Financial Scheme for Schools, that effective, efficient and equitable opportunities for learning are provided for **ALL** pupils, irrespective of their age, gender, background or ability. The scheme sets out the financial relationship between the Local Authority and its maintained schools. The scheme contains requirements relating to financial management and other related issues which are binding on both the Local Authority and schools. The Scheme will be published on the Authority's webpages and will need to be drawn to the attention of all staff and governors. Any proposed revisions to the scheme will be subject to consultation with schools and approval by the Welsh Government, and will be notified to schools upon approval.

1.4 **LOCAL AUTHORITY'S GUIDING PRINCIPLES**

In its actions the Local Authority is guided by the following principles:

Partnership
Entitlement
Empowerment
Equity and Accountability

- 1.4.1 The principle of **PARTNERSHIP** in education, and of the collective use of resources to best effect, is an important one. Just as individual schools must have room for manoeuvre and the power to make decisions that suit their individual circumstances, so the Local Authority, as the democratic body for the area, must have power to determine wider priorities and resource distribution.

Schools need to work with each other, and with their local community and the Local Authority, to deliver the best education for **all** children. The principles of partnership and

synergy – the notion that the whole is greater than the sum of the parts – are as true and valuable in education as in other things; children’s education is more than any single stage at any one school.

Active partnership by all schools co-operating at varying stages of education, sharing good practice and combining to provide more comprehensive provision than would otherwise be possible in individual schools, is a highly desirable state of affairs. It is essential that all the partners in the education service work together for collective benefit and success.

1.4.2 There should be **ENTITLEMENT** for pupils which entails:

- Gaining access to relevant educational experience and learning opportunities
- Having opportunities to develop knowledge, skills and understanding appropriate to his/her current stage of development
- Having opportunities to reflect on personal experiences in a manner which enables the development of attitudes and values appropriate to being a member of a modern society.

1.4.3 The Local Authority believes in **EMPOWERMENT** in terms of assisting schools and governing bodies to take control of their own development and to be encouraged to have high expectations of themselves and others.

1.4.4 There should be **EQUITY** in the distribution of resources, and **ACCOUNTABILITY** on the part of education services having clear and explicit policies and procedures for:

- Planning suitable provision to meet individual needs (including identification and assessment)
- Resourcing provision in a fair and consistent manner
- Implementing provision in a fair and consistent manner
- Monitoring and recording progress
- Evaluating and reporting outcomes
- Reporting outcomes to inform future provision

1.4.5 If the best possible education is going to be provided for children in Bridgend County Borough, the following more specific **operational principles** should apply:

- The allocation of budget shares should be made on the basis that it is clear, simple, objective and accepted as broadly fair in its effects
- Some protection should be used where there is a need to react to sudden changes in resource levels
- Regular discussion should take place with schools about the distribution of resources to schools
- The Local Authority should provide detailed advice for

governing bodies on its policies, and should promote the sharing of experience between schools

- Clear delineation of the roles and responsibilities of all the parties in implementing, monitoring and evaluating the scheme on a regular basis
- Schools should be offered access to value-for-money and responsive Local Authority services

1.5 ROLE OF THE LOCAL AUTHORITY

1.5.1 The Local Authority will take on the strategic role of determining the total resources available to schools, deciding the scope of delegation within the framework of the Act, establishing a basis for the allocation of resources to individual schools by means of a formula, and setting out arrangements for the monitoring of the performance of schools.

1.5.2 The Local Authority will also offer support to governing bodies in their considerable management and financial responsibilities by means of professional advice and guidance by its officers and advisers.

1.6 MAINTENANCE OF SCHOOLS

1.6.1 The Local Authority is responsible for maintaining the schools covered by the scheme, and this includes the duty of defraying all the expenses of maintaining them (except in the case of a voluntary aided school where some of the expenses are, by statute, payable by the governing body).

1.6.2 Part of the way an authority maintains schools is through the funding system put in place under sections 45 to 53 of the SSAF Act 1998, i.e. through the delegation of school budget shares, any revisions made under the Education Act 2002 and through the School Funding (Wales) Regulations 2010.

1.7 SCHOOLS WITHIN THE SCOPE OF THE SCHEME

1.7.1 All existing primary, secondary and special schools, voluntary aided and voluntary controlled schools will continue to have full delegation. A full list of schools to which the Scheme applies is provided in Section 1 Appendix 1.

LIST OF MAINTAINED SCHOOLS WITHIN BRIDGEND COUNTY BOROUGH

PRIMARY SCHOOLS
Abercerdin Primary School
Afon-y-Felin Primary School
Betws Primary School
Blaengarw Primary School
Brackla Primary School
Bryncethin Primary School
Brynmenyn Primary School
Bryntirion Infants School
Caerau Primary School
Cefn Cribwr Primary School
Cefn Glas Infants School
Coety Primary School
Corneli Primary School
Coychurch (Llangrallo) Primary
Croesty Primary School
Cwmfelin Primary School
Ffaldau Primary School
Garth Primary School
Litchard Primary School
Llangewydd Junior School
Llangynwyd Primary School
Maes yr Haul Primary School
Mynydd Cynffig Primary School
Nantyffyllon Primary School

PRIMARY SCHOOLS (CONT')
Nantymoel Primary School
Newton Primary School
Nottage Primary School
Ogmore Vale Primary School
Oldcastle Primary School
Pencoed Primary School
Penybont Primary
Pil Primary School
Plasnewydd Primary School
Porthcawl Primary School
Tondu Primary School
Trelales Primary School
Tremains Primary School
Tynyrheol Primary School
West Park Primary School
PRIMARY SCHOOLS (WELSH MEDIUM)
Ysgol Gymraeg Bro Ogwr
Ysgol Gynradd Gymraeg Calon Y Cymoedd
Ysgol Gynradd Gymraeg Cynwyd Sant
Ysgol Y Ferch O'r Sger Corneli
PRIMARY SCHOOLS (VOLUNTARY AIDED)
Archdeacon John Lewis Primary School
St Mary's R C Primary School
St Mary's & St Patrick's Primary Catholic School
St Roberts R C Primary School
PRIMARY SCHOOLS (VOLUNTARY CONTROLLED)
Penyfai Church in Wales Primary School

SECONDARY SCHOOLS
Brynteg School
Bryntirion Comprehensive School
Coleg Cymunedol y Dderwen
Cynffig Comprehensive School
Maesteg Comprehensive School
Pencoed School
Porthcawl Comprehensive School
SECONDARY SCHOOLS (WELSH MEDIUM)
YGG Llangynwyd
SECONDARY SCHOOLS (VOLUNTARY AIDED)
Archbishop McGrath Catholic High School

SPECIAL SCHOOLS
Héronsbridge School
Ysgol Bryn Castell

2. FINANCIAL FRAMEWORK FOR SCHOOLS

2.1 INTRODUCTION

2.1.1 The Local Authority's total revenue expenditure on education can be divided into three main categories:

- Local Education Authority (LEA) Budget
- Schools Budget
- Individual Schools Budget

2.1.2 The LEA Budget relates to all categories of expenditure on central functions. Specifically it includes:

- Additional Learning Needs
- Health and Child Protection
- School Improvement
- Access to Education
- Education, Training and Services for Young Persons and Adults
- Strategic Management

The LEA Budget can be defined as the Local Authority's total revenue expenditure on education, excluding the Schools Budget.

2.1.3 The Schools Budget relates to all categories of expenditure on pupils and schools, either delegated or held centrally. Specifically it includes:

- Expenditure to support grants
- Additional Learning Needs
- Staff Costs
- Other Expenditure
- Individual School Budgets

2.1.4 The Individual Schools Budget (ISB) is the amount available for distribution to schools after the deduction from the Schools Budget of certain centrally held items of expenditure.

2.1.5 The funding formula and items to be retained and delegated are covered by regulations issued under the Education Act 2002 and subsequent School Funding (Wales) Regulations 2010.

2.2 FINANCIAL STATEMENTS

- 2.2.1 In accordance with Section 52 of the School Standards and Framework Act 1998, the Local Authority is obliged to publish, each year, a statement setting out details of its planned Individual Schools Budget, showing the budget share for each school, the formula used to calculate those budget shares, and the detailed calculation for each school.
- 2.2.2 After each financial year, the Local Authority must publish a statement showing outturn expenditure at school level, and the balances held in respect of each school.
- 2.2.3 Every school will receive a copy of each year's budget and outturn statements so far as they relate to that school.

3. SCHOOL BUDGET SHARES

3.1 INSTALMENTS OF THE BUDGET SHARE

3.1.1 Arrangements for “cheque-book” schools are outlined in Section 4. For non cheque-book schools the full budget is in effect available from the start of the financial year.

3.2 RESOURCING OF NEW SCHOOLS AND SCHOOLS DUE FOR CLOSURE/ AMALGAMATION/FEDERATION

3.2.1 New Schools

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

The Local Authority (LA) will estimate the pupil numbers expected to join the school and fund accordingly, explaining the rationale underpinning the estimates.

3.2.2 Schools Due For Closure, Amalgamation or Federation

Where a school is scheduled to be closed, amalgamated or federated during a financial year, the school will only receive formula funding for the proportion of the financial year for which it is open i.e. if a school closes on 31st August it will only be resourced for the first 5 months of the financial year (5/12 of the formula allocation).

When the school closes, any balance (surplus or deficit) reverts to the Local Authority. It cannot be transferred as a balance to any other school. The remainder of the annual budget will be retained centrally, to meet any exceptional costs incurred during the closing process together with any cumulative overspend at the school. Thereafter the budget will be reinvested into the Schools Budget.

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

- Restriction of expenditure to agreed plans
- Removal of powers of virement

3.3 CARRY OVER BALANCES

3.3.1 No individual school can be expected to spend precisely its formula funded allocation in any one financial year. Hence arrangements will need to be applied for schools to carry forward overspent/underspent balances from the previous financial year.

3.3.2 a. Underspend

The Authority would not normally encourage a school to plan to carry forward a sum exceeding 5% of its formula budget.

All schools will be required to complete a proforma at the end of each financial year, detailing how they intend to make use of their school balances over the coming financial year. The proforma will identify the following main areas:

- General Contingency
- Retrospective Adjustment
- School Planned Initiatives
- Demographic Change
- Unexpected Income/Expenditure
- Deficit

From September 2010 the School Funding (Wales) Regulations 2010 came into force. The new regulations provide local authorities with new powers to direct spending or claw back monies where surplus budgets held by schools exceed £50,000 for primary and £100,000 for secondary and special schools.

Consequently, once the accounts are closed, schools with balances in excess of these amounts will be required to provide a more detailed breakdown of how they intend to use these balances. Guidance and Procedures on Managing Surplus School Balances is available at Section 3 - Appendix 1. These surpluses will only be allowed to be carried forward with the approval of the Corporate Director - Education and Family Support and the Section 151 Officer (or his or her representatives). Any surpluses not approved will be clawed back and returned to the overall 'Schools Budget' and spent in the financial year in which they are clawed back.

In agreeing the carry forward of balances, consideration will be given to any future projects for which funding is being retained, including the timescale, the current position of the school budget and any other factors including falling rolls and previous history in relation to balances.

b. **Overspends**

Whilst schools should not budget for overspends, agreement to a deficit will be subject to the following conditions:

1. Schools should not normally set a deficit budget that is greater than 5% of the school's annual budget share or £10,000 (whichever is the higher). All deficit budgets must be agreed with the local authority.
2. The Section 151 Officer and the Corporate Director - Education and Family Support (or his or her representatives) must approve all deficit budgets prior to the school finalising the budget.
3. For deficit budgets in excess of the limits set out in point 1, a deficit recovery plan must be submitted to the Corporate Director - Education and Family Support identifying how the deficit will be recovered by the 1st May of the financial year to which it relates. A protocol for schools that are planning and managing a deficit budget is set out in Section 3 – Appendix 2.
4. A deficit balance should not be carried for more than 5 years. Failure to comply with this provision could result in removal of delegated powers until such a time as there is evidence that the financial action plan indicates a reducing budget deficit (see 4.18).

In order to satisfy financial accountability to the County Borough Council taxpayer, the Local Authority reserves the right to report to Cabinet on all schools that have, or plan to have, a deficit.

Schools wishing to apply to the Authority to set a deficit budget will be subject to detailed terms and conditions agreed between the governing body, head teacher and Authority's officers. Restrictions on expenditure and a higher level of budget monitoring will be required by the school and the Authority for the period of the deficit and until such a time as the Authority is satisfied that the school has met repayment targets and is in a position of financial stability.

- 3.3.3 All accumulated under/overspends accruing to schools as at the end of the financial year, will be automatically carried forward by each school to the following financial year, unless they have been clawed back under paragraph 3.3.2.
- 3.3.4 The Authority does not propose to pay interest on any underspends (or conversely charge interest on any overspends) provided such under/overspends are in accordance with paragraph 3.3.2, except to those schools with their own bank accounts - see Section 4.

3.3.5 Under no circumstances will the Authority be able to write off the deficit balance of any school. As indicated in paragraph 3.3.3, any deficit must be carried forward and deducted from the school budget share in the following financial year. In exceptional circumstances, the Corporate Director - Education and Family Support and the Section 151 Officer (or his or her representatives) may allow the scheduling of repayments of deficits at schools maintained by the Authority over an agreed period exceeding 5 years.

3.4 STATEMENT OF PRICE BASE USED

3.4.1 All school budget shares will be cash limited i.e. no additional allocations will be provided for any unexpected inflationary increases, other than those provided for during the budget setting process.

The Authority's accounts are prepared on an 'accruals' basis, in that the accounts for a particular financial year (1st April to 31st March) reflect all income and expenditure in respect of goods and services supplied or received WITHIN the financial year, irrespective of whether or not the invoice for the goods or services has actually been processed during that financial year.

3.5 PRIVATE FINANCE INITIATIVE (PFI) & OTHER PUBLIC/PRIVATE PARTNERSHIP ARRANGEMENTS

3.5.1 Where the school is part of a public/private partnership arrangement the Authority will reach agreement with the governing body in respect of charges the school will have to bear for services incorporated in delegated formula funds.

EDUCATION AND FAMILY SUPPORT DIRECTORATE

GUIDANCE AND PROCEDURES ON MANAGING SURPLUS SCHOOL BALANCES

Introduction

In September 2010 the School Funding (Wales) Regulations 2010 came into force. The regulations provided Local Authorities with new powers to direct spending or claw back monies where surplus budgets held by schools exceed £50,000 for primary and £100,000 for secondary and special schools.

This guidance has been developed in discussion with the School Budget Forum and allows for a degree of flexibility.

The Local Authority recognises the need for schools to hold a contingency balance, and the level of this can vary according to the size of the school and its associated budget allocation. Whilst the Local Authority can only clawback funding above the statutory levels of £50,000 and £100,000, it will review the balances of all schools. It is considered that a general contingency of up to 4% for primary schools and 2% for secondary and special schools is sensible. It is part of prudent financial planning to hold an adequate contingency, but schools should be spending the great majority of their money on children in schools now, and the Local Authority will take strong action where schools have excessive surpluses except where they are very clearly and accurately justified. The Local Authority will continue to monitor balances and use its powers to claw back excessive, uncommitted surplus balances.

Summary of Guidance

- The £50,000 and £100,000 thresholds are not targets, and schools with significant balances will be challenged on their whole balance. It is not the case that schools will only be required to justify surpluses over the thresholds.
- The Local Authority has clearly defined what counts as a committed balance, but not restricted itself to it where tighter local definitions are more appropriate. All committed balances, whether they are for capital projects, for planned falling rolls or a fall in funding, for accruals or committed orders, should be based on sound planning and rigorous evidence. Ongoing costs should be funded on a sustainable basis and not from balances.
- Clawed back funds will be directed to the Schools Budget overall and spent in the financial year in which they are clawed back. They could be spent on invest to save schemes such as supporting specific training initiatives or pump priming partnership arrangements, rather than simply being re-allocated based on pupil numbers.

Processes

Schools with surpluses already above the threshold will be subject to ongoing monitoring to ensure that approved plans to spend their balances are delivered, or the excessive surplus is otherwise clawed back.

The Corporate Director - Education and Family Support will have the final decision on whether to claw back funding from individual schools. As a minimum, the School Budget Forum will receive reports on schools where funding has been clawed back.

Procedure

At the end of the financial year all schools are required to complete a proforma analysing how they intend to use their balances.

However, for those schools that have balances in excess of £50,000 (primary schools) or £100,000 (secondary and special schools) a more detailed proforma will be sent which requires the school to break down their balance, setting out timescales, and providing evidence of the future spend.

Once these proformas are collated, discussions will be held between finance staff and other officers and a decision will be made as to whether or not the proposals are acceptable. Further information may be required from schools to support their proposals. Schools should involve Governing bodies in this process.

Where proposals are accepted, schools will be monitored to ensure the plans are put into practice.

Where proposals are not accepted, the surplus funding will be clawed back and directed to the Schools Budget overall, to benefit pupils in general.

NOTE: It is important to note that any balance over the two limits will not automatically mean clawback but could lead to clawback if there is inadequate justification and evidence for the surplus.

Defining a “committed” balance

Schools with an excess surplus balance must be able to justify their plans for their whole balance, not just the amount they are over the threshold, or they could be subject to clawback.

However, the Local Authority recognises the need for schools to hold a reasonable ongoing contingency balance.

Monies will only be classed as committed if the school can provide evidence to show that they:-

- Have been set aside for a **specific purpose**;
- Will be spent within a **defined timescale** with a fixed end point; and
- Have been **properly approved** by governors.

All schools should be planning to spend the great majority of their money on children in schools now, rather than planning reasons to hold on to it. Committed sums should be planned for, and should not simply be used as an explanation for a large balance. Schools will need to provide evidence of planning, such as details of projects in the school's Asset Management Plan or School Development Plan, along with minutes of governors' meetings.

The Local Authority will monitor whether the school has subsequently implemented the agreed plans, and will be prepared to claw back funds if there are not good reasons for these failing to progress.

Planning for uncertainty over future rolls, staffing, or funding

Schools should provide calculations, plans, or projections to show expected changes in rolls or staffing.

If a school is projecting a fall in pupil numbers, then it needs to move towards a budget and staffing structure which is sustainable on a long-term basis. Surplus balances should not be used to defer difficult decisions, though it could be legitimate for a school to cushion a temporary dip in pupil numbers or to fund the part-year costs of not implementing staffing reductions until the autumn term.

It is prudent to keep some money aside for contingencies.

However, this amount should be reasonable, based on the size of the school and its history of balances.

Prior year payments, accruals, and committed orders

Where a school is awaiting charges for services or goods, it should be able to produce evidence such as copies of orders, quotes, delivery notes, or invoices. Reported accruals or commitments should reconcile to what is recorded on the school's financial system.

Use of clawed back funds

The regulations state that the Local Authority can use any funding clawed back to be:

“applied as part of their schools' budget for the funding period in question”

Funding will normally be clawed back in the financial year following that in which the balance arose. Any funding clawed back will be re-invested in that same financial year.

The Local Authority, in consultation with the School Budget Forum if the sum is significant, will ensure that any funds clawed back are spent productively so that local and national priorities either benefit directly or by reallocation of resources through supporting efficiency measures elsewhere in the budget. Simply redistributing relatively small sums to all other schools will be of little benefit.

Clawed back funds may be used to fund invest-to-save priorities which can lead to greater efficiency savings and value for money in schools' spending. Examples of invest to save schemes include:

- Energy efficiency measures;
- Supporting training initiatives;
- Pump priming partnership arrangements;
- Adaptations to schools enabling them to admit more pupils with special educational needs, avoiding expensive out of authority placements.

Any queries to:

LMS Officer,
Finance Section,
Chief Executive's Directorate,
Bridgend County Borough Council,
Raven's Court,
Bridgend
CF31 4AP



SCHOOL SURPLUS BALANCES 20XX/20YY

ANALYSIS OF BALANCES FOR SCHOOLS IN EXCESS OF STATUTORY LIMITS

SCHOOL NAME:

BALANCE AS AT 31ST MARCH 20YY: £

BALANCE AS % OF FORMULA ALLOCATION:

Of the 20XX/20YY TOTAL Surplus Balance, the amounts assigned for spend are:

Contingency	£	%
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SPECIFIC PURPOSES

Specific Purpose	Amount (£)	Year in which spend is to be incurred
Total for Specific Purposes	£	
Total Contingency plus Specific Purposes	£	

NOTE: 'Total Contingency plus Specific Purposes' must equal the total balance carried forward.

This proforma must be supported by "hard evidence", such as an extract from Governing Body minutes, the school's financial plan, the School Development Plan, a letter seeking quotations, detailed breakdown of pupil numbers, or copy of an order placed.

Signed: _____ Date: _____ (Headteacher)

Signed: _____ Date: _____ (Chair of Governors)

Please return to LMS Officer, Finance Section, Raven's Court, by.....

Note: Failure to provide the required information will result in automatic clawback of surplus balances.

EDUCATION AND FAMILY SUPPORT DIRECTORATE

PROTOCOL FOR PLANNING AND MANAGING A SCHOOL DEFICIT BUDGET

Introduction

The purpose of this document is to outline both the Local Authority and schools' responsibilities and required actions, together with timescales, for the management of finances in schools that are either in a deficit position or forecast to be in a deficit position.

The contents are applicable to all school sectors (primary, secondary, and special) but excludes pupil referral units (PRUs).

Setting a Deficit Budget

The Bridgend County Borough Council Financial Scheme for Schools requires schools to obtain permission from both the Corporate Director - Education and Family Support and Section 151 Officer to set a deficit budget. This should be done by using the deficit proforma. The proforma needs to be submitted to SchoolsFinance@bridgend.gov.uk by 1st May of the financial year to which the deficit relates. Additional information may be included as part of the application but all information requested on the proforma MUST be included.

Schools should only apply to set a deficit budget in circumstances where they cannot set a balanced budget without significantly impacting upon educational provision.

Please note that schools need to prepare such a request each financial year for which the deficit budget is planned, irrespective of whether a deficit budget was set in prior financial years.

Unplanned Deficits occurring during the financial year

Any unplanned deficits that occur within the financial year due to unforeseen circumstances must be reported as soon as they become known to the school. These must be accurately reflected in the schools projected financial position with the nominated Schools Finance Officer for schools signed up to the Finance SLA or otherwise reported to the LMS Officer for those schools that have not signed up to the Finance SLA.

General Principles

All schools must submit a final budget (surplus or deficit), approved by the Governing Body, by the 15th May each year, including an approved deficit recovery plan for those schools who have been allowed to set a deficit budget.

The Local Authority has no power to 'write off' the deficit balance of any school and all deficits will remain a liability of the governing body until recovered.

Schools with deficits (actual, projected or planned) of greater than £50,000 in a primary school or greater than £150,000 in a secondary or special school will be requested to attend termly support and challenge meetings with senior Local Authority officers.

A school will be expected to deliver its recovery plan within a 3 year period. This may be extended in exceptional circumstances to no more than 5 years where a school cannot deliver a recovery plan over 3 years without seriously affecting its educational provision or standards.

Schools operating within the Deficit Recovery Protocol will need to inform the Corporate Director - Education and Family Support if they wish to appoint to any posts that are not included within the costed Deficit Recovery Plan. Such notification will not be necessary if a budgeted post becomes vacant due to staff resignation.

Evidence will be requested to ensure that governors are receiving the appropriate financial information regarding the Deficit Recovery Plan to enable them to fully engage in, support and challenge the Plan.

Please see the following flowchart representing the framework for supporting and challenging schools in deficit:

Deficit Protocol

School to draft budget for following financial year

Draft budget in deficit

Draft budget in surplus

School to apply to Corporate Director of Education and Family Support and the Section 151 Officer to set a deficit budget by 1st May

Submit Governor approved budget and recovery plan to Corporate Director of Education and Family Support by 15th May

Termly challenge and support meetings between Corporate Director of Education and Family Support, Finance representative and representatives of the school being Headteacher, Chair of Governors and Bursar.

If school not in Finance SLA, submit budget monitoring updates to Finance in line with the budget reporting timetable

Projected outturn in deficit

Projected outturn in surplus

Performance in line with deficit

Unable to meet deficit recovery plan

Continue to closely monitor

Revise plan

Inform Governors

Notes to the Flowchart

Where a school has applied to set a deficit budget (by the 1st May) and this has been approved by the Corporate Director - Education and Family Support and the Section 151 Officer (or his or her representatives), the school must submit both the governing body approved budget and Deficit Recovery Plan to the Local Authority by the 15th May.

Schools setting a deficit budget greater than £50,000 in a primary school or greater than £150,000 in a secondary or special school will be requested to attend termly support and challenge meetings with senior Local Authority officers.

At these meetings, school representatives will be;

- Headteacher,
- Chair of Governors,
- and in the case of a secondary school, the bursar or School Finance Manager.

Local Authority representatives will be;

- Corporate Director - Education and Family Support
- Section 151 Officer (or his/her representative)
- LMS Officer

At these meetings, schools will need to provide evidence of information provided to the governing body regarding financial management, provide robust outturn information and an updated Deficit Recovery Plan if applicable.

Any deviation from the planned actions will need to be explained.

Any unplanned deficits that occur within the financial year due to unforeseen circumstances must be reported as soon as they become known to the school. If this causes the school balance to exceed the deficit threshold values detailed above, these schools will also be expected to meet with senior Local Authority Officers for termly progress meetings.

Notice of Concern

A school that fails to take the necessary action will be issued a formal Notice of Concern signed by both Corporate Director - Education and Family Support and Section 151 Officer, stating the action the Local Authority recommends the school should take to bring the budget back in to balance.

An explanation will be required from the school within one month of the Notice of Concern being issued. It must detail the action being taken to safeguard the school's financial position and why progress to date has not been satisfactory.

The notice will be rescinded upon satisfactory evidence being received and accepted by the Corporate Director - Education and Family Support and Section 151 Officer.

Suspension of Delegated Powers

Any school failing to comply with the Deficit Protocol will be in breach of their financial management responsibilities. This will be challenged and can lead to intervention by the Section 151 Officer and potential removal of the delegated powers of the school.

Where the Corporate Director - Education and Family Support and Section 151 Officer considers that insufficient progress or cooperation has been made, a decision can be made to suspend delegation. Under suspension the Local Authority would take control of the budget and take the necessary action before returning delegated responsibility to the Governing Body. During the suspension, school staff would be responsible for the day-to-day financial administration in the school, but all budgetary decisions will be removed from the school/governing body.

Removal of delegated powers will apply where:

- The school is persistently in breach of the Financial Scheme for Schools
- The school will not set a balanced budget
- The school will not set a Deficit Recovery Plan
- The deficit is worsening and no action is being taken by the school
- There is evidence of financial mismanagement by the school
- A school in special measures has not demonstrated commitment to making better use of resources or achieving value for money

SCHOOL DEFICIT RECOVERY PLAN - PROFORMA

Schools should only apply to set a deficit budget in circumstances where they cannot set a balanced budget without significantly impacting upon educational provision.

In accordance with the Financial Scheme for Schools, _____ School formally requests permission from the Corporate Director - Education and Family Support and Section 151 Officer to set a deficit budget.

We confirm that we will comply with the monitoring requirements of the Protocol, apply robust financial management within the school and be proactive in seeking and managing cost reductions.

Please see enclosed draft Deficit Recovery Plan.

Signed (Headteacher):

Print Name:

Date:

Signed (Chair of Governors):

Print Name:

Date:

Request to be emailed to SchoolsFinance@bridgend.gov.uk

SCHOOL DEFICIT RECOVERY PLAN

School Name _____

School Formula Allocation	
What level of deficit are you applying for approval for?	
Deficit as % of Formula Allocation	

Whilst a deficit balance cannot be carried for more than 5 years, there is an expectation that schools will recover deficit budgets within 3 years. In *extreme* circumstances, should you require an agreed deficit which will extend beyond 5 years, please document the reasons, and the likely recovery in the box below. All deficits must be agreed by the Corporate Director – Education and Family Support and the Section 151 Officer.

As outlined in the Financial Scheme for Schools, under no circumstances will the Local Authority be able to write off the deficit balance of any school.

Please complete if deficit is likely to extend beyond 5 years:

Reason for Deficit

Please include in this section the reasons for the deficit budget and the circumstances leading up to the current position.

Recovery Plan

Please include in this section a detailed narrative of the recovery plan including the action to be taken and detailed timescales, which link in with your agreed projections, as approved by your governing body. (Please attach a copy of the minutes from your finance sub-committee, as evidence of approval).

	20AA/BB	20BB/20CC	20CC/20DD	20DD/20EE	20EE/20FF
	£000	£000	£000	£000	£000
Number of pupils funded					
Estimated Delegated Budget					
Estimated net expenditure					
Add balance brought forward					
Closing balance					

Please note that additional rows may be added to the table above to be more representative of your school's income and expenditure.

Actions required to bring the school into surplus/reduce the deficit:

	Savings Proposal Values				
	20AA/BB	20BB/20CC	20CC/20DD	20DD/20EE	20EE/20FF
	£000	£000	£000	£000	£000
Action A					
Action B					
Action C					
Action D					
Action E					
Total					

Additional Information to support your request for an agreed deficit.

Deficit Recovery Plan approved by:-

Signed (Corporate Director - Education and Family Support):

Print Name:

Date:

Signed (S151 Officer):

Print Name:

Date:

4. FINANCIAL REGULATIONS FOR SCHOOLS

EXPLANATORY NOTE

The financial regulations in this document are divided into **two parts**.

Part 1 is directed for the attention of **the governing body**. It incorporates the policy aspects of financial regulations.

Part 2 of these financial regulations is concerned with **the day to day management of schools and may be more applicable to the activities of the headteacher or other staff in the school**.

It is emphasised that notwithstanding the division of these financial regulations between parts 1 and 2, the governing body, headteacher and staff of the school must abide completely with all of the financial regulations in parts 1 and 2.

PART 1

4.1 GENERAL

- 4.1.1 The finances of the authority are controlled and regulated through the Cabinet.
- 4.1.2 The Cabinet is also responsible for determining the Financial Scheme for Schools in accordance with the School Standards and Framework Act 1998 and the Education Act 2002.
- 4.1.3 The Section 151 Officer, for the purpose of section 151 of the Local Government Act 1972, shall be responsible for the proper administration of the authority's financial affairs. The scope of the duties of the Section 151 Officer under section 151 shall include all aspects of the financial management undertaken by a governing body. To this end, the Section 151 Officer, or his/her representative, has a right of attendance at any governing body meeting at which any agenda items are relevant to the exercise of his or her responsibilities.
- 4.1.4 The governing body shall consult with both the Corporate Director - Education and Family Support and the Section 151 Officer before incurring any expenditure which is not in accordance with the Financial Scheme for Schools. The governing body shall also consult with and obtain the agreement of the Section 151 Officer, if it is in any doubt whatsoever that an item of expenditure may not be lawful, or may result in expenditure exceeding the resources available to the governing body including the carry-over limit permitted in the financial scheme.
- 4.1.5 Governing bodies are required to provide the authority with details of anticipated and actual expenditure and income in a form and at times determined by the authority.
- 4.1.6 (i) The governing body shall be responsible for the observance of the financial regulations throughout the school.
- (ii) The governing body shall be required to bring financial regulations to the attention of all relevant staff within the school.
- (iii) Staff who fail to observe regulations may be subject to disciplinary action by the headteacher and/or the governing body.
- (iv) Governing bodies who fail to observe financial regulations may have the financial scheme withdrawn.

- 4.1.7 The governing body shall be responsible for the accountability of staff and the security, custody and control of all resources including plant, building, materials, cash and stores appertaining to its school in accordance with procedures agreed with the Section 151 Officer.
- 4.1.8 In the management of the school's budget share, the governing body is required to have due regard to duties placed on the Local Authority in relation to health and safety and to the Local Authority's policy on health and safety matters.
- 4.1.9 The governing body may, at its own expense, obtain independent legal advice where there is a conflict of interest between the authority and the school which cannot be resolved by discussions between the parties. The governing body must ensure that any such legal advice is obtained from those who advise in the area of law involved.
- 4.1.10 Any amount specified in these regulations may be varied following approval from Cabinet/Council.
- 4.1.11 The advice and guidance of the Corporate Director - Education and Family Support and the Section 151 Officer should be sought where appropriate. Authority and responsibility within the parameters of the Financial Scheme for Schools remain with the governing body and headteacher but the professional assistance of the Corporate Director - Education and Family Support and the Section 151 Officer will be readily available upon request. Other chief officers of the authority will also assist when requested.

4.2 BUDGETS AND BUDGETARY CONTROLS

- 4.2.1 The Corporate Director - Education and Family Support shall each year notify the governing body of the resources available to the school for the period 1st April to the following 31st March. The notification shall be issued before the commencement of the financial year and shall be in accordance with the approved financial scheme.
- 4.2.2 The governing body shall determine a budget for the school consistent with the resources available and notify the Corporate Director - Education and Family Support by **15th May** each year of its proposed budget allocations. It should detail the governing body's intentions for expenditure in the financial year and the assumptions underpinning the budget. The form of such a notification and the supporting information required will be specified by the Corporate Director - Education and Family Support and agreed with the Section 151 Officer. It is recommended that the governing body specifies the form of the

budget for the internal management of the school. Such a budget needs to be expressed in financial and non-financial terms and should as necessary cover:-

- The number and costs of teachers
- Incentive allowance payments
- Size of teaching groups and curriculum coverage
- Details of staffing other than teachers
- Analysis of the budget between departments of the school (may only be applicable to secondary schools)
- Comparisons of budget proposals with actual expenditure in the previous year
- Itemisation of any equipment, maintenance, decoration, goods or services with an individual value of (say) £1,000 (such figures to be determined by the governing body)

4.2.3 It would be appropriate to designate the headteacher as the person responsible for control of the budget on a day to day basis. Efficient management of the school will be assisted if the headteacher is given authority to incur any expenditure for which there is budgetary provision (subject to the procedure specified in the financial regulations). The governing body may wish to reserve the right not to delegate authority on certain matters, in which case the delegated authority should be clear and explicit.

4.2.4 The first formal budget plan of each financial year must be reported to, considered and approved by the full governing body. However, it may be appropriate for a sub-committee of the governing body to consider a draft budget in the first instance. Such a sub-committee may be an appropriate group of governors to receive periodic reports from the headteacher on the spending of the budget during the course of the financial year. In any case, the full governing body must receive a budgetary control report once a term either via the sub-committee or direct from the headteacher.

4.2.5 In setting their budgets, schools must take account of estimated deficits/surpluses as at the previous 31st March.

4.2.6 In a climate of limited financial resources schools are encouraged to secure best value in the use of their resources. Schools should seek to deliver services to clear standards - covering both cost and quality - by the most effective, economic and efficient means available.

“Best value and quality provision are achieved when services:

- ***are responsive to the changing needs and expectations of local people;***

- ***consistently meet measurable, regularly improved and affordable performance targets; and***
- ***are provided at demonstrably competitive prices.”***

Source: “Improving Local Services Through Best Value”

4.2.7 The Section 151 Officer will provide the governing body with any income or expenditure data held which the governing body in consultation with the Section 151 Officer considers necessary to efficiently exercise control over the school’s budget. Schools will have direct access to the Local Authority’s financial information system, unless they are operating under the Cheque Book Schools scheme. Other financial information may be provided upon request. Schools will also receive a statement indicating their final under/over-spend once the accounts are closed.

4.2.8 Control of income and expenditure in accordance with the delegated budget shall be the overall responsibility of the governing body, which may delegate responsibility for the preparation and management of its budget to a sub-committee of the governing body, or to the headteacher. The governing body may give the headteacher authority to delegate certain functions to members of staff but the headteacher remains responsible for any delegated functions. The extent of any delegation should be recorded in the minutes of the governing body. The sub-committee or headteacher, as appropriate, shall maintain control of the budget of the school in accordance with instructions issued by the governing body in relation to such matters as the transfer of budget provision between approved heads.

4.2.9 Although it is not a legal requirement, it is strongly recommended that each governing body, in consultation with its headteacher, adopt a formal written scheme for the delegation of authority in financial matters, which is approved by the full governing body. This should outline responsibility for specific functions (governing body / headteacher / bursar etc.) and the agreed financial limits for those areas of responsibility. This will ensure:

- Clarification of the respective roles of governors and heads;
- Stability and continuity, especially when key persons are replaced;
- Protection for both governors and headteachers.

Further information is provided in Section 4 - Appendix 2.

4.2.10 In exercising control of income and expenditure, the governing body, or, where management of the budget has been delegated, the sub-committee or the headteacher, shall be free to vire between budget heads. Monitoring reports together with revised

budget plans must be submitted to the Finance Section within three weeks of the end of each quarter. The form of the monitoring reports and revised budget plans will be specified by the Corporate Director - Education and Family Support and agreed with the Section 151 Officer. The full governing body must also receive budget monitoring reports at least once a term.

- 4.2.11 The Local Authority will not require submission of such financial information, with the exception of that connected with tax or banking reconciliation, more frequently than on a quarterly basis, unless it has notified the school in writing that in its view the financial position of the school requires more frequent submission, or the school is in its first year of operation.

- 4.2.12 Schools may be allowed to use their budget shares to meet the cost of capital expenditure on the school premises. However, if there is expected capital expenditure from the budget share the governing body must notify the Local Authority, especially if the premises are owned by the Local Authority. The governing body must seek approval from the Section 151 Officer and Corporate Director - Education and Family Support, and seek advice as to the merits of the proposed expenditure. Section 7 – Corporate Landlord Roles and Responsibilities shows the categories of work which the governing body must finance from its own budget, and the categories of work classed as capital expenditure. Schools should also refer to Supplement 'Funding Capital Projects from Revenue Budgets'.

4.3 ACCOUNTING

- 4.3.1 The Section 151 Officer shall be responsible for maintaining the primary accounting records of the authority.

- 4.3.2 Accounting policies, procedures and records shall be maintained to a standard and in a form determined by the Section 151 Officer.

- 4.3.3 The governing body shall provide the Section 151 Officer with any information requested which is required for the purpose of maintaining or closing the accounts of the authority. Such information shall be provided in the form, and in accordance with any timetable, determined by the Section 151 Officer.

4.4 AUDIT

Internal Audit

- 4.4.1 Schools are subject to the Council internal audit regime and the Council external audit regime as determined by the Wales Audit Office and are required to co-operate with these regimes. Schools are required to co-operate with both the internal and external auditors as determined by Financial Procedure Rules and statutory requirements.
- 4.4.2 The Section 151 Officer, or his/her authorised representative, shall have authority to:
- (a) enter at all reasonable times on any Council premises or land; and
 - (b) have access to and removal, if necessary, into his/her custody of all records, documents and correspondence, including data held on electronic media, relating to any financial or other transactions of the Council; and
 - (c) require and receive such explanations as are necessary concerning any matter under examination; and
 - (d) require any officer or Member of the Council to produce cash, stores or any other Council property under his/her control.
- 4.4.3 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of the Council, or any suspected irregularity in the exercise of the functions of the Council, the governing body or headteacher, or any other Officer, concerned shall forthwith notify the Section 151 Officer.
- 4.4.4 Schools are required to provide annual audit certificates in respect of voluntary and private funds held by them and of the accounts of any trading organisations controlled by the school.

External Audit

- 4.4.5 It is a statutory requirement that the accounts of local authorities be externally audited. The external auditor has to be satisfied that the accounts comply with appropriate regulations and statutory provisions, that proper practices have been observed in the preparation of the accounts, and that the authority has made proper accounting arrangements for securing economy, efficiency and effectiveness in the use of resources.
- 4.4.6 In carrying out his/her duties, the external auditor has considerable power to obtain documents and require information, explanations and facilities. He/she has the right of access at all

reasonable times to any documents of the school which appears to him/her to be necessary for the purpose of the audit. The external auditor may require a member of the governing body or the headteacher or any member of staff of the school to give such information or explanation as appears to be necessary.

- 4.4.7 The governing body at its own expense may obtain additional audit certification of its accounts. Any such audit would be in addition to and separate from the authority's external and internal audit processes, but good practice would usually require that such auditors liaise with them.

Audit of Private Funds

- 4.4.8 The governing body/Headteacher shall keep the Corporate Director - Education and Family Support and the Section 151 Officer fully informed of all voluntary and private funds held on behalf of the school including school funds, Parent Teacher Association (PTA) funds and Trust funds.

- 4.4.9 The governing body shall be responsible for the management and audit of all such funds and shall formulate procedures and regulations for those operating such funds.

- 4.4.10 The governing body shall ensure that all relevant persons responsible for the operation of such funds comply with these procedures and regulations.

- 4.4.11 The school is required to complete annual audit certificates in respect of all such funds, and the accounts of any trading organisations controlled by the school, to show that such accounts have been subject to financial inspection. The Fund Auditors should also complete an Auditors' Checklist, a copy of which should be retained at the school and also be given to the Chair of Governors.

4.5 BANKING ARRANGEMENTS AND CHEQUES

- 4.5.1 All banking arrangements shall be made by or under arrangements approved by the Section 151 Officer, who shall be authorised to operate such banking accounts as considered necessary.

- 4.5.2 Where schools have chosen to operate their own bank account and cheque book, the financial regulations relating to school bank accounts as set out in Section 4 Appendix 1 will operate in that school in relation to cheque book and bank account administration. Detailed operating rules relating to school bank

accounts are supplied to relevant schools by the Section 151 Officer.

4.6 INVESTMENTS AND BORROWING

- 4.6.1 No investments of authority funds shall be undertaken without the express written permission of the Section 151 Officer, unless the school concerned operates its own bank account, in which case Section 4 Appendix 1 applies.
- 4.6.2 No borrowing of monies shall be undertaken, including the taking out of finance leases, unless the governing body obtains the express permission of the Section 151 Officer.
- 4.6.3 To prevent any problems associated with leasing, such as distinguishing between an operating lease and a finance lease, schools must contact the Loans and Investment Officer before considering entering into any proposed lease agreements. This will ensure that Financial Procedure Rules are followed and that all potential costs can be appraised. All lease agreements commit schools to a contractual agreement over several years, so in the event that the school defaults on its payments, the Local Authority would become liable. Any agreed lease agreements which are then taken out for the school will need a written undertaking that provision has been made in its budget for the period of the lease. All leases must be signed by the Section 151 Officer.
- 4.6.4 The governing body is responsible at all times for the payment of leasing rentals in accordance with the terms and conditions of the lease. Any costs arising through default, variation or termination of a leasing agreement will be charged to the delegated budget. Where a school incurs expenditure which is deemed to be a Finance Lease without the prior written consent of the Section 151 Officer, the Authority may require that the full cost of the asset be met from the school's delegated budget in the year in which it was first acquired.

4.7 CONTRACTS FOR SUPPLY OF WORKS AND GOODS AND SERVICES

- 4.7.1 Governing bodies must abide by the authority's Contract Procedure Rules for Schools in purchasing, tendering and contracting matters. Schools must also ensure that they comply with all provisions of this scheme, with any statutory provision or with any EU Procurement Directive when entering into contractual arrangements.

A copy of the authority's Contract Procedure Rules for Schools is contained in Supplement B.

4.7.2 In situations of conflict with the following directives, the ensuing order prevails:

- (i) EU Treaty and relevant directives
- (ii) United Kingdom legislation
- (iii) Bridgend County Borough Council's Contract Procedure Rules Relating to Contracts for Schools.

4.7.3 When considering an order for the supply of work or goods and services, the governing body is expected to invite tenders or quotations, as described in the school's standing orders, to ensure the best value for money as contained in Government and Welsh Government legislation, and to assess in advance, where relevant, the health and safety competence of contractors, taking account of the Local Authority's policies and procedures.

4.7.4 Although work carried out by the Local Authority for or on behalf of schools does not need to go through a competitive tendering process, the advice and guidance of the Corporate Director - Education and Family Support should be sought before any orders or contracts for the activities detailed below are placed:

- Grounds Maintenance
- Vehicle Maintenance
- Cleaning of Buildings
- Catering
- Repairs and Maintenance of Buildings

Before any staff are employed to perform duties in respect of these services the governing body must consult with the Corporate Director - Education and Family Support and the Human Resources section in order to receive advice on:

- Practical/financial implications
- Number of staff required
- Appropriate levels of remuneration and other related conditions of service

4.7.5 In the majority of cases, a school is free to opt out of a contract arranged by the authority. Where the school has opted into the contract the school is bound into the contract for its length except as otherwise stated by the terms under which the school has opted in or the terms of the contract.

4.7.6 Although governing bodies are empowered under paragraph 3 of schedule 10 to the School Standards and Framework Act 1998 to enter into contracts, in most cases they do so on behalf of the Local Authority as maintainer of the school and owner of the funds

in the budget share. However, other contracts may be made solely on behalf of the governing body, where the governing body has clear statutory obligations e.g. contracts made by Aided or Foundation schools for the employment of staff.

- 4.7.7 It is the responsibility of the governing body to ensure that any external contractor engaged for the repair and maintenance of property must be insured in accordance with the requirements of the Section 151 Officer and that any relevant tax deductions are made in accordance with HM Revenue and Customs requirements for the construction industry (see Supplement E).
- 4.7.8 Works of new construction which are not in the delegated budget will continue to be arranged by the Corporate Director - Education and Family Support. Section 7 covers Corporate Landlord Roles and Responsibilities.

4.8 ORDERS FOR WORKS, GOODS AND SERVICES

- 4.8.1 Official orders shall be in a form approved by the Section 151 Officer and are to be authorised only by a member of staff approved by the governing body. Before issuing official orders, members of staff designated to authorise them must be satisfied that there is provision in the school's budget.
- 4.8.2 Official orders shall be issued for all work, goods or services to be supplied to the school except for supplies of public utility services, for periodical payments such as rent or rates, for petty cash purposes or such other exceptions as the Section 151 Officer may approve.
- 4.8.3 A copy of each order shall, if so required, be supplied to the Section 151 Officer.

4.9 PAYMENT OF ACCOUNTS

Cheque book schools must also refer to the operating rules for school bank accounts.

- 4.9.1 Apart from petty cash and other payments from advance accounts, the normal method of payment of money due from the authority shall be by cheque, BACS, or other instrument drawn on the authority's bank account by the Section 151 Officer, unless the school operates its own bank account.
- 4.9.2 The cheque or other instrument will be sent by the Section 151 Officer direct to the payee unless the Section 151 Officer authorises some other method of transmission.

- 4.9.3 In the absence of a contract agreement with the supplier which defines an earlier or later settlement period, invoices should be processed for payment to be received by the supplier within 30 days of the delivery of goods or supply of the service, or the date of receipt of a correct invoice (being in PDF format and if emailed sent from a business email address), if that is later.
- 4.9.4 Any claims for interest for late payment under the provisions of the Late Payment of Commercial Debts (Interest) Act 1998 fall to be met from the school's budget.

4.10 SALARIES, WAGES AND PENSION

- 4.10.1 The payment of all salaries, wages, pensions, compensation, gratuities, injury allowances and other emoluments to all employees, or former employees of the authority shall be made by, or under arrangements approved by, the Section 151 Officer. Any such arrangements must have full regard for the requirement upon the Council to meet its statutory and other obligations as the employer of the members of staff at the school.
- 4.10.2 Under the Teachers Pensions Regulations 1997, as amended, local authorities have a duty to supply information to Teachers Pensions regarding pensions. Where governing bodies have their own payroll services they need to submit an annual return to the Council which reflects salary and service. Governing bodies also need to pass details of Additional Voluntary Contributions (AVC) within the time limit shown in the AVC scheme.
- 4.10.3 To comply with accounting requirements, and to satisfy the needs of internal and external auditors, where governing bodies have their own payroll services, they are required to submit each month, in a form and by a date specified by the Section 151 Officer, information relating to payroll transactions for posting into the Council's statutory accounts.

4.11 GENERAL DATA PROTECTION REGULATION AND FREEDOM OF INFORMATION (FOI)

- 4.11.1 On May 25th 2018, the General Data Protection Regulation (GDPR) came into force, which changes how businesses handle data on their customers and employees. It replaces the Data Protection Directive 95/46/EV, which was put in place in 1995 for individuals with regard to the processing of personal data and on the free movement of data. The EU GDPR is designed to enhance data privacy laws across Europe, changing the way

organisations approach citizen's data privacy. Schools will need to ensure compliance with this regulation.

- 4.11.2 An FOI is the provision of information not covered by the GDPR. The two have close links.

If the school or educational establishment is a public authority, the FOI Act means they must produce a publication scheme.

This scheme will outline the information they make available to the public, e.g. tables of data, annual reports or financial information.

The Information Commissioner's Office (ICO) has produced a range of documents to explain the detail of what schools need to publish.

Anyone wishing to access information which is not about a person would use the FOI process and should make their request directly to the school that holds that information.

4.12 STOCKS AND STORES

- 4.12.1 Each governing body shall be responsible for the care and custody of the stocks and stores in its school.
- 4.12.2 Losses due to theft of stocks or cash shall be reported to the Section 151 Officer and Corporate Director - Education and Family Support immediately.

4.13 INCOME

Cheque book schools must also refer to the operating rules for school bank accounts.

- 4.13.1 The disposal of any equipment purchased by a school must be authorised by the governing body and all documentation retained to enable proof of value for money. Further advice, if necessary, may be sought from the Section 151 Officer.
- 4.13.2 Income generated by the sales of any such items of equipment or materials shall be paid into the authority's bank account, except income generated for private fund activities. All bankings should be in accordance with the banking regulations.
- 4.13.3 The income generated from the sale of any asset purchased from a school's delegated budget shall be credited to the school.

- 4.13.4 Where fees are charged for a service provided by the school, or where income is received from fund raising activities, the income generated shall be credited to, or retained by, the school except where the service has been provided by the authority from centrally retained funds.
- 4.13.5 Schools are allowed to retain income from lettings of the school premises and grounds which would otherwise accrue to the authority, subject to alternative provisions arising from any joint use or any Public Private Partnership (PPP) agreements. Schools are allowed to cross-subsidise lettings for community and voluntary use with income from other lettings, provided that there is no net cost to the budget share. However, schools are required to have regard to directions issued by the authority as to the use of school premises and grounds.
- 4.13.6 Any income generating activities shall be authorised by the Corporate Director - Education and Family Support, unless permitted in the Financial Scheme for Schools.

4.14 VALUE ADDED TAX (VAT)

- 4.14.1 The rules governing VAT have always been applied stringently by H.M. Revenue and Customs. The governing body has the responsibility for accounting for VAT properly and, therefore, the school will be liable to pay any amounts owing to H.M. Revenue and Customs if the rules are not adhered to. Supplement D contains information about VAT rules, whilst further advice or guidance is available from the Section 151 Officer.

4.15 SCHOOL PRIVATE FUNDS

- 4.15.1 All school governors and relevant staff must be provided with a copy of the School Private Fund Regulations (available from the Corporate Director - Education and Family Support).
- 4.15.2 All school private funds must be administered in compliance with the School Private Fund Regulations.
- 4.15.3 The accounts of the fund shall be reported annually to the governing body and to parents

4.16 DECLARATION OF INTEREST

- 4.16.1 The governing body shall maintain a register which lists the business interests of each member of the governing body and the headteacher, and any member of their immediate family. The register must be kept up to date and made available for inspection by governors, staff, parents and representatives of the authority. The business interests register must be maintained as appropriate.
- 4.16.2 A governor, headteacher or other member of staff of the school with a material interest in a personal capacity in any contract or potential contract with the school shall declare the interest to the governing body or relevant sub-committee of the governing body. Part IV, Regulation 57, Schedule 7 of the Education (School Government) Regulations 1989, as amended, specifies the circumstances in respect of withdrawal from meetings of the governing body.

4.17 NOTICE OF CONCERN

- 4.17.1 The Local Authority may issue a notice of concern to the governing body of any school it maintains where, in the opinion of the Section 151 Officer and the Corporate Director - Education and Family Support, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the Local Authority or the school. Such a notice will set out the reasons and evidence for it being made and may place on the governing body restrictions, limitations or prohibitions in relation to the management of funds delegated to it. These may include:
- Insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school;
 - Insisting that an appropriately trained/qualified person chairs the finance committee of the governing body;
 - Placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools – such as the provision of monthly accounts to the authority or the withdrawal of local banking arrangements;
 - Insisting on regular financial monitoring meetings at the school attended by Local Authority officers;
 - Requiring a governing body to buy into the Local Authority's financial management systems; and

- Imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share – for example by requiring a school to submit income projections and/or financial monitoring reports on such activities.

The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the authority may take where the governing body does not comply with the notice.

4.18 SUSPENSION OF FINANCIAL DELEGATION

4.18.1 Under the School Standards and Framework Act 1998, the authority may suspend the governing body's right to a delegated budget where it appears to the authority that the governing body:

- (i) Has been guilty of a substantial or persistent failure to comply with any delegation requirement or restriction, or
- (ii) Is not managing its delegated budget in a satisfactory manner.

4.18.2 The Local Authority may suspend the governing body's right to a delegated budget by giving the governing body not less than one month's notice of the suspension, unless by reason of any gross incompetence or mismanagement on the part of the governing body or other emergency it appears to the authority to be necessary:

- (a) To give the governing body a shorter period of notice, or
- (b) To give the governing body a notice suspending their right to such a budget with immediate effect.

4.18.3 The notice must specify the grounds for the suspension, giving particulars:

- (a) Of any alleged failure on the part of the governing body to comply with any delegation requirement or restriction;
- (b) Of any alleged mismanagement on their part; and
- (c) If applicable, of the basis upon which a period of notice of less than one month was given under sub-paragraph (2).

- 4.18.4 The notice must also inform the governing body of their right to appeal against the suspension under paragraph 3 and of the time within which such an appeal may be brought.
- 4.18.5 A copy of the notice must be given to the headteacher of the school at the same time as the notice is given to the governing body. The authority shall also send a copy of the notice to the Welsh Government.

PART 2

4.19 BUDGETING AND ACCOUNTING

- 4.19.1 Any report to the governing body or a sub-committee of the governing body which would involve the incurring of revenue expenditure shall include a reference to the sufficiency or otherwise of the financial provision in the budget of the school.
- 4.19.2 All accounting procedures and accounting records of the school and its staff, including those processed on personal computers, shall be determined by the Section 151 Officer. No claim form or forms of a financial nature used externally shall be introduced without the prior approval of the Section 151 Officer.
- 4.19.3 All accounts and accounting records of the authority shall be compiled by the Section 151 Officer or under the Section 151 Officer's direction.
- 4.19.4 The following principles shall be observed in the allocation of accounting duties:-
- (i) The duties of providing information regarding sums due to or from the authority and of calculating, checking and recording these sums, shall be separated as completely as possible from the duty of collecting or disbursing them.
 - (ii) Staff charged with the duty of examining and checking cash/cheque transactions shall not themselves be engaged in any of these transactions.

4.20 PURCHASING CARDS

- 4.20.1 Where appropriate, the Corporate Procurement Manager shall provide a purchasing card for such staff of the school as may need them for the purpose of incurring school expenditure as approved by the Head teacher. Such expenditure shall be made in accordance with the purchasing card guidelines.
- 4.20.2 Each card has an individual monthly expenditure limit, individual transaction limit and restricted category type for expenditure.
- 4.20.3 Except as otherwise agreed with the Section 151 Officer payments by purchasing card shall be limited to approved disbursements and shall not include sums due to any tradesman with whom the authority has a current account. Where appropriate, invoices should be paid via the Financial System. Travelling expenses, such as train fares for school related events,

can be pre-booked with use of the purchasing card; however the purchasing card cannot be used to reimburse travelling expenses nor subsistence expenses other than those of a casual nature.

- 4.20.4 The cardholder is responsible for updating the spend management system with costing, VAT and narrative details of the expenditure in a timely manner and in accordance with the purchasing card guidelines.
- 4.20.5 Whenever a member of staff who is a purchasing card holder leaves the employment of the authority, or ceases to be entitled to hold a purchasing card, the member of staff must return the purchasing card to the Corporate Procurement Manager for cancellation. Any replacement member of staff who requires a purchasing card must apply for it via the Corporate Procurement Manager.
- 4.20.6 Any person holding a purchasing card shall be personally responsible to notify the Corporate Procurement Manager of any unauthorised / unrecognised spend made on the card. And for any unauthorised spend they make on the card the cardholder shall be personally responsible for making good.

4.21 ACCESS TO CASH VIA PURCHASING CARDS

- 4.21.1 Where appropriate, the Section 151 Officer shall provide a purchasing card enabled for cash withdrawal to give schools access to cash for the purpose of defraying petty expenditure. Such cards shall be maintained in accordance with the notes of guidance to card holders by the Corporate Procurement Manager. There is an administration charge for cash withdrawals.
- 4.21.2 Detailed records of monies withdrawn, spending of this money, including VAT split and costing information, must be kept and be available for examination on request.
- 4.21.3 Except as otherwise agreed with the Section 151 Officer, payments out of the cash withdrawn from the bank by purchasing card shall be limited to petty disbursements and shall not include sums due to any tradesman with whom the authority has a current account, nor travelling expenses, nor subsistence expenses other than those of a casual nature.
- 4.21.4 A person responsible for the cash balance held shall, if so requested, give to the Section 151 Officer certification as to the state of the funds.
- 4.21.5 Whenever a member of staff who is a cash balance administrator leaves the employment of the authority, or ceases to be entitled

to administer the cash balance, the member of staff shall repay to the Section 151 Officer the unexpended cash balance of the withdrawn amount, or shall transfer monies, records and vouchers relating to the account to the new cash administrator. When a purchasing card holder leaves, the card in their name must be destroyed and a new card applied for via the Corporate Procurement Manager unless the new cash administrator is not to be allocated a purchasing card.

- 4.21.6 Any person holding a cash balance obtained by a purchasing card cash withdrawal shall be personally responsible for making good any deficiencies in that account.

4.22 INCOME

Cheque book schools must also refer to the operating rules for school bank accounts.

- 4.22.1 The collection of all monies due to the authority shall be under the supervision of, and receipted in accordance with, the instructions of the Section 151 Officer.
- 4.22.2 The Section 151 Officer shall be notified promptly of all money due to the authority, together with particulars relating thereto, and all arrangements entered into which involve the receipt of money by the authority. In order to do this, the school should raise an invoice using an official council invoice.
- 4.22.3 Except as agreed with the Section 151 Officer, all receipt forms, books, tickets and other such items shall be ordered and supplied by the Section 151 Officer, who shall be satisfied as to the arrangements for their control.
- 4.22.4 All money received on behalf of the authority shall be paid to the Section 151 Officer, or, as may be directed, to the authority's bank, or transmitted directly to a security firm employed by the Section 151 Officer for this purpose.

No deduction may be made from such money save to the extent that the Section 151 Officer may specifically authorise. Each member of staff who so banks cheques, postal orders or similar instruments of payment shall enter on the paying-in-slip a reference to the related debt (such as the receipt number or the name of the debtor) or otherwise indicate the origin of the instrument of payment. On the reverse of the instrument of payment, the member of staff shall enter the name of the school.

- 4.22.5 Personal cheques shall **not** be cashed out of the money held on behalf of the authority.

- 4.22.6 Every transfer of official money from one member of staff to another will be evidenced in the records of the school concerned by the signature of the receiving officer.
- 4.22.7 The governing body shall be aware of the fees and charges which are within its discretion and review them at least annually.

4.23 INSURANCES

- 4.23.1 Insurances covered and uninsured risks are set out in Supplement I – Insurances.
- 4.23.2 The headteacher shall give prompt notification to the Risk and Insurance Officer of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.
- 4.23.3 The headteacher shall forthwith notify the Risk and Insurance Officer, in writing, of any loss, liability or damage or any event likely to lead to a claim against the authority, and shall provide the Risk and Insurance Officer with all information necessary for prompt handling of claims. If the subject of the claim suggests that a criminal offence may have been committed, this matter must be immediately reported to the Section 151 Officer.
- 4.23.4 No indemnity shall be given without the prior approval of the Risk and Insurance Officer.
- 4.23.5 Where funds for insurance are delegated to the school, the Local Authority will require the school to demonstrate that cover relevant to the Local Authority's insurable interests is at least as good as the relevant minimum cover arranged by the Local Authority. In operating this requirement the Local Authority must have regard to the actual risks which might reasonably be expected to arise at the school in question, rather than applying an arbitrary minimum level of cover for all schools.

Advice on guideline covers must be obtained from the Risk and Insurance Officer.

4.24 INVENTORIES

- 4.24.1 Each school must maintain an inventory of its moveable non-capital assets in a form determined/approved by the authority. Schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000, but they must maintain a register which will satisfy the authority's insurers.

4.24.2 The headteacher shall be responsible for ensuring by physical checks of items appearing in the inventories, at least annually, that they are being properly maintained for all establishments under his/her control.

Surpluses and deficiencies revealed at inventory checks shall be reported to the Section 151 Officer and, after consultation with the Corporate Director - Education and Family Support, the Section 151 Officer will decide what action to take.

4.24.3 The authority's property shall not be removed otherwise than in accordance with the ordinary course of the authority's business, or used otherwise than for the authority's purpose, except in accordance with specific directions issued by the Corporate Director - Education and Family Support.

4.24.4 Every transfer of items contained in the inventory from one establishment to another shall be evidenced in the records of the establishment concerned by the signature of the receiving officer.

4.24.5 All equipment taken off the premises on loan should also be noted and the following information documented:-

- (i) The equipment concerned and its asset number (if appropriate)
- (ii) To whom the equipment is being loaned
- (iii) Date loan commenced
- (iv) Signature of person to whom the equipment is being loaned
- (v) Loan authorising officer's signature
- (vi) Date item returned
- (vii) Receiving person's signature when item returned

4.24.6 If a school wishes to dispose of surplus or obsolete assets it must get approval for disposal from the Head of Service (Education and Family Support Directorate). Where individual items, or a batch of items, exceed £1,000 in total in terms of probable current market value, the approval of the Section 151 Officer must also be obtained. IT equipment must be disposed of in accordance with the IT department's disposal policy.

4.25 PAYMENTS OF ACCOUNTS

NON CHEQUE BOOK SCHOOLS

Schools operating the authority's main financial system must also refer to the relevant security code of practice and the notes of guidance.

- 4.25.1 Apart from purchasing card and other payments from advance accounts, the normal method of payment of money due from the authority shall be by cheque or BACS transfers from the authority's bank accounts by the Section 151 Officer. The cheque or other instrument will be sent by the Section 151 Officer direct to the payee unless the Section 151 Officer authorises some other method of transmission.
- 4.25.2 The Section 151 Officer shall be the authorised signatory of any joint bank account opened in the name of the authority and any other party, and will be responsible for the payment of any cheques into that joint bank account.
- 4.25.3 The headteacher is responsible for examining, verifying and authorising invoices and any other payment vouchers or accounts arising from sources in the school. The school should maintain a list of staff authorised to sign such records, together with specimen signatures, which shall be amended on the occasion of any changes therein.
- 4.25.4 Before authorising an account, the authorising officer shall, save to the extent that the Section 151 Officer may otherwise determine, be satisfied that:-
- (i) The work, goods or services to which the account relates have been received, carried out, examined and approved.
 - (ii) The prices, extension, calculations, trade discounts, other allowances, credits and tax are correct.
 - (iii) The relevant expenditure has been properly incurred and is within the relevant estimate provision.
 - (iv) Appropriate entries have been made in inventories, stores records or stock records as required.
 - (v) The account has not been previously passed for payment and is a proper liability of the Local Authority.
 - (vi) In the case of accounts for the supply of public utility services, relevant expenditure, and where appropriate,

units of energy consumed, have been verified and entered in records approved by the Section 151 Officer.

4.25.5 Duly certified accounts shall be passed for payment without delay.

CHEQUE BOOK SCHOOLS

See **Banking Arrangements for Cheque Book Schools** - Section 4 Appendix 1.

4.26 SALARIES, WAGES AND PENSIONS (Always paid via Payroll)

4.26.1 The headteacher shall notify the HR Section as soon as possible and in the prescribed form, of all matters affecting the payment of such emoluments and in particular:-

- (i) Appointments, resignations, dismissals, suspensions, secondments and transfers.
- (ii) Absences from duty for sickness or other reasons which may have an implication on payment, including approved leave without pay, and for public duties.
- (iii) Changes in remuneration.
- (iv) Information necessary to maintain records of service for superannuation, income tax, national insurance and the like.

4.26.2 Appointments of all employees shall be made in accordance with the regulations of the authority and should be within approved grading and rates of pay, except where discretion to determine such matters is explicitly granted to the governing body under the Financial Scheme for Schools, the Schools Standards and Framework Act 1998 and the Education Act 1996.

4.26.3 Where the payroll and/or personnel service, or any part of either of them, is not provided by the authority, the headteacher shall provide the Corporate Director - Education and Family Support and/or the Section 151 Officer with any information, in a form prescribed by the Section 151 Officer and / or Corporate Director - Education and Family Support, necessary for the authority to meet its obligations as the employer of the members of staff of the school. These obligations include all aspects of PAYE administration, the making of statutory returns, issue of required documentation to employees and former employees, provision of information to government departments and agencies, including

the Teachers' Pension Agency, and provision of information to the local government pension administration authority.

4.27 SECURITY

- 4.27.1 The headteacher shall be responsible for maintaining proper security at all times for all buildings, stocks, stores, furniture, equipment, cash, title deeds, securities etc., under his/her control.
- 4.27.2 Although the Section 151 Officer has overall responsibility to the authority for the security of all of the authority's property, in the first instance the headteacher shall consult the Corporate Director - Education and Family Support in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.
- 4.27.3 Maximum limits for cash holdings shall be agreed with the Section 151 Officer and shall not be exceeded without express permission.
- 4.27.4 Keys to safes and similar receptacles for the safeguarding of money or other valuables are to be carried on the person of those responsible; the loss of any such keys must be reported to the Section 151 Officer forthwith.

4.28 STOCKS AND STORES

- 4.28.1 Stocks shall not be in excess of normal requirements as agreed by the Section 151 Officer and the Corporate Director - Education and Family Support.
- 4.28.2 The headteacher shall arrange for periodical test examinations of stocks by persons other than storekeepers and shall ensure that all stocks are checked at least once a year. Any surpluses or deficiencies revealed by such periodical test examinations shall be reported to the Section 151 Officer who will decide what action to take after consultation with the Corporate Director - Education and Family Support.
- 4.28.3 The Section 151 Officer shall be entitled to receive from each headteacher such information as he requires in relation to stores for the accounting, costing and financial records. Surplus materials, stores or equipment shall be disposed of in accordance with these financial regulations.
- 4.28.4 The headteacher shall be required to submit to the Section 151 Officer, where requested, a certificate indicating the value of stocks, stores and works in progress as at 31st March each year.

4.29 FEES, TRAVELLING AND SUBSISTENCE AND INCIDENTAL EXPENSES

- 4.29.1 All claims for payment of fees, car allowances, subsistence allowances, travelling and incidental expenses shall be submitted in accordance with arrangements approved by the Section 151 Officer.
- 4.29.2 The certification by or on behalf of the headteacher shall be taken to mean that the certifying officer is satisfied that the journeys were authorised, the expenses properly and necessarily incurred, and that the fees and allowances are properly payable by the authority's regulations, and in accordance with the authority's scheme which can be found on BCBC's Intranet in the Human Resources policy for schools "Expenses Policy and Procedure".
- 4.29.3 Claims submitted more than two months after the fees were earned or the expenses were incurred must be approved by the Human Resources section.
- 4.29.4 The Local Authority may delegate to the governing body of a school yet to receive a delegated budget, funds to meet governors' expenses. The amounts of such allowances would be set by the authority. Under section 50(5) of the School Standards and Framework Act 1998, only allowances in respect of purposes specified in regulations made under section 19 of the Education Act 2002 may be paid to governors from a school's delegated budget share.

4.30 LIABILITY OF GOVERNORS

- 4.30.1 As the governing body is a corporate body, and because of the terms of s.50(7) of the School Standards and Framework Act 1998, governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided they act in good faith.

4.31 RETENTION PERIOD FOR DOCUMENTS

- 4.31.1 To meet legal and audit requirements, documents relating to the management of the school have to be retained for set minimum periods. Details of the rules applicable to governing bodies and headteachers will be notified to schools from time to time by the Corporate Director - Education and Family Support, who will also provide advice and guidance if required.

4.32 'WHISTLEBLOWING'

4.32.1 A policy on “Whistleblowing” is in existence for schools and is incorporated within the Schools’ Section of the Human Resources Advice and Guidance hub on the intranet.

4.32.2 In terms of suspected financial mismanagement in a school, school staff and governors are encouraged to voice any concerns, first to their immediate manager or superior or, if it is believed that management is involved, to the Chair of Governors or Corporate Director - Education and Family Support. Staff and governors can also approach the Section 151 Officer, the Head of Legal and Regulatory Services or Chief Internal Auditor.

4.33 GRANT APPLICATIONS

4.33.1 Advice should be sought from the LMS Officer before starting any grant application process.

SECTION 4 APPENDIX 1

BANKING ARRANGEMENTS FOR CHEQUE BOOK SCHOOLS

All maintained schools will have the opportunity to have their own external bank account into which their budget share is paid. New bank account arrangements will only be made with effect from the beginning of a financial year, and only then when the request is given in writing to the Section 151 Officer, with the governing body's approval, at least four months prior to the start of the financial year.

Any school without a bank account that subsequently requests a bank account will be refused if that school is holding a deficit balance. Permission will not be granted until that deficit has been cleared.

1 Bank and Building Society Accounts

Schools are recommended to have their school budget share bank account with the Council's bankers. This enables ease of transfer between school and local authority accounts. Any request to have a bank account with a different financial institution must be submitted to the Section 151 Officer for approval. Schools are only allowed to have bank accounts with one financial institution and details of all accounts held must be submitted to the Section 151 Officer.

Schools may hold accounts in the name of the school, although accounts may also be in the name of the authority but specific to the school. If the account is in the name of the school then the account mandate should provide that the local authority is the owner of the funds in the account; that it is entitled to receive statements; and that it can take control of the account if the school's right to a delegated budget is suspended by the Local Authority. Budget share funds paid by the local authority and held in school accounts remain Local Authority property until spent.

Only local authority employees and school employees are allowed to be signatories on the school bank account. School governors may not be signatories for the school bank account unless they are also members of staff at the school.

For schools wishing to change their bank or building society, the following procedures must be followed:

- (i) Schools must inform the Section 151 Officer of their intention to change bank or building society, in writing, at least two months before the start of the financial year. Schools must also state their reason for changing institutions.
- (ii) Changes may only be made at the start of a financial year.

- (ii) The new bank or building society must be approved by the Section 151 Officer.

Schools will not be allowed to operate under overdraft conditions.

2 Budget Share Instalments

The school's budget share will be paid over to schools in differing numbers and frequencies of instalments depending on whether the total budget share is to be paid, or the budget share net of payroll costs.

Where the school has agreed in advance of the start of the financial year to purchase its payroll services from the Local Authority, the amount payable will be the non-payroll proportion of the school's budget share only. This will normally be paid in four equal instalments on 1st April, 1st July, 1st October and 1st January. The payroll element will initially be calculated based upon the proportionate split between payroll and non-payroll expenditure in the previous financial year, and will be adjusted retrospectively in the second and later instalments to reflect any in-year virements or adjustments.

However, whilst maintaining the principle of four equal instalments, the Section 151 Officer will be prepared to make budget share payments on a monthly basis to those schools that request it, provided that the request is made in writing and at least one month prior to the start of the financial year. Schools will not be allowed to switch between monthly and quarterly instalments during a financial year.

For those schools that have agreed in advance of the financial year to purchase their payroll services from a provider other than the Local Authority, the amount payable will be the total budget share. This will be paid in twelve equal monthly instalments on the first day of each month (n.b. refer to paragraph 4 below regarding loss of interest deduction).

The Local Authority will add interest to late payment of budget share instalments, where such late payment is the result of Local Authority error. The adjustment made will compensate the school for the loss of interest and put it into the position it would have been in had the error not been made.

3 Virement

Schools will be able to vire between payroll and non-payroll heads at any time of the year provided that, at the time of virement, the expenditure or income can reasonably be expected to be committed before the end of the financial year.

For those schools whose payroll service is provided by the Local Authority, subsequent budget share instalments will be adjusted to take

account of the revised allocation, or if the adjustment takes place in the final quarter, by a further cash adjustment between the school and the authority.

4 Loss of Interest Deduction

The authority will deduct from the budget share instalments a sum equivalent to the interest lost by the authority as a result of payment of instalments prior to their requirement. The interest deduction will differ depending on whether instalments are paid monthly or quarterly. Where instalments are paid monthly, for both pay and non-pay budget, this will be done on the first day of the month as any other timetable could result in a number of different payment dates being in use and may cause confusion. The rate of interest used is determined by the Section 151 Officer.

5 Balances held prior to a School operating its own Bank Account

Balances accumulated in the financial year prior to the school operating its own bank account will be administered in accordance with the Financial Scheme for Schools. Such balances will be available to schools once their bank account is in operation to either finance overspendings or fund special projects on either payroll or non-payroll related heads. The cash balance will be calculated as follows:

Cash Balance = [Underspend at end of financial year] + [Creditors - Debtors]

If a school opens an external bank account then, if the school desires, the Local Authority will transfer to the account at the start of the financial year an amount agreed by both school and Local Authority as the estimated cash balance held by the Local Authority in respect of the school's budget share. Once the accounts for that year are closed then an adjustment will be made to reflect the actual cash balance.

6 Cash Flow Management by Schools operating their own Bank Accounts

Schools should make use of all the information available to them to profile their cash requirements in order to maximise any cash surplus. Schools are requested to inform the Local Authority at the earliest indication of any potential cash flow problems. Where a school is likely to overspend on its budget share, which will result in a potential overdrawn situation, the school may apply for an exceptional allocation instalment. Such exceptional allocation instalments will first be deducted from later instalments, then from any uncommitted balances from the school's pay budget (if held centrally). If no funds are available from this source, the school may be able to borrow from the authority, which shall have the power to charge interest at market rates.

In order to receive an advance payment, the following process will apply:

1. Schools must submit a formal request in writing to the LMS Officer outlining the reasons for the request and the amount requested.
2. Schools must submit a cash flow statement for the remainder of the financial year which demonstrates how, based on current knowledge of income and expenditure, they will experience cash flow difficulties. This should support their request for funding. They will also need to submit a breakdown of current invoices outstanding for payment
3. The request will be considered by the Section 151 Officer or his or her representative.
4. Any advance payments may be subject to interest rate charges.

7 Budget Shares for Closing Schools

The budget share for schools for which approval for closure has been secured will be made available to the school until closure, on a monthly basis, excluding estimated pay costs, regardless of whether a different arrangement applied previously.

8 Administrative Procedures

For schools with their own bank accounts, the documents and records maintained by the school will be the primary accounting record of the authority for that establishment. The authority will, therefore, require such schools to maintain and retain appropriate records and operate financial systems and structures consistent with the role of a primary record keeper.

9 Investments

Schools are only allowed to invest with their own bank or building society, or with the Local Authority, and this must be subject to approval by the Section 151 Officer.

Schools may retain interest earned on approved external bank accounts.

10 Withdrawal of School Bank Accounts

The requirements to properly manage and administer school bank accounts in accordance with the directions of the Section 151 Officer form part of the overall Financial Scheme for Schools. Failure to meet these requirements may result in the withdrawal of part or all the right to operate a school bank account.

SECTION 4 APPENDIX 2

DELEGATION OF FINANCIAL POWERS TO THE HEADTEACHER AND OTHER STAFF WITHIN THE SCHOOL

Governing Bodies should consider the extent to which they wish to delegate their financial powers to the Headteacher, and must record their decision (and any revisions to that decision) in the minutes of the Governing Body.

The Headteacher and Governing Body are responsible for producing an annual budget for each financial year which must be approved by the Governing Body and submitted to the Local Authority by the 15th May.

The following are suggestions on the levels of delegation that should be considered:

- To ensure the effective management of resources, Governing Bodies are advised to delegate the responsibility for day to day financial management to the Headteacher, subject to the establishment of appropriate arrangements for the exercise of that delegated authority.
- The Headteacher should present the first formal budget plan for each financial year to the Finance Committee and subsequently to the full Governing Body for approval prior to submission to the Local Authority.
- The Governing Body should ensure that the Headteacher reports progress on a regular basis to the full Governing Body or a finance sub-committee of the Governing Body.
- Financial limits should be defined for the authorisation of orders, invoices and payments between budget heads by the Headteacher. The level of these limits will depend to a large extent on the size of the school budget and the pattern of expenditure. The limits should not inhibit day to day financial management, but should not place undue responsibility on the Headteacher.
- The Headteacher is responsible to the Governing Body for the maintenance of financial controls within the school. The Headteacher should ensure that the financial controls are maintained in the absence of key staff and should ensure that all staff are adequately trained.
- The Headteacher should ensure that recommendations arising from Internal Audit reports are addressed in accordance with the agreed action plan and that all reports are reviewed by the Governing Body or relevant sub-committee.
- The Headteacher should oversee the administration of the personnel function within the school and ensure that an adequate division of duties exists.
- The Headteacher should ensure that effective procedures exist for the backing up of computer-based systems and that they are followed. The

Headteacher should also ensure that adequate security measures are in place to protect financial data.

- The Headteacher should liaise with the Local Authority, its agents or insurers over matters relating to insurance, and report back to the Governing Body on important issues.
- The Headteacher should ensure that stocks are secure, maintained at a reasonable level or independently stock-checked on a periodic basis. Valuable items should also be secured and checked regularly.
- The Governing Body should establish a charging policy for the provision of goods and services. The Headteacher is responsible to the Governing Body for carrying out this policy and accounting for the income generated. Discretion over the provision of goods and services should lie with the Headteacher in consultation with the Governing Body.
- The Headteacher should ensure the security of money held on the premises and ensure that such money is banked on a weekly basis. If money is not banked daily, then money should be held securely and should not exceed insurance limits e.g. in a safe or a locked drawer.
- The Governing Body should agree an appropriate level of petty cash and the Headteacher is responsible to the Governing Body for the proper management of the petty cash.

These responsibilities could be set out in a matrix, with agreed financial limits where appropriate, **for example**:

ACTION	RESPONSIBILITY	FREQUENCY	Limits of Authorisation
Preparation of initial budget plans.	Headteacher & Bursar.	Annually.	
Preparation of final budget for approval.	Headteacher & Finance Sub-Committee	Annually.	
Approval of final budget.	Full Governing Body.	Annually.	
Delegation of Budgets to Budget holders.	Headteacher	Annually	
Monitoring of individual budgets.	Budget Holder & Headteacher.	Monthly.	
Monitoring of budget.	Headteacher, Bursar & Governing Body.	Weekly.	
Authorisation of day-to-day expenditure.	Headteacher.	Daily.	Up to £5,000, Over £5,000 after referral to the Governors

ACTION	RESPONSIBILITY	FREQUENCY	Limits of Authorisation
Authorisation of virements between budget headings.	Headteacher	Ad-hoc.	Up to £10,000 Over £10,000 after referral to the Governors.
Preparation of budget reports to Governors.	Headteacher.	At least Termly.	
Preparation of budget monitoring reports for LA.	Headteacher & Bursar.	Quarterly.	
Completion of Monthly VAT returns.	Headteacher & Bursar.	Monthly	
Ordering of goods & services.	Headteacher, Deputy Headteacher, & Budget Holders.	Ad-hoc.	As per individual delegated authority, to be agreed by Governing Body.
Authorisation of Orders.	Headteacher.	Ad-hoc.	As per individual delegated authority, to be agreed by Governing Body.
Commitment of orders onto Finance system.	Finance Officer or Bursar.	As soon as order is placed.	
Confirmation of receipt of goods.	Admin Officer.	Ad-hoc.	
Checking of invoices for accuracy & VAT.	Finance Officer or Bursar.	Ad-hoc.	
Certifies invoice for payment.	Headteacher, Deputy Headteacher, or a member of the Senior Management Team.	Ad-hoc.	

5. CHARGING OF SCHOOL BUDGET SHARES

5.1 INTRODUCTION

- 5.1.1 The Local Authority will charge salaries of school-based staff to school budget shares at the actual cost. The Local Authority may also directly charge the budget share of a school in certain circumstances other than for staff costs, without the express permission of the governing body, but only after consulting the school on its intention to charge.
- 5.1.2 Charges may only be made in accordance with the circumstances set out below. In each circumstance the Local Authority will have to clearly demonstrate that the authority had necessarily incurred the expenditure which is to be charged to the school budget share. The Local Authority will notify schools when such charges have been actioned. The Local Authority will provide a procedure to resolve disputes where schools consider such charges to have been applied unreasonably.

5.2 CIRCUMSTANCES IN WHICH CHARGES MAY BE MADE

- 5.2.1 Where premature retirement costs have been incurred without the prior written agreement of the Local Authority to bear such costs (the amount chargeable being only the excess over any amount agreed by the Local Authority).
- 5.2.2 Other expenditure incurred to secure resignations where the school has not followed Local Authority advice.
- 5.2.3 Awards by courts or industrial tribunals against the Local Authority or out of court settlements arising from action or inaction by the governing body contrary to the Local Authority's advice.
- 5.2.4 Expenditure by the Local Authority in carrying out health and safety work or capital expenditure for which the Local Authority is liable, where funds have been delegated to the governing body for such work, but the governing body has failed to carry out the required work.
- 5.2.5 Expenditure incurred by the Local Authority in making good defects in building work funded by capital spending from school budget shares, where the premises are owned by the Local Authority or the school has voluntary controlled status.
- 5.2.6 Recovery of penalties imposed on the Local Authority by HMRC, Teachers Pensions, or regulatory authorities as a result of school negligence and/or failure to comply with regulations.

- 5.2.7 Additional transport cost incurred by the Local Authority arising from decisions by the governing body on the length of the school day, and failure to notify the Local Authority of non-pupil days resulting in unnecessary transport costs.
- 5.2.8 Legal costs incurred by the Local Authority because the governing body did not accept and follow the advice of the Local Authority.
- 5.2.9 Costs of necessary health and safety training for staff employed by the Local Authority, where funding for training has been delegated but the necessary training has not been carried out.
- 5.2.10 Recovery of interest on late creditor payments by schools under the Late Payment of Commercial Debts (Interest) Act 1998.
- 5.2.11 Expenditure incurred by the Local Authority in insuring its own interests in a school where funding has been delegated but the school has failed to demonstrate that it has arranged cover at least as good as that which would be arranged by the Local Authority.
- 5.2.12 Recovery of monies due from a school for services provided to the school, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement, and the result is that monies are owed by the school to the Local Authority.
- 5.2.13 Correction of Local Authority errors in calculating charges to a budget share (e.g. pension deductions).
- 5.2.14 Compensation paid to a lender where a school enters into a contract for borrowing beyond its legal powers, and the contract is of no effect.
- 5.2.15 Cost of work done in respect of teacher pension remittance and records for schools using non-Local Authority payroll contractors, the charge to be the minimum needed to meet the cost of the Authority's compliance with its statutory obligations.
- 5.2.16 Costs incurred by the Local Authority in securing provision specified in a statement of SEN where the governing body of a school fails to secure such provision despite the delegation of funds in respect of that statement.
- 5.2.17 Costs incurred by the Local Authority due to submission by the school of incorrect data.
- 5.2.18 Recovery of amounts spent from specific grants on ineligible purposes.
- 5.2.19 Costs incurred by the Local Authority as a result of the governing body being in breach of the terms of a contract.
- 5.2.20 Cost incurred by the Local Authority on behalf of schools, for which funding has been delegated to schools e.g. E-teach system.

5.3 EDUCATION WORKFORCE COUNCIL

- 5.3.1 The requirement for employers to deduct the annual registration fees from the salaries of their employees and remit the monies to the Council is set out in The Education Workforce Council (Registration Fees) (Wales) Regulations 2017. The Regulations stipulate that employers need to remit fee payment to the Council within 14 days of the fee being deducted from practitioner's salaries.
- 5.3.2 Schools therefore are entitled to deduct, or arrange for the deduction of, the registration fee from the salaries of teachers and support staff who are registered, or who are required to be registered, if the fee has not been paid by any other means.

5.4 CHILD PROTECTION

- 5.4.1 It is expected that teachers, given their role in monitoring children on a day to day basis, would attend child protection case conferences, at the discretion of the Headteacher and Governing Body. No funds are held centrally for this purpose, so any associated costs would have to be met by the school.

6. THE PROVISION OF SERVICES AND FACILITIES BY THE AUTHORITY

6.1 PROVISION OF SERVICES FROM CENTRALLY RETAINED BUDGETS

6.1.1 The Local Authority (LA) will determine on what basis services from centrally retained funds will be provided to schools. Such services could include Home to School Transport, certain Special Educational Needs Services and the Education Welfare Service.

6.1.2 The Authority will not discriminate in its provision of services on the basis of category of school, except where:

- Funding has been delegated to some schools only; or
- Such discrimination is justified by differences in statutory duties.

6.2 PROVISION OF SERVICES BOUGHT BACK FROM THE AUTHORITY USING DELEGATED BUDGETS

6.2.1 For those services bought back from the LA from schools' delegated budgets via service level agreements, certain criteria apply regarding the length of agreements:

- (i) The period of any arrangement with a school to buy services or facilities from the LA is limited to a maximum of three years from the inception of the scheme or the date of the agreement, whichever is the later.
- (ii) For any subsequent agreement relating to the same services, a maximum period of agreement of five years applies. However, the terms of any agreement will be reviewed at least every three years if the period of agreement lasts longer than three years.
- (iii) There is no minimum period for agreements, although short term agreements may not be economically viable.

6.2.2 For services where funding has been delegated, and the LA is offering the provision of the service on a buy-back basis, the LA will not package the services in such a way as to unreasonably restrict schools' freedom of choice. Whilst 'packaged' services may be offered at a discount on the total cost of the individual services to schools, the LA will also offer those services individually to schools.

6.2.3 Where a service is provided for which expenditure cannot be retained centrally by the LA, it must be offered at prices which are intended to generate income which is no less than the cost of providing those services. The total cost of the service must be met by the total income.

6.2.4 As far as is practically possible, the authority will consult with schools on the design and content of service level agreements.

6.2.5 Certain services provided by the LA will also be available on an ad hoc basis to schools, as well as on the basis of service level agreements. However, where services are purchased on this basis, they may be charged for at a different rate than the same services provided for under a service level agreement.

6.2.6 Where schools opt to run their own services, instead of buying back into LA services, they must ensure that they comply with all appropriate legislative requirements and other relevant guidance.

6.3 PROVISION OF SERVICES FROM OUTSIDE OF THE LOCAL AUTHORITY

6.3.1 Where schools have funding delegated for services such as school meals, cleaning, building maintenance and support services they have the option of buying back into the LA service or making alternative arrangements. Where schools make alternative arrangements they should have regard to any guidance and implement any legislative requirements/regulations regarding procurement, health and safety and nutritional standards etc. In addition, schools will be responsible for bearing any additional associated costs as a result of this decision.

7. CORPORATE LANDLORD – ROLES AND RESPONSIBILITIES

7.1 INTRODUCTION

7.1.1 The Local Authority (LA) and Corporate Landlord maintains ultimate liability for the compliance of Bridgend County Borough Council's (BCBC) properties, however it must delegate certain matters to Building Users.

7.1.2 The recommended division of responsibilities between the Local Authority and Building Users for maintenance of school premises was drawn up in line with the Welsh Government interpretation of the Chartered Institute of Public Finance and Accountancy's (C.I.P.F.A.) code of practice on Revenue and Capital expenditure.

7.1.3 With regards to schools the LA now retains only capital resources for building related works. Each scheme or project selected for inclusion in the various capital programmes is subject to the priority placed on the project and is dependent on the necessary funding being available, and its alignment with the properties 5-year maintenance plan.

7.1.4 The school governing body is responsible for all other premises related costs including:

- All statutory servicing and testing of systems and equipment
- General maintenance and responsive repairs

7.1.5 However, dependant on which Service Level Agreement (SLA) the School chooses to sign, Revenue budgets can be handed back to the LA in the form of an increased SLA charge. In which case, some of the responsibility for premises related costs would transfer back to the LA.

For a full list of the roles and responsibilities specific to each Tier of SLA, please see the individuals SLAs. However, for a list of the responsibilities of Corporate Landlord, and the School, regardless of the Tier of SLA which the School signs, please see Section 7 - Appendix 1.

7.2 VOLUNTARY AIDED SCHOOLS

7.2.1 The funding arrangements for premises related works at Voluntary Aided (VA) schools are different from those at LA maintained schools as published by the Welsh Government detailing the relevant arrangements.

- 7.2.2 Liabilities fall into two main categories: initial provision and repairs. However the question of who is liable for a particular area of work may not always be quite so clear-cut. This is because the particular circumstances of the project may determine where the liability lies for individual items.
- 7.2.3 VA governing bodies are liable for external repairs to the school buildings which includes external redecoration but not ordinary maintenance, such as the servicing of the equipment (e.g. sewage pumps), cleaning (e.g. sandblasting stone/brickwork, removing graffiti, moss etc.) or rodding drains, all of which are the responsibility of the LA.
- 7.2.4 The LA is liable for repairs to the interior of the school buildings which includes the replacement with up-to-date items serving the same purpose. However, when items are replaced by superior products, necessary to meet constructional standards, then such items may be classified as alterations (improvements) and become the financial liability of the governing body with grant aid available from Welsh Government.
- 7.2.5 The LA will continue to be responsible for their share of major capital costs. Where a VA school wishes to carry out building work, the governors may only claim grant aid on the statutory defined governor's portion of the costs. The LA portion must be paid for either directly by the LA or, where it has been devolved to the school, by the governors out of their delegated budget without grant aid. The requirement, therefore, to specify areas of responsibility in building projects remains.
- 7.2.6 If any Voluntary Aided School needs any further clarification regarding the relationship between itself and Corporate Landlord, please contact Corporate Landlord who will provide additional advice and guidance. Alternatively, they may wish to visit the Welsh Government website, where there are further documents explaining in detail the delegated responsibilities and the related legislation which applies.

7.3 USE OF SCHOOL LAND

- 7.3.1 Ownership of land can be a complicated issue. The following information can only provide a generalised view of the issues involved. Initial information and guidance can be sought from Corporate Landlord.
- 7.3.2 Community schools (controlled by the local Council): interest in the land and buildings is generally held by BCBC. Rare

exceptions can exist, such as buildings and houses owned by schools where purchased from its own funds.

- 7.3.3 Voluntary schools: dependant on the site, interest in the land will either be held by the school or Diocesan trustees or will be owned by BCBC.
- 7.3.4 For all schools there are also certain legal procedures to be followed when disposing of or acquiring land. For Community schools, the LA must agree to any land disposal. Voluntary aided schools should refer the matter to the Diocese. If you wish to discuss this further, please contact Corporate Landlord.
- 7.3.5 There are also other property issues such as way-leaves and easements that apply to some sites. If you think either applies to your site please contact Corporate Landlord for initial advice.

7.4 PLANT AND EQUIPMENT TESTING

- 7.4.1 Because of delegation of funding under the Financial Scheme for Schools, Governors have responsibility for those elements of building maintenance covered by statute. The only exceptions which will continue to be funded by Corporate Landlord include: 5 yearly testing of electrical plant, the test and inspection of fume cupboards, the test and inspection of Lightning Conductors, the commission of an Asbestos Survey (on-site management plan and its removal unless it is part of a school funded project), Legionella Risk Assessment and annual testing, and Radon.
- 7.4.2 Schools must arrange for the listed servicing and testing to be undertaken at the appropriate time and frequency on all other Statutory Obligation items. Bridgend Council's Corporate Landlord Service can meet all of these requirements through the signing of a Service Level Agreement (SLA), whilst the extent of this provision will be dictated by the SLA tier which is signed. The Service provided by Corporate Landlord does not extend to day to day compliance tests which will remain the responsibility of the Premises Responsible Person (PRP) to deliver and record e.g. weekly fire alarm tests. For full list of Statutory Obligation items which need to be tested on a cyclical basis and certification produced, please see Section 7 - Appendix 3. For full list of day to day compliance tasks, please see Section 7 - Appendix 2.
- 7.4.3 Any other organisation chosen to undertake the works must be deemed competent and have the required certification and qualifications to deliver such work. Any person performing work must be recognised by an appropriate industry standards body to

secure safe maintenance and management through competent, trained, and qualified operatives and contractors.

7.4.4 The LA has a duty to monitor how schools are delivering their delegated duties and it is a requirement that a record is kept of statutory testing and servicing of plant and equipment. Where the School is responsible for Statutory Obligation testing, any certification received from contractors should be provided to Corporate Landlord through uploading it on to Information Exchange (IE). A certificate from the contractor must be obtained to show that the works have been carried out.

7.4.5 Please note that failure to have the necessary servicing, testing and maintenance carried out may affect the School's insurance cover and ultimately the health and safety of all school users.

7.5 CONSTRUCTION, DESIGN, MANAGEMENT (CDM) – ROLES AND RESPONSIBILITIES

7.5.1 These regulations were introduced to tackle the high level of accidents that occur on construction sites. They affect only certain types of work, but where they do they are mandatory, enforceable by the Health and Safety Executive (HSE), and non-compliance is a criminal offence.

7.5.2 For many Schools this can often appear to be a daunting piece of legislation. Its function is to capture all aspects of health and safety through the inception, design, construction, and ongoing management arising from a project. In particular, it places important duties on services including Schools, as they represent the employer (the Council) and introduces an unfamiliar role to many.

7.5.3 It is important to stress the need to seek the advice of Corporate Landlord via the Technical Support Unit (TSU) as an essential first step before embarking on any project, regardless of whether the School wishes to use Corporate Landlord for the management of the Project and whether the funding is from the Local Authority or from the School.

7.6 HEALTH AND SAFETY – ROLES AND RESPONSIBILITIES

7.6.1 Health and Safety (H&S) in relation to school premises covers a vast range of activities and involves an extensive amount of legislation, regulation, and approved codes of practice. It is not possible to cover this topic in any detail in this section of the

Financial Scheme for Schools, therefore please make further reference to the Health and Safety A-Z which is held corporately and can be accessed on the Intranet.

7.6.2 BCBC is the employer of all staff in community and/or controlled schools, and therefore retains ultimate responsibility for ensuring the health and safety of staff, pupils, and others on school premises (e.g. visitors, contractors). In practice, BCBC delegates certain functions to head teachers and/or governing bodies, including those associated with ensuring our premises and activities remain safe. However, the LA will always retain its statutory responsibilities, as an employer.

7.6.3 Whilst Corporate Landlord will always operate according to Health and Safety regulations, all queries relating to H&S should be directed to the Corporate Health and Safety team who retains responsibility for its delivery. This team will work with Schools to ensure all relevant H&S procedures are followed, and provide advice, training and guidance for issues which are raised.

7.7 ASBESTOS ROLES AND RESPONSIBILITIES

7.7.1 Asbestos Surveys and an on-site management plan is commissioned and funded by BCBC. The implementation of this plan to prevent and monitor its disturbance is the responsibility of the PRP. Furthermore, it is the responsibility of the PRP to ensure that any employee or contractor on their premises who is to perform maintenance work, are first provided with information on the type, location, and condition of Asbestos Containing Materials (ACM's) through consultation with the Asbestos Register.

7.7.2 Establishing and maintaining records of asbestos-based materials is an essential part of the management of the property. The Authority's Asbestos Management Plan, which includes school premises, is held within Corporate Landlord.

7.7.3 Schools have been issued with copies of the relevant Asbestos Survey for their property as part of their Asbestos Management Plan. Advice and general guidance is given free of charge and is available through the Corporate Landlord Asbestos Services Team. Please be aware that if a School changes the use of a room, Corporate Landlord should be contacted via the TSU, as it may have an impact on the management of Asbestos at your site.

7.7.4 The management of Asbestos is a shared responsibility between the LA and the manager of the premises (PRP).

PRPs are required to carry out three main tasks:

1. Assess if their premises contains asbestos or asbestos containing materials (ACM). (A level 2 survey has been completed by the LA and schools have been informed of the findings)
2. Assess if those ACM pose any risks to health due to their location and condition
3. If ACM are present and could lead to the accidental exposure to asbestos dust/fibres then, either arrange for its safe removal, or **depending on its condition** take action to manage any risks that may be present

7.7.5 Funding for the removal of Asbestos will remain with the Local Authority unless it is part of a school funded project.

7.7.6 For a full breakdown detailing the Roles and Responsibilities regarding Asbestos on site, and how its presence will influence how we manage building work and Contractors, **please see the Intranet – Asbestos: Control and Management Policy.**

7.8 ENERGY ROLES AND RESPONSIBILITIES

7.8.1 The Government requires by law that all schools with a floor area in excess of 250m² must have a Display Energy Certificate (DEC) and an advisory report produced by a qualified and accredited DEC assessor. The Council's Energy Management team manage this process and, if you have not been advised of these arrangements, you should contact them for advice and information.

7.8.2 The responsibility for energy usage has been delegated to Schools. However, the Energy Manager within Corporate Landlord will provide specialist support and monitor consumption and any anomalies, whereby we will contact the School and offer any further assistance necessary.

7.9 TREES AND GROUND MAINTENANCE – ROLES AND RESPONSIBILITIES

7.9.1 The Council's Corporate Tree policy can be found on the BCBC intranet, whilst Schools receive delegated budget for the maintenance of their grounds. The Schools responsibilities, and the provision of grounds maintenance, can be managed through signing into BCBC's Ground Maintenance SLA. This is separate to Corporate Landlord agreement.

Trees on school sites

7.9.2 The responsibility relating to trees on school sites rests with the schools. The intention of the LA is to make schools safe and to support head teachers and premises responsible persons in the identification of issues with trees. Training will be provided by the LA to support the responsibility schools have relating to trees.

7.10 ACCESS AND DISABILITY – ROLES AND RESPONSIBILITIES

7.10.1 Together, BCBC and Schools should constantly review everything we do in the light of good inclusive practice.

7.10.2 The Equality Act 2010 requires service providers to make reasonable adjustments where a disabled person is put at a disadvantage due to a physical feature.

7.10.3 This can be done in the following ways:

- By removing the physical feature in question.
- By altering it, or
- By providing a reasonable means of avoiding it.

7.10.4 If you have a query relating to accessibility at your school or are concerned that a physical feature at your school may be placing a disabled person at a significant disadvantage, please contact Corporate Landlord via the TSU.

7.11 RADON

7.11.1 Bridgend Council has tested buildings within its property portfolio for Radon levels, and where indoor radon levels were found to be above the Action Level, radon reduction measures have been implemented. The authority secured funding for the initial test to determine the presence of Radon, and the installation, continued inspection and remedial works of any Radon related equipment. However, once this budget has run out, the funding responsibilities may alter.

7.11.2 Any enquiries relating to the Radon tests at your School, or the specific measures employed at your property, can be directed to the Corporate Landlord via the TSU.

SECTION 7 APPENDIX 1

ROLES AND RESPONSIBILITIES

The LA will....	The School/Governing Body will...
<ul style="list-style-type: none"> • Facilitate training for Head Teachers, nominated Premises Responsible Person(s) (PRP) and Governors with leadership roles for the schools premises to assist in the understanding of compliance with all aspects of premises related Health and Safety issues (condition, repairs, statutory testing, and commissioning of works under CDM regulations). This will be performed by the Corporate Health and Safety Team. • Undertake major capital works relating to school premises in line with the School Modernisation Programme and Asset Management Plan. VA schools will be advised by the diocesan authority. • Advise and manage schools regarding estate management matters, including boundary issues, land ownership, wayleaves, easements, etc. • Advise schools regarding their responsibilities relating to asset renewal (including modifications and adaptations relating to the Equality Act 2010 repair and maintenance in line with the School Modernisation Programme and Asset Management Plan). • Undertake works according to the division of responsibilities between the LA and schools /governors as detailed in the Financial Scheme for Schools and the School Property Handbook. • Offer a SLA to schools for minor improvements on school premises in line with the Asset Management Plan and school funded projects process. • Advise on issues relating to maintenance of grounds and offer a grounds maintenance SLA. This will be performed by the Council's Grounds Maintenance Team and Education Services. • Advise on and arrange insurance cover in respect of buildings. Provide appropriate insurance for each school to cover the following: property (building); property (contents); business interruption; employers' liability; public liability; libel and slander; fidelity guarantee; money; personal accident and motor (where vehicles are hired via Fleet Department). Computer insurance is provided for primary schools as well as special schools. It is provided for comprehensive schools on request. Offsite activities insurance is currently provided to all schools and again this can be supplemented with onsite cover on request; periodically re-tender 	<ul style="list-style-type: none"> • Appoint a suitable Premises Responsible Person (PRP) to be accountable for the safety and condition of the premises and all premises related issues. The school and Governing body will ensure attendance of the respective PRP and relevant persons to the training provided. Failure to attend the requisite training will constitute a breach of this agreement and render the school non-compliant with the respective legislation. • Approval of and discussion of briefs relating to major capital works in schools with the School Modernisation Team and Corporate Landlord. • Inform, discuss and seek approval from the School Modernisation Team, and Corporate Landlord regarding proposed briefs for capital works in VA schools. • Bring issues of concern relating to estate management to the attention of the School Modernisation Team, Property Section including accessibility matters in line with the Equality Act 2010 and fire precautions in line with Regulatory Reform (Fire Safety) Order 2005. • Inform and/or seek advice on ad hoc hire/use of premises agreements, etc. • Discuss issues of concern relating to asset renewal, repair and maintenance issues with the School Modernisation Team, Property Section linked to the Capital and Asset Renewal programme. • Undertake repair and maintenance works according to the Division of Responsibilities between the LA and Schools /Governors as detailed in the Financial Scheme for Schools and Property Handbook. • Approval of and discussion with the LA, School Modernisation Team, Property Section the need for minor improvements to school premises linked to the Asset Management Plan. • Approval for and to seek advice to undertake minor improvements, funded by school funds, to the school premises and grounds. Take into consideration Construction, Design and Management Regulations (CDM) 2015. When considering projects relating to legislative

the insurance programme in accordance with procurement rules.

- Provide a full advisory service in relation to all aspects of insurance cover.
- Carry out the day to day administration of insurance policies and handle any claims;
- Assist schools in carrying out their role in the submission of claims. Liaise with schools and insurers to achieve a satisfactory conclusion to claims administration.
- In addition, advice is given to schools who have taken out additional insurance cover.
- Will provide chartered surveyor function who will manage their 'portfolio' of assets. This role will identify the strategic direction of the portfolio, handling all disposals and acquisitions, whilst working with PRPs/Building Users to identify the requirements of their buildings and composition of the 5-year maintenance plan.
- Provide a 5-year maintenance plan, which will recommend how delegated maintenance budgets be spent on the necessary planned preventative maintenance to ensure expensive, reactive repairs are minimised (see section below).
- Discuss and offer advice and solutions to repair and maintenance issues, providing appropriate reports where applicable following site inspections from surveyors and engineers. This will be the case for both School-funded and BCBC works.
- Prepare, as requested, budget estimates. Where funds have been identified, specifications and tender documentation to obtain fixed price quotations/tenders in accordance with the BCBC's Contract and Financial Procedure Rules.
- Administer and monitor projects/works in accordance with Construction, Design and Management Regulations (CDM) and BCBC's procurement processes to include client, pre-contract, post contract and post completion phases, where applicable. This will be the case for all works which are managed by Corporate Landlord.
- Administer and monitor agreed service contracts.
- Liaise with specialist professionals on specific building issues.
- Update the compliance framework/policy as legislation changes or evolves.
- Co-ordination and management of day to day, emergency, and responsive repairs.
- Will update the 5-year maintenance plan when works are undertaken on the school.

compliance, ensure that all certification and documentation, including specifications are provided to the LA for ratification.

- Inform and discuss with the Authority issues of concern relating to the maintenance of grounds.
- Discuss insurance requirements with the Council's Risk Management and Insurance Officer.
- All day-to-day compliance tasks which are required by statute will continue to be undertaken by the School and must be uploaded to IE.
- Contact Corporate Landlord for approval and to seek advice to undertake minor improvements, funded by school funds, to the school premises and grounds. When considering projects relating to legislative compliance, ensure that all certification and documentation, including specifications are provided to the LA for ratification.
- The school will provide the council with all relevant documentation as requested.
- The school will provide the corporate landlord team and approved contractors right of access to the premises. This will not unreasonably be withheld, and the council reserves the right to charge for pre-arranged visits that are aborted by the school without prior notice.
- The school will ensure that all reasonable precautions are taken regarding health and safety of contractors and tradesmen when on site, for example ensuring accesses are clear and that working spaces are secure.
- The school will nominate a lead contact (Premises Responsible Person) for all projects.

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| <ul style="list-style-type: none">• Corporate Landlord will continue to work with the School and provide advice and assistance on the recommendations detailed in FRAs.• The Council retains Capital budgets and will prioritise its spend on Schools and other premises. | |
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Appendix 2 - Day to Day Compliance Tasks

Frequency	Type of Check	Item	Action
Daily	General Task	Windows and Doors	A check has been performed to confirm they are locked and secured, including where fixtures have developed faults and are in need of repair.
Daily	General Task	Air Conditioning	Is the system running correctly and screens are free of error messages, and where a fault has developed which is in need of repair, this has been reported.
Daily	General Task	Disabled Toilets	A check has been performed to confirm alarms are accessible and sounding, and where a fault has developed which is in need of repair, this has been reported.
Daily	General Task	Lifts	A check has been performed to confirm alarms are accessible and sounding, and where a fault has developed which is in need of repair, this has been reported.
Daily	General Task	Daily Walk-around	If any faults are identified which require maintenance works on the daily walk-around, these have been reported and actioned appropriately.
Daily	General Task	Corridors, Stairwells, walkways and landings	No stowage or trip hazards are obstructing corridors, stairwells, walkways and landings, including where fixtures have developed faults and are in need of repair.
Daily	General Task	Paths and External Walkways	When necessary, paths and external walkways have been gritted
Daily	Fire Safety	Fire Alarms	The fire alarm panel has been inspected for normal operation of the system and where a fault has developed which is in need of repair, this has been reported.
Daily	Fire Safety	Escape Lighting	A visual check has been performed on any central controls, and where a fault has developed which is in need of repair, this has been reported.
Daily	Fire Safety	Fire Routes, Fire Doors, and External Fire Exit routes	A check has been made to ensure they are all free from obstruction
Daily	Fire Safety	Fire Doors	Fire Doors are undamaged and are not wedged upon, whilst 'fire door keep locked' doors are secured
Weekly	General Task	Internal and External Lights	Have been checked for any faults and reported where necessary
Weekly	General Task	Intruder Alarm System	Have been checked for any faults and reported where necessary
Weekly	General Task	Heating Controls	Have been checked and confirmed to be set correctly
Weekly	Fire Safety	Fire Alarms	A manual call point has been activated (using a different call point for each successive test), usually by inserting a dedicated test key, and where a fault has developed which is in need of repair, this has been reported.
Weekly	Fire Safety	Automatic Hold open devices for fire doors and shutters connected to the existing fire alarm system	Devices have been tested weekly, in conjunction with the fire alarm test, to check that they release and close fully, and where a fault has developed which is in need of repair, this has been reported.
Weekly	Fire Safety	Escape/Emergency Lighting	A visual check has been performed on luminaries and Fire Exit signage to confirm in good condition and where a fault has developed which is in need of repair, this has been reported.
Weekly	Legionella	Legionella Monitoring	Little used water appliances are flushed through and turned on. E.g. taps, toilets etc.
Monthly	General Task	Meter Readings	Readings have been recorded and shared with the Energy Manager
Monthly	General Task	External Access	Check has been performed to confirm clear for Emergency vehicles etc.
Monthly	General Task	Radon Sump Pump	Check has been performed that the extract fan is running and can be audibly heard, and where a fault has developed which is in need of repair, this has been reported.
Monthly	General Task	Safety and Hazard Signs	All signs are visible and in good order
Monthly	General Task	Rainwater Gullies, Gutters and Drains	Have been checked to confirm they are free from debris and litter, and where a fault has developed which is in need of repair, this has been reported.
Monthly	General Task	Recycling Bags	They are stored on the premises are adequately controlled (i.e. within suitable containers and where they won't cause an obstruction).
Monthly	Fire Safety	Hose Reels	Hose has been inspected for leaks and correct operation.
Monthly	Fire Safety	Fire Extinguishers and Fire Blankets	Inspections have been made to ensure items are in their correct location and have not been discharged, (or lost pressure for those fitted with an indicator), or suffered obvious damage
Monthly	Fire Safety	Escape Lighting	A function test has been performed by operating the test facility for a period sufficient to ensure that each emergency lamp illuminates.
Monthly	Fire Safety	Fire Instructions	A check has been undertaken to, and instructions provided, to any new members of staff to ensure they have been briefed on fire precaution arrangements for the premises.
Monthly	Fire Safety	Fire Assembly Points	A check has been undertaken to confirm they are free from obstruction
Monthly	Fire Safety	Sprinkler Systems	Systems have been checked according to instructions
Monthly	Legionella	Legionella Risk Assessment	Where remedial works have been identified by the Legionella Risk Assessment, or following review, these have been discussed with Corporate Landlord and a works plan agreed.
Monthly	Legionella	Legionella Risk Assessment	The requirements in the Legionella Risk Assessment been followed
Monthly	Legionella	Legionella Monitoring	The requirements identified in the risk assessment for the testing and monitoring has been followed. This has included Legionella Checks, and temperature checks which have been recorded in the log book.
When Required	General Task	PRPs	Corporate Landlord has been alerted if the PRP has changed
When Required	General Task	Key Holders	Corporate Landlord has been alerted if key holders have changed
When Required	General Task	Contractor Log	Is stored in a prominent place and is kept up to date, ensuring all contractors have been signed in when visiting site
When Required	Fire Safety	Fire Drills	Has been performed to the frequency determined in the Fire Risk Assessment.
When Required	Fire Safety	Review of FRA	An annual review has been performed on the FRA to determine if a new FRA will be needed, or there are any outstanding remedials which need to be actioned.
When Required	Fire Safety	Fire Risk Assessment	Is displayed and available upon request on site
When Required	Fire Safety	Fire Risk Assessment Remedial Works	Where remedial works have been identified by the Fire Risk Assessment, or following review, these have been discussed with Corporate Landlord and a works plan agreed.
When Required	Fire Safety	Fire Risk Assessment	A new Fire Risk Assessment has been undertaken whereby alterations to the premises have taken place, including to the: Structure, Occupants, or Service provided. Corporate Landlord has been contacted to assist where advice and guidance is necessary
When Required	Asbestos	Asbestos Management	Any employee or contractor working on your premises have been provided with information on the type, location and condition of ACM's from the Asbestos Management Plan
When Required	Asbestos	Asbestos Management	Have been part of the plan to identify parts of the premises concerned
When Required	Asbestos	Asbestos Management	Have implemented measures to prevent its disturbance or control its removal and monitor the condition
When Required	Asbestos	Asbestos Management	Asbestos Management Plan is displayed and available when requested on site
When Required	Asbestos	Asbestos Management	Advice has been sought from the Corporate Landlord prior to work taking place where Asbestos is likely to be disturbed.

Appendix 3 - Payment and Management of Statutory Obligation tasks

*Please note, that the funding for remedial works in this table relates to **Revenue** funded works. If remedial works are identified as being Capital, Corporate Landlord will fund them, regardless of the Tier of SLA which is signed in to.

Paid for and Managed by the School		Paid for by School. Managed by Council.		Paid for by School. Works can be procured/delivered by Council following consent given by school.		Paid for and Managed by the Council	
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Statutory Obligation	Test and Inspect				Remedial Works			
	No SLA	Tier 1	Tier 2	Tier 3	No SLA	Tier 1	Tier 2	Tier 3
1 Asbestos Survey and removal of Asbestos (unless part of a school funded project)								
2 Lightning Conductors - A								
3 5 year Electrical Testing (Will be performed every 5 years on most buildings, with higher risk buildings e.g. Pavilions, performed more frequently)								
4 Radon* (Initial test, and ongoing inspection of fans) - A								
Mechanical								
Heating Maintenance								
5 Boiler Plant – 6 Monthly								
6 Convector Heaters - A								
7 AHU Filter Change - Q								
8 AHU Belt Change - A								
9 Checks on associated plant (Pumps, Pressurisation Sets, Controls) - 6 Monthly								
10 Gas Tightness Tests - 6 Monthly								
Kitchen Maintenance								
11 Gas Kitchen Equipment – A								
12 Kitchen Canopy Cleaning & Function Test - A								
13 Electronic Interlock Check - A								
14 Kitchen Duct Work Inspection (TR19) - A								
15 Kitchen AHU Inspection & Filter Change - Q								
16 Kitchen AHU Inspection & Belt Change - A								
17 Kitchen Gas Tightness Test - A								
18 Service to Combination Ovens - A								
19 Air Conditioning - A								
20 Mixing Valves – 6 monthly								
Local Exhaust Ventilation (LEV)								
21 Fume Cupboards - A								
22 Woodwork Extract Systems - A								
23 Legionella Risk Assessment, Sampling and Testing - A								
24 Sprinkler Maintenance - Q								
25 Fire Hydrants - A								
26 Swimming Pools (including filters, dosing systems, consumables) – 6 monthly								
Electrical								
27 Fire Alarm - Q								
28 Intruder Alarm - A								
29 Door Access and card access systems - A								
30 Lift Maintenance – 6 monthly								
31 CCTV - A								
32 Nurse Call								
33 PAT Testing - A								
34 Automatic Doors – A								
35 CHP Generators – A								
Other								
36 Emergency Lighting - A								
37 Generators - A								
38 Pumping Stations - A								
39 Extract Fan and Insectacutor Cleaning as required by Statute - A (Dependent on use)								
40 Fire Extinguishers - A								
41 FRA Review** (Should be annual as a minimum)								
42 Fire Risk Assessments*** (3 years as minimum, may be more frequent)								
43 Building Management System – A								
44 Roller Shutters (Internal and External) – A								
45 Gates and Barriers – A								
46 Fall Arrest Equipment (including Harnesses, safeman systems on roofs etc.) – A								
47 Stage Lighting - A								

*The authority has secured funding for the initial test to determine the presence of Radon, and also the installation and continued inspection of any Radon related equipment. However, once this budget has run out, the funding responsibilities may alter.

**A review of the Fire Risk Assessment (FRA) should be undertaken by the PRP/competent person annually as a minimum - regardless of the Tier of SLA entered into, this is a PRP responsibility. However, if works are undertaken on the building which significantly alter structure etc. within a year, then a FRA will be required. The School should always contact Corporate Landlord if they are unsure if an FRA is needed.

***A new FRA should be performed every 3-5 years, but will be dependant on age of building and whether any major building works have been completed.

A. THE BASIS OF RESOURCE ALLOCATION FOR PRIMARY, SECONDARY AND SPECIAL SCHOOLS - THE FORMULA

A.1 INTRODUCTION

- A.1.1 The basis on which resources are allocated to schools is a key aspect of financial schemes. The allocation of resources, i.e. the formula, needs to be based on objective needs rather than simply on historic spending, to ensure an equitable allocation of the available resources between schools.
- A.1.2 Once the Individual Schools Budget (ISB) (see definition in the Financial Scheme for Schools (FSS) Section 2, paragraph 2.1.3) has been determined, Section 47 of the School Standards and Framework Act 1998 requires each Local Authority to allocate a share of the ISB to schools, based upon a formula.
- A.1.3 The School Funding (Wales) Regulations 2010 state that the information provided to schools “must contain an explanation of how the school’s budget share was determined and an estimate of the school’s budget shares for the following two funding periods but that estimate is not binding on the authority as to the actual determinations they make for the following two funding periods.”
- A.1.4 The Welsh Government expects that the basis for allocating resources between individual schools should be as simple and clear as possible and also be predictable in nature. To this end, the Welsh Government has prescribed a number of factors or criteria that Local Authorities can choose from in determining budget shares for their primary and secondary schools.

A.2 SCHOOLS COVERED BY THE SCHEME

- A.2.1 The scheme must apply to all schools maintained by the local authority, in accordance with the Education Act 2002. Section 50 of the 1998 Act states that all schools covered by the scheme must be funded only at the level of their budget share.
- A.2.2 The local authority is funded for Post 16 provision by way of a grant from the Welsh Government. Schools with Post 16 provision will receive a budget share for pre 16 provision from the LA’s resources.

Funding from Welsh Government will dictate the level of funding for Post 16 provision. LAs must distribute the grant in accordance with the conditions attached to the grant on an annual basis.

- A.2.3 Schools need to plan for the continuing professional development (CPD) of all of their staff. Development needs will be identified by a variety of means, but particularly through the processes of performance management, school self-evaluation and school development planning.

In order to meet these identified needs, schools will need to cost their planned programmes of CPD carefully and ensure that funding is earmarked as appropriate.

A.3 RESOURCE ALLOCATION FOR PRIMARY AND SECONDARY SCHOOLS

A.3.1 SCHOOL PROTECTION THROUGH FORMULA FUNDING

The Authority proposes to protect schools through the formula by means of a fixed lump sum allocation per school (primary and secondary) and also a tapered lump sum allocation (secondary schools only).

Lump Sum Allocation

- (i) Primary - This is given to all schools irrespective of pupil numbers.
- (ii) Secondary - The lump sum allocation for secondary schools is distributed as follows:
 - (a) Fixed Lump Sum.
 - (b) Tapered Lump Sum.

The fixed lump sum is given irrespective of pupil numbers, whilst the tapered lump sum, which was initially top sliced from the fixed lump sum allocation, is allocated according to size of school, i.e., the smaller the school, the larger the tapered lump sum. An example of this is given below:-

<u>School</u>	<u>Pupil Numbers</u>	<u>Factor</u>
A	1800	$\frac{1800}{1800} = 1 \times \text{£y}$
B	1700	$\frac{1800}{1700} = 1.059 \times \text{£y}$
C	1600	$\frac{1800}{1600} = 1.125 \times \text{£y}$

Salary of Teachers

Primary Teachers

The Authority will formula fund salaries for all primary school teachers (except those in designated learning resource centres - see A.3.4.15 and A.3.4.16) on an **average** cost to the Authority basis. **Actual** salary costs will be charged.

Secondary Teachers

For secondary schools, the Authority will also formula fund average salaries and charge actual salaries.

Teachers Average Salary Cost Calculation

The average salary for teachers is calculated by dividing the total estimated salary bill for the financial year (excluding threshold payments) by the number of full time equivalent teachers. The calculation is undertaken in the January preceding the start of the financial year. It includes provision, where possible, for:

- employer's contribution to National Insurance
- employer's contribution to superannuation
- anticipated pay awards
- teaching and learning responsibility payments (TLRs)

The average salary is determined at a particular point in time prior to the start of the financial year. No further adjustments will be made during the year to reflect changes in staffing structures.

Teachers' Threshold Funding

Specific funding is allocated for those teachers on the Upper Pay Scale, which includes associated National Insurance and superannuation costs.

A.3.2 CALCULATION OF PUPIL NUMBERS

A.3.2.1 Pupil numbers are required as a means of apportioning certain formula funded items, including those by means of age weighted pupil numbers.

A.3.2.2 The Authority will use pupil numbers for the calculation of the formula as follows.

Primary Schools

<u>PRIMARY</u>	<u>COUNT DATES USED</u>	<u>WEIGHTING</u>
<u>Spring Term</u>	<u>actual</u> pupil numbers as at date in January of the financial year prior to the allocation of the formulas	5/12
<u>Autumn Term</u>	<u>Estimated</u> pupil numbers as at date in September of the financial year in which the formula applies.	7/12

For nursery pupils, there will be three pupil counts – **January** (3/12) **April** (5/12) and **September** (4/12), to take into account, as appropriate, any Summer Term admissions.

All part-time pupils will be given a weighting of 0.5 full time equivalent (FTE) for the calculation of the formula allocations.

Retrospective Adjustments

As pupil numbers are so important in the formula distribution process, the Authority will make retrospective adjustments to budgets once actual numbers of pupils are confirmed. This is considered essential in order to ensure an equitable distribution of resources between schools. This method of adjustment will avoid schools being over resourced merely because the estimated pupil numbers exceeded the actual pupil numbers. Conversely, schools would not be under resourced because actual pupil numbers exceeded the estimated numbers. The retrospective adjustments will relate to amounts allocated via the formula on a pure pupil number basis only, i.e. the Age Weighted Pupil Unit (AWPU) and will be adjusted in the following financial year.

The implications of this adjustment are shown below:-

Example:

For the 2018/2019 financial year a primary school submits the following details:

January 2018 actuals	255 Pupils
September 2018 estimates	267 Pupils

It then transpires the actual details were as follows:-

January 2018 actuals	255 Pupils
September 2018 actuals	240 Pupils

Adjustment to the 2018/2019 formula funded budget:

January 2018	NIL
September 2018	- 27 Pupils

Therefore, the retrospective adjustment based upon, say, £2,000 per pupil would be:

$$- 27 \text{ pupils} \times 7/12 \times £2,000 = - £31,500$$

In this example the formula funded allocation would be **reduced** by £31,500 for 2019/2020.

A similar calculation will apply for nursery pupils, but incorporating the 3 pupil counts.

The example above has been simplified and the illustration of £2,000 per pupil would be weighted by age of pupil, as appropriate.

The Authority will attempt to indicate to schools what adjustments are likely to be necessary at intervals during the course of the financial year e.g. once actuals for April and September are known. This will be important as schools will then be able to plan for the anticipated adjustment to be made to their following financial year's formula funded allocation.

Admission Policy to Primary Schools (including Infants Schools/Nursery Units)

Headteachers are reminded of the Authority's admission policy. (See 'Starting School' booklet for further information). The financial resources allocated to schools via the formula will be based upon the assumption that Headteachers have followed the policy.

Secondary Schools

<u>SECONDARY</u>	<u>COUNT DATES USED</u>	<u>WEIGHTING</u>
<u>Summer Term</u>	<u>actual</u> pupil numbers as at date in January of the financial year prior to the allocation of the formula.	5/12
<u>Autumn Term</u>	<u>estimated</u> pupil numbers as at date in September of the financial year in which the formula applies.	7/12

Retrospective Adjustments

See above for example

There will be no retrospective adjustments processed for Post 16 pupils.

In-year Pupil Adjustments

- (i) Adjustments for excluded pupils.

Where a pupil is permanently excluded from a school maintained by a local authority, the Authority shall reduce the school's budget share by:

$$A \times \frac{B}{52}$$

where:

A = Age Weighted Pupil Unit for that pupil (AWPU)

B = Number of complete weeks remaining in the financial year from the date the permanent exclusion takes effect.

Where, during the course of a financial year, a school admits a pupil who has been permanently excluded in that year from a school maintained by the Authority, the Authority will allocate to that school an amount for the rest of the financial year, based on the current AWPU value.

(ii) Dual-Registration of a pupil at a school and a Pupil Referral Unit (PRU)/Alternative Provision.

The Authority will clawback the proportion of funding allocated to the school which represents the time the pupil spends at the PRU or alternative provision i.e., if a pupil attends a PRU for 3 days a week for one financial year, the Authority would clawback 3/5 of the AWPU for that pupil.

Grant funding could also be subject to clawback for in-year pupil adjustments.

A.3.3 PERCENTAGE OF “PUPIL-LED” FUNDING

The Welsh Government requires that at least 70% of the primary and secondary schools' share of the Individual Schools Budget is allocated in the following manner:

- by reference to pupil numbers, weighted for age, where appropriate;
- by reference to pupil numbers, weighted in accordance with pupil count dates (see A.3.2);
- for children with special educational needs who do not have statements, but only up to 5% of the total funding allocated to primary and secondary schools;
- to places in primary or secondary schools which are recognised by the authority as being reserved for pupils with special educational needs;
- for pupils with statements of special educational needs who are placed individually or in small groups;

A.3.4 SPECIFIC FORMULA PROPOSALS

Each of the items listed A.3.4.1 - A.3.4.14 below, represent the components of the **basic allocation** to each school. Those listed A.3.4.15 - A.3.4.30 represent the **additional components** to an individual school's basic allocation that are deemed appropriate by the Authority.

General Components

The principle of maximum delegation, as referred to by the Secretary of State, requires that provision should be delegated, except where there is a clearly identified need for the Authority to retain responsibility.

The items of expenditure for delegation purposes, together with the basis of allocation used for the distribution of this money, are indicated below.

A.3.4.1 Lump sum allocation

- (i) Primary - This is given to all schools irrespective of pupil numbers.
- (ii) Secondary - The lump sum allocation to secondary schools is distributed in the following ways:-
 - (a) Fixed Lump Sum.
 - (b) Tapered Lump Sum.

The fixed lump sum is given irrespective of pupil numbers while the tapered lump sum, which was initially top sliced from the base lump sum, is allocated according to size of school, i.e., the smaller the school, the larger the lump sum. An example of how this is calculated is given in paragraph A.3.1.

A.3.4.2 Teaching And Related Provision

The base provision will comprise a pupil teacher allocation funded according to the Authority's average salary of a teacher. In the Primary sector, the pupil teacher ratio (PTR) will amount to 30:1 for pre-school pupils, 26:1 for Reception and Key Stage 1 pupils and 27.5:1 for Key Stage 2 pupils. For the Secondary sector the PTR will be 21.5:1 for pupils in Years 7/8/9 and 17.5:1 for pupils in Years 10 and 11. The pupil numbers used for this calculation are net of pupils in designated special classes and Learning Resource Centres (LRCs) in primary schools.

Additional allocations will be made in respect of short term absences (i.e. first 13/26 consecutive days, excluding weekends and bank holidays) and long term sickness absences. These enhancements will be expressed as £x per pupil.

Subject to the purchase of the Maternity SLA, the school will not be liable for any maternity absences, but the Authority will “clawback” any savings made by the school as a result of such absences. The LA will have regard to any acting up allowances below Deputy Headteacher level paid as a result of such absences, but only from the effective date of the clawback, i.e. the first day of half/no pay status.

An amount of £x per pupil will be allocated to both primary and secondary schools to cover maternity absences.

Furthermore, schools in the primary sector will receive an additional allocation for non-teaching support staff (Special Support Ancillary) for pre-school/nursery pupils. This will be expressed as £x per pupil.

A.3.4.3 Special Needs / Additional Learning Needs (ALN) Funding

There are two types of allocation:

Social Needs allocation

The Authority will provide a 'Social Needs' allocation through the formula for primary schools. This allowance is intended to relate not only to additional teaching staff requirements, but also as a contribution towards associated supply cover, special class allowances payable to teachers and associated special/remedial capitation allowances.

It is hoped that the formula will serve to allocate these extra resources to each school in proportion to the needs of the pupils within the school. In order to do this, the Authority requires a measure of the proportion of children with special needs.

Considerable thought was given to the most appropriate method to assist in assessing special needs. The Authority, in line with many other Authorities, has decided to use the number of pupils in receipt of free school meals to allocate this social needs allowance.

Free school meals are generally recognised as a reasonable indicator of the level of special needs and whilst this measure has its limitations, there is presently no wide acceptance of a workable alternative.

For Primary Schools:

The Authority will distribute the social needs allocation on the basis of the January actual numbers of pupils in receipt of free school meals, e.g. for 2018/19 financial year the January 2018 actual figures will be used for primary schools.

The allocation will be expressed as £x per pupil in receipt of free school meals, but will only apply to pupils in excess of 35% of the pupil population of each individual primary school. For example, if a primary school has 80 pupils in receipt of free school meals out of a school population of 200, the calculation would be based upon 10 pupils, as follows:

$$200 \times 35\% = 70.$$
$$80 \text{ FSM} - 70 = 10$$

ADDITIONAL ALN (Secondary Schools):

Allocations will be made based on an amount per **weighted** free school meals pupil (Years 7-11), plus an ALNCo lump sum allocation for each school.

School meals weightings have been calculated on the following basis:

FSM less than 15% weighting is 1
FSM between 15 and 20% weighting is 1.5
FSM between 20 and 30% weighting is 2.5
FSM greater than 30% weighting is 3

For those secondary schools with designated Learning Resource Centres, an additional allocation, initially based on actual staff costs, has been made to reflect the high concentration of support staff required.

Expected Mainstream Expenditure On Non-Statemented Special Educational Provision By Mainstream Schools

In order to assist the governing bodies and the senior management of mainstream schools in determining what they should be able to justify spending on special provision for pupils with significant learning difficulties / additional learning needs, it has been agreed that schools should consider at least 3.04% of the AWPU element of their budget together with any Social Needs (Free School Meals)/ALN allocations as being for this purpose.

A.3.4.4 Pupil Number Allocation

This allocation will include provision where appropriate for:-

- supervisory assistants
- support staff (school clerks, teaching assistants)
- laboratory/workshop technicians
- foreign language assistants
- rents
- hiring costs
- water and sewage services
- fire fighting equipment
- fixtures and fittings
- school activities (transport and other associated costs)

- car allowances
- other travelling and subsistence expenses
- expenses for candidates for appointment
- staff clothing, uniforms and laundry
- school library service
- maintenance of school equipment, e.g. computers and audio/visual aids.
- printing and stationery
- advertising
- postages
- telephones
- refuse collection
- school photography
- sales of materials
- school/college partnership courses
- free staff meals

The allocation will be expressed as £x per pupil.

A.3.4.5 Furniture, Equipment and Materials Allocation

This allocation will primarily relate to 'capitation' monies.

The allocation will be expressed as £x per pupil.

A.3.4.6 Clothing and Maintenance Allowances

This allocation will be expressed as £x per pupil in receipt of free school meals, and will be based upon the actual free meal numbers in January for both primary and secondary schools.

A.3.4.7 Prescribed Examination Expenses

This allocation will be payable only in the secondary sector and will be expressed as £x per pupil for year 11 only, based on the January actuals of the previous financial year i.e., January 2019 actuals for the 2019/20 formula allocation.

A.3.4.8 Energy Allocation

Each school will be provided with an allocation based upon the total floor area of school, weighted for a fuel used factor.

With regard to the **fuel used factor**, the following weightings should apply:-

<u>Type of Fuel Used</u>	<u>Adjustment Factor</u>
Coal	1.00
Gas	0.95
Oil	1.05
Electricity (Non Flow Boilers)	1.66
Electricity (Flow Boilers)	2.70
Liquid Petroleum Gas	1.10
Biomass Boiler	1.25

The above will be reviewed annually and may be adjusted in the funding formula.

A.3.4.9 Rates

This will be expressed as £x per £ of rateable value of the school premises, as per advice given under Section 47 regulations of the School Standards and Framework Act, 1998.

As Voluntary Schools receive 80% rate relief due to their charitable status, there will be a clawback of funding equating to 80% x £x x £ rateable value of these school premises.

A.3.4.10 School Meals

The delegation of funding for school meals is a requirement for all schools.

This allocation will be in three parts:

1. An allocation will be made on the basis of free meal entitlement as at January preceding the start of the financial year. This will be expressed as £x per pupil entitled to free meals.
2. A further allocation will be made based upon gross pupil numbers as at January preceding the start of the financial year. This will be expressed as £x per pupil.
3. Each school will also receive a lump sum, weighted to reflect the different provision and responsibilities at each school, i.e.

PROVISION	WEIGHTING
Dining Centre	1.00
Kitchen (0 – 200 capacity)	3.00
Kitchen (201 – 300 capacity)	3.50
Kitchen (301 – 400 capacity)	3.75
Kitchen (401+ capacity)	4.00
Voluntary Aided School	0.00

Where there are 2 or more kitchens at the school the weighting for each kitchen will be added together to give an overall weighting.

As VA schools have no responsibilities for kitchens, the weighting will be 0.

A.3.4.11 Cleaning Allocation

This allocation will be made on the basis of floor area (excluding the kitchen area in the school).

A.3.4.12 Site Supervision

Each school will be provided with an allocation based upon the floor area of the school, as follows:

Floor Area	Allocation
0 m ² – 1000 m ²	0.5 post
1001 m ² – 2500 m ²	1 post
2501 m ² – 5000 m ²	1.5 posts
5001m ² – 12,500 m ²	2 posts
12,501 m ² and above	3 posts

Funding will be calculated annually and based upon the average cost of a site manager / caretaker, banded to take into account the floor area of school.

A.3.4.13 Building Maintenance Allocation

This allocation will be in two parts:

1. An amount will be allocated to schools on the basis of floor area. This will be weighted to take account of the overall condition of the school, as determined by building surveyors. The weightings are:

CONDITION	WEIGHTING
Good	1.0
Fair	1.5
Poor	2.0

Where schools with split sites have 2 sites with different weightings, an average of the two weightings will be taken. Voluntary Aided schools have fewer responsibilities in terms of repairs and maintenance and, therefore they will receive a weighting of 0.5 to reflect this.

2. Each school will receive a lump sum to pay for the costs of service contracts, which are schools' responsibility. An additional allocation will be made to schools with split sites in accordance with the LEA definition.

A.3.4.14 Maintenance Of Grounds Allocation

This allocation will be expressed as £x per square metre of grounds/playing field area.

NB. Building Projects

Schools wishing to pursue capital projects i.e., the construction of new buildings, **must discuss** any proposals with the Authority in the first instance.

SPECIFIC COMPONENTS

A.3.4.15 Observation Classes

The Authority will make an allocation to certain schools in the primary sector, based on the actual salary costs of special class teacher and special support assistant. Allocations are also made for long and short term supply cover, workload and capitation. The number of places available in each class will be determined by the Authority.

Funding will be based on actual staffing costs, including on-costs, for staff in post in the January prior to the commencement of the financial year. In cases where there are staff changes during any financial year, no adjustment to the staffing budget will be made until the following financial year. Gains or losses due to the appointment of staff at different points on the pay scale remain with the school.

A.3.4.16 Moderate Learning Difficulties (MLD)/Nurture Classes

The Authority will make an allocation to certain schools in the primary sector to comprise the actual salary costs of the special class teacher plus allowances for long and short term supply cover, workload and capitation. The number of places available in each class will be determined by the Authority.

Funding will be based on actual staffing costs, including on-costs, for staff in post in the January prior to the commencement of the financial year. In cases where there are staff changes during any financial year, no adjustments will be made until the following financial year. Gains or losses due to the appointment of staff at different points on the pay scale remain with the school.

A.3.4.17 Communication Autistic Resource Education (Care) Bases

These classes are set up as a resource base for the Local Authority and funding is allocated on the basis of a lump sum per class and a lump sum for resources. This is in addition to the Age Weighted Pupil Unit (AWPU).

Where access to a special class is not currently available due to the nature of the school, eg Church schools, a proportion of the average salary of a teacher will be made to cover likely additional costs of making the provision within the school.

A.3.4.18 Secondary Learning Resource Centres (LRC)

An allocation of £x per place (MLD) or £y per place (Autistic Spectrum Disorder/Communication) will be made. If the actual number of places funded is less than the agreed numbers a top up allocation of £z for each vacant place will be made.

A.3.4.19 Language Support Allocation

An allocation of £x per session will be made. The number of sessions funded in each primary school will be determined by the Inclusion Service, up to a maximum of 5 sessions per school.

A.3.4.20 Split Site Allowance

The Authority will determine which schools are entitled to a split site allowance and how many sites are eligible.

The Authority has defined a split site as one where staff have to travel by car between sites so as to fulfil their teaching commitment, and the school has more than one distinct campus.

Currently there are schools in the primary and secondary sectors entitled to a split site allowance.

A.3.4.21 Welsh Language Schools

In Welsh language schools, much work has to be translated from English into Welsh. Additionally, documentation may have to be produced at these schools in both English and Welsh.

In order to compensate for this, additional finances will be allocated to Welsh language schools and schools with Welsh Units.

A.3.4.22 Delegated Administration Costs

The Authority will delegate those administrative costs that are available under a Service Level Agreement (SLA) using £x per pupil and, where applicable, a fixed lump sum per school. The Authority will endeavour, wherever possible, to construct a charging mechanism for SLAs that reflects the allocation of resources.

A.3.4.23 Clerking of Governing Bodies

A notional sum will be delegated to each LA maintained school based on one meeting for each of the school terms.

A.3.4.24 Swimming Pool Allowance

Whilst those schools with their own swimming pools will receive additional funding through the formula in relation to their floor area, this is not considered adequate to maintain swimming pools.

Accordingly an additional specific allocation will be made to those schools with swimming pools.

A.3.4.25 School Swimming

Each school will be allocated a number of sessions per week based upon pupil numbers. Each session will be of one hour's duration and funding will be based on 27 weeks.

The number of sessions allocated will be as follows:

Primary Schools

Based upon the number of KeyStage 2 pupils (ages 7 to 11) as at the January preceding the start of the financial year.

No. of Key Stage 2 pupils	No. of sessions per week	No. of sessions per year
0 – 149 pupils	0.5	13.5
150 – 299 pupils	1.0	27.0
300 – 449 pupils	1.5	40.5

In addition, those schools with a designated LRC will receive an extra 0.5 session per week.

Secondary Schools

Based upon the number of Year 7 to 11 pupils as at the January preceding the start of the financial year.

No. of year 7 to 11 pupils	No. of sessions per week	No. of sessions per year
Up to 749 pupils	3.0	81
750 pupils and above	4.0	108

Transport costs will be funded based on estimated cost. No retrospective adjustment will apply for school swimming.

A.3.4.26 Small School Protection

For those primary schools with fewer than 100 pupils, as at January preceding the start of the financial year, a lump sum allocation will be made to fund supply cover costs, to enable the Headteacher to be relieved from some teaching duties.

A.3.4.27 Additional Clerical Assistance

A small sum of money is allocated to all schools for this purpose.

A.3.4.28 Central Support Costs

The Authority will delegate those central support costs that are applicable using £x per pupil and, where applicable, a fixed lump sum per school. Service Level Agreements may be available for all or some of these services. These include:

- Financial Support Services

- Human Resources Support Services
- Caretaking Support
- Technical Support Services
- Purchase Ledger Support
- Information and Communication Technology (ICT)
- Clerking of Governing Bodies

A.3.4.29 School Music Service

An allocation of £x per pupil will be made, based on pupils in Years 4-6 in Primary Schools and Years 7-11 in Secondary Schools. The pupil numbers used will be as at September prior to the start of the financial year.

A.3.4.30 Workload Agreement

All primary and secondary schools will receive a lump sum and an amount per pupil in respect of the National Workload Agreement. An additional allocation will be made for those pupils in Years 11, 12 and 13.

A.4 RESOURCE ALLOCATION FOR SPECIAL SCHOOLS

A.4.1 THE FORMULA

The formula allocation in respect of primary, secondary and special schools is allocated from the Individual Schools Budget that is included in the Schools Budget. Hospital class provision will be funded centrally from within the ISB, while funding for outreach services in the special schools will be made through the resource allocation for special schools.

A.4.2 SCHOOLS COVERED BY THE SCHEME

The scheme will apply to both special schools in the Authority.

A.4.3 SPECIAL SCHOOL FORMULA FRAMEWORK

The formula will be based around a framework that identifies the main cost elements within the special schools. These are:

- School Related
- Place Led
- Premises Related
- Staff Related
- Service Level Agreements

A.4.4 SCHOOL RELATED

Management Structure Lump Sum – based on salaries of a headteacher, 2 deputy headteachers, teacher and school support officer.

Residential Lump Sum – based on an allocation for the Head of Care,

plus any residential allowances for headteacher and deputy headteacher.

A.4.5 PLACE RELATED

The Authority has identified the most appropriate staffing levels required for each of its principal learning difficulties (PLD). An explanation of these Principal Learning Difficulties is provided at Supplement A - Appendix 1.

These staffing levels take into consideration the guidance provided in the Welsh Office Circular 58/90: "Staffing for Pupils with Special Educational Needs". Each principal learning difficulty has also been separated into 'standard' provision and 'enhanced' provision, which caters for those pupils within a PLD that have a greater degree of special educational needs and are therefore more resource intensive than others within that category.

Funding is allocated for teaching and non-teaching staffing costs associated with the provision of education and related support to pupils with differing levels of special educational need. Funding will be allocated based on the staffing matrix according to the pupils' principal learning difficulty, as shown below.

The number of places will be determined for the year based on two pupil counts, which will be January and September.

<u>SPECIAL</u>	<u>COUNT DATES USED</u>	<u>WEIGHTING</u>
<u>January</u>	<u>actual</u> places as at date in the January of the financial year in which the formula applies	5/12
<u>September</u>	<u>estimated</u> places as at date in the September of the financial year in which the formula applies.	7/12

A weighted average of the two count dates will be taken to ascertain the weighted places for the year. The Authority will review annually the number of planned places with the headteacher and Governing Body.

SPECIAL SCHOOL STAFFING LEVELS

P L D	<u>Day Provision</u>				Residential Provision	
	Standard		Enhanced		Standard	Enhanced
	Teacher	SSO/SSA	Teacher	SSO/SSA	<u>SSO/SSA</u>	<u>SSO/SSA</u>
Autistic	1 for every 6 pupils	SSO for every 3 pupils	1 for every 6 pupils	SSO for every pupil	1 for every 2 pupils in the evenings and mealtimes, 1 for every 4 pupils during the night.	1 for every pupil in the evenings and mealtimes, and during the night.
PMLD	1 for every 10 pupils	SSA for every 3 pupils	1 for every 6 pupils	SSO & SSA for every 2 pupils	N/A	N/A
SLD	1 for every 8 pupils	SSA for every 8 pupils	1 for every 8 pupils	SSA for every 2 pupils	1 for every 4 pupils in the evenings and mealtimes, 1 for every 6 pupils during the night.	1 for every 4 pupils in the evenings and mealtimes, 1 for every 3 pupils during the night.
EBD	1 for every 7 pupils	SSO for every 5 pupils	1 for every 4 pupils	SSO for every 4 pupils	1 for every 3 pupils in the evenings and mealtimes, 1 for every 6 pupils during the night.	1 for every pupil in the evenings and mealtimes, and during the night.
SLI	1 for every 7 pupils	SSO for every 5 pupils	1 for every 5 pupils	SSO for every 2 pupils	1 for every 4 pupils in the evenings and mealtimes, 1 for every 6 pupils during the night.	1 for every 4 pupils in the evenings and mealtimes, 1 for every 3 pupils during the night.
MLD	1 for every 10 pupils	SSO & SSA for every 20 pupils	1 for every 5 pupils	SSO & SSA for every 10 pupils	1 for every 4 pupils in the evenings and mealtimes, 1 for every 6 pupils during the night.	1 for every 4 pupils in the evenings and mealtimes, 1 for every 6 pupils during the night.

NOTE: PMLD – Profound and Multiple Learning Difficulties, SLD – Severe Learning Difficulties, EBD – Emotional and/or Behavioural Difficulties, SLI – Speech and Language Impairments, MLD – Moderate Learning Difficulties, SSO – School Support Officer, SSA – Special Support Assistant

A.4.6 RETROSPECTIVE ADJUSTMENTS

As the formula is partly based upon estimates of places throughout the financial year, the Authority will make retrospective adjustments to budgets once actual place numbers for September are confirmed. The retrospective adjustments will relate to amounts allocated per place and will be adjusted in the following financial year. See A.3.2.

A.4.7 PUPIL - LED FUNDING

This category of funding caters for those areas of expenditure which are, in the main, driven by the number of pupils in the school, irrespective of their level of special educational need. There are 6 factors within this category:

Furniture and Equipment

This allocation will include provision for:

- General equipment purchase and repair
- Furniture and materials
- Fire fighting equipment
- Vehicle hire and upkeep

An allocation of £x per pupil will be made. In addition those pupils identified as having autistic spectrum disorders will attract a further allocation of £y, where £y is 1/2 of £x.

Resources

This allocation will include provision for:

- Capitation
- Photocopying
- Postage, printing and stationery
- Telephone rentals and telephone calls
- Examination/ accreditation fees
- School activities (transport and associated costs)
- Protective clothing and laundry
- Clothing and maintenance allowances

- Miscellaneous materials

An allocation of £x per pupil will be made to cater for these items of expenditure.

Home to School Liaison

The authority recognises the increasing role that special schools play in dealing with parents for a variety of reasons e.g. educational/welfare issues relating to the child, attendance and behaviour, bereavement. This allocation is intended to provide additional support staff to maintain this role.

An allocation of £x per pupil will be made to cater for this area of expenditure.

Clerical and Administration

The level of clerical and administrative support will increase as pupil numbers rise within the school. The authority will fund this area of expenditure as follows:

- For schools with under 100 pupils an allocation of £x will be made.
- For schools with 100 to 200 pupils an allocation of 2 x £x will be made.
- For schools with more than 200 pupils, an allocation of 3 x £x will be made.

School Swimming

One half session will be allocated for each 25 pupils at the school aged between 7 and 16 (i.e. Key stages 2, 3 and 4) as at the September preceding the start of the financial year.

Transport costs will be funded based on estimated cost. No retrospective adjustment will apply.

School Meals

The funding for school meals will be in three parts:

1. An allocation will be made on the basis of free meal entitlement as at January preceding the start of the financial year. This will be expressed as £x per pupil entitled to free meals.
2. A further allocation will be made based upon gross pupil numbers as at January preceding the start of the financial year. This will be expressed as £x per pupil.
3. Each school will also receive a lump sum, weighted to reflect the different provision and responsibilities at each school, i.e.

PROVISION	WEIGHTING
Dining Centre	1.00
Kitchen (0 – 200 capacity)	3.00

Kitchen (201 – 300 capacity)	3.50
Kitchen (301 – 400 capacity)	3.75
Kitchen (401+ capacity)	4.00
Voluntary Aided School	0.00

Where there are 2 or more kitchens at the school the weighting for each kitchen will be added together to give an overall weighting.

School Music Service

An allocation of £x per pupil will be made, based on pupils in Years 4-11. The pupil numbers used will be as at September prior to the start of the financial year.

A.4.8 PREMISES-RELATED COSTS

This category covers those areas of expenditure relating to the site of the special school. There are 5 factors within this category.

Building Maintenance

An allocation of £x per m2 will be made for non-capital repairs and maintenance costs. The floor area will be weighted, as follows, to reflect the condition of the building.

Good	-	1.0
Fair	-	1.5
Poor	-	2.0

Cleaning

An allocation of £x per m2 will be made for costs associated with cleaning of the premises.

Site Supervision

Funding is based on the average cost of a site manager / caretaker, banded to take into account the floor area of a school. Both special schools will receive funding for 2 site supervisor posts.

Energy

An allocation of £x per m2 will be made for all energy / utility costs. This has been weighted to reflect the type of fuel used.

Grounds Maintenance

An allocation of £x per m² of grounds / playing area will be made.

Swimming Pool / Hydrotherapy Pool

In addition to the floor area allocation related to the swimming pool / hydrotherapy pool, those schools with a swimming pool / hydrotherapy pool will receive a fixed lump sum allocation.

A.4.9 STAFF-RELATED COSTS

This category covers areas of expenditure related to the number and needs of staff at the school. There are 3 factors within this category.

Training / Professional Development

A lump sum allocation of £x will be provided for each school for training and professional development purposes.

Short Term Supply Cover

An allocation of £x per pupil will be made for supply cover up to 13 working days.

Long Term Supply Cover

An allocation of £x per pupil will be made to cover the cost of long term sickness cover i.e. in excess of 13 days.

Maternity Cover

An allocation of £x per pupil will be made using pupil numbers from the previous September.

Subject to the purchase of the Maternity SLA, the school will not be liable for any maternity absences, but the Authority will “clawback” any savings made by the school as a result of such absences.

Workload Funding

A lump sum allocation of £x will be provided for each school towards implementing the National Workload Agreement

A.4.10 SERVICE LEVEL AGREEMENTS

The Authority will delegate those central support costs that are applicable using £x per pupil or member of staff and, where applicable, a fixed lump sum per school. Service Level Agreements may be available for all or some of these services. These include:

- Financial Support Services
- Human Resources Services

- Clerking of Governing Bodies
- Caretaking Support
- Technical Support Services
- Purchase Ledger Support
- Information and Communication Technology (ICT)

A.5 USE OF EARMARKED FUNDING

A.5.1 In certain circumstances the Authority will allocate certain of its central funds to individual schools in addition to their formula allocation, to be spent in accordance with the Authority's direction. This is referred to as earmarked delegation and will only relate to defined local authority responsibilities.

The Authority currently does not delegate any earmarked funding.

A.6 SCHOOLS CONTINGENCY

A.6.1 Under section 47 of the 1998 Act a local education authority may re-determine the budget share for a school in the following circumstances:

- (a) when the number of registered pupils at the school by reference to which the budget share was initially determined has changed or, in the case of a determination by reference to an estimate of pupil numbers, ought to be revised during the course of the financial year.
- (b) when there has been any other change in the characteristics of the school during the course of the financial year.
- (c) when the amount of the authority's individual schools budget has changed during the course of the financial year.

A.6.2 To enable the changes in A.6.1 to be implemented, the LEA will retain a small Schools' Contingency Fund to provide for:

- (i) correction of errors or changes in the data or in the application of the resource allocation formula by the Authority. Conversely it should be noted that where schools provide incorrect information prior to budget formulation, adjustments to the schools' budgets may be made accordingly.
- (ii) emergency costs, e.g. those associated with fire damage to schools.
- (iii) additional resources for newly established and developing schools.
- (iv) one-off expenditure which it would be unreasonable to expect the school to incur from its delegated budget.

Claims from schools are to be made in writing to the Corporate Director - Education and Family Support.

PRINCIPAL LEARNING DIFFICULTIES DESCRIPTORS

COMPLEX AND CHALLENGING DIFFICULTIES

Pupils with complex and challenging difficulties are likely to have neurological dysfunctions which manifest themselves in a variety of ways with the following resulting abnormal behavioural patterns: rapid changes in mood; severe forms of physical aggression, often unpredictable in their occurrence and aimed at themselves or others in their proximity; and bizarre and ritualistic movements which are often entrenched and exceedingly difficult to reduce or eliminated.

PROFOUND AND MULTIPLE LEARNING DIFFICULTIES

Pupils with profound and multiple learning difficulties are likely to remain at the early levels of educational development, although some may acquire basic language skills through special means of communication such as signing. Some may have little or no voluntary movement, others may be slow in learning to walk, whereas others may be very active and highly mobile. Some are subject to rapid changes in mood.

SEVERE LEARNING DIFFICULTIES

Pupils with severe learning difficulties are those with severe limitations, compared with others of their own age, in their rate of acquisition of information, learning and retention of knowledge, skills and understanding across all aspects of their educational development, though some may display relative strengths or weaknesses in particular areas of their development.

MODERATE LEARNING DIFFICULTIES

Pupils with moderate learning difficulties are those with moderate limitations, compared with others of their own age, in their rate of acquisition of information, learning and retention of knowledge, skills and understanding across all aspects of their educational development, though some may display relative strengths or weaknesses in particular areas of their development.

EMOTIONAL AND/OR BEHAVIOURAL DIFFICULTIES

Pupils with emotional and/or behavioural difficulties are those who either under-react or over-react compared with others of their own age, when faced with feelings of frustration, anger or fear. These need to be persistent behavioural characteristics and exceptional to be classed as difficulties.

AUTISM

Pupils with autism are likely to have significant difficulties in developing relationships and in establishing social communication. There is likely to be delay in the acquisition of spoken language, the non-communicative use of spoken language and reciprocal conversation. There is likely to be delayed echolalia, pronounced reversals, repetitive and stereotyped play, a lack of imaginative play, but relatively good levels of rote memory.

SPEECH AND LANGUAGE IMPAIRMENTS

Speech and language impaired pupils are those who have a speech and/or language impairment which requires regular specialised teaching or support to ensure that they can progress satisfactorily in their education.

B. CONTRACT PROCEDURE RULES RELATING TO CONTRACTS FOR SCHOOLS

B.1 INTERPRETATION

B.1.1 In these Contract Procedure Rules:-

“contract” means any form of contract or agreement entered into by the Governing Body with any other party for the supply of goods, services or works, or any combination thereof.

“contractor” means any person or organisation that undertakes a contractual relationship with the Governing Body.

“contract Value” means the total value of the Contract over the whole term of the Contract. If there is no total price then the value of the Contract is to be calculated on the expected aggregate spend over the four year period, if there is no fixed term for the Contract. In the case where there is a Contract term but no total price then the value of the Contract is to be calculated on the expected expenditure over the whole Contract period, in accordance with the Public Contracts Regulations 2015. All Contract values are exclusive of VAT.

“the Corporate Procurement Manager” means the lead Officer for the Corporate Procurement Unit, who has functional responsibility for the delivery of Procurement strategy and guidance.

“the Council” means Bridgend County Borough Council.

“EU” means the European Union.

“the Governing Body” shall have the meaning assigned to it under the Education Act 1996 or any statutory re-enactment or amendment thereof.

“the Head Teacher” shall have the meaning assigned to it under the Education Act 1996 or any statutory re-enactment or amendment thereof.

B.2 COMPLIANCE WITH CONTRACT PROCEDURE RULES AND RELEVANT EUROPEAN AND UK LEGISLATION

B.2.1 Schools are required to abide by the Financial Scheme for Schools Contract Procedure Rules in purchasing, tendering and contracting matters.

B.2.2 Schools are also required to assess in advance, where relevant, the health and safety competence of contractors, taking account of the Authority's policies and procedures.

- B.2.3 However, any section of the Contract Procedure Rules in the Financial Scheme for Schools will be disapplied if they would require schools to do anything incompatible with any of the provisions of the scheme, or any statutory provision, or any EU Procurement Directive.
- B.2.4 Where an invitation to tender is in excess of EU Thresholds (see Supplement B - Appendix 1) the governing body shall discuss the requirement with the Corporate Procurement Manager prior to the commencement of the tender process as to the appropriate procedure to be followed.
- B.2.5 The procurement of goods, services or works shall not be divided into more than one Contract where that would result in the avoidance of the Contract Procedure Rules included in the Financial Scheme for Schools or would affect the application of the Contract Procedure Rules in the Financial Scheme for Schools. This Rule shall, however, not be construed as to avoid the requirements relating to “lots” under the Public Contracts Regulations 2015.
- B.2.6 The procurement of goods, services and works shall not be artificially over estimated or under-estimated which would result in either the avoidance of the Contract Procedure Rules included in the Financial Scheme for Schools or which would affect the application of the Contract Procedure Rules in the Financial Scheme for Schools.

B.3 DECLARATION OF INTEREST

- B.3.1 No governing body member, employee or agent of the school shall improperly use their position to obtain any personal or private benefit from any procurement entered into by the governing body.
- B.3.2 Governing body members and employees of the school shall comply with the requirements of Section 117 of the Local Government Act 1972, the Bribery Act 2010, in respect of the declaration of interests in Contracts with the school.
- B.3.3 Such interests must be declared to the governing body for inclusion in the appropriate registers.

B.4 SELECTIVE TENDERING, INVITATION OF TENDERS AND QUOTATIONS

- B.4.1 For all procurements over the EU thresholds the governing body must seek advice from the Corporate Procurement Manager.
- B.4.2 A record of tenders and quotations shall be maintained by the governing body.

Quotations

- B.4.3 The invitation to submit quotations must include the specification, terms and conditions and evaluation criteria/weightings.
- B.4.4 A reasonable time must be allowed for contractors to return bids. Unless otherwise dictated by urgency, a minimum time period of not less than 14 days must be allowed for the return of quotations.
- B.4.5 A record shall be kept by the governing body of the details of every such Contract exceeding £5,000 in value or amount and, in each case in which at least three alternative written offers or quotations were not obtained, the governing body shall also record the reasons why it was considered impracticable to do so.

B.5 THRESHOLDS AND ADVERTISING REQUIREMENTS

B.5.1 Thresholds for procurement do not apply to existing framework agreements endorsed for use by the Council (see Procurement webpage on the Intranet).

B.5.2 Thresholds are:

- Up to £5,000 it is necessary only to demonstrate that value for money is being achieved, unless any grant funding conditions dictate otherwise.
- From £5,000 to £25,000 a minimum of three quotations to be requested from businesses unless any grant funding conditions dictate otherwise.
- From £25,000 to £75,000 a minimum of five quotations must be invited and a minimum of three quotations to be returned where practical, unless any grant funding issues dictate otherwise.
- From £75,000 to EU Thresholds, an open tender process to be followed.
- For contracts above EU Thresholds, Corporate Procurement would conduct the procurement process. This would be at full cost recovery of the procurement exercise, funded by the school. Adequate notice must be given to the Corporate Procurement Manager for contracts over EU Thresholds.

B.6 RECORD AND DOCUMENT RETENTION AND CONTROL

- B.6.1 A full report of all Contracts awarded should be written and kept electronically.
- B.6.2 All Requests for Quotations must be retained for a minimum period of 2 years after the term of the Contract has expired.

B.7 CONTRACTS REGISTER

- B.7.1 An electronic contracts register must be held by the governing body. It is the responsibility of each governing body to create and maintain their own electronic contracts register.
- B 7.2 It is the responsibility of each governing body to update the electronic contracts register following a quotation or tender process.

SUPPLEMENT B – APPENDIX 1

Summary of EU Threshold Levels from 1st January 2018

The Public Contracts Regulations

Supplies & Services

Schedule 1 bodies - £118,133

Others - £181,302

Works

All bodies - £4,551,413

Light Touch Regime for Services

All bodies - £615,278

Small lots

Supplies and Services - £65,630

Works - £820,370

Concessions Contracts

Supplies and Services - £4,551,413

Works Contracts - £4,551,413

C. EMPLOYMENT STATUS ISSUES

C.1 Employment status is a complex area, but it is essential that schools are aware of, and understand, the processes, since the Local Authority is subject to HMRC audits and employment status is a key feature of these. Back tax and National Insurance contributions of up to 100%, plus interest, are potential consequences of non-compliance, which could track back up to six years, and could lead to a wider review of all payments made by the Authority. The Corporate & Exchequer Manager or officers from the Purchase Ledger Section can be contacted for advice, if necessary.

C.2 Personal Service Companies (PSC)

In April 2017, new legislation was introduced, as a consequence of which, more individuals have to be paid through payroll, including one-person limited companies. Where the company has more than one person available to attend/work, then usually this means that payment can be processed via the financial ledger. This covers, in practice, educational consultants, tutors, therapists and workmen, although this is not an exhaustive list.

C.2.1 Educational consultants

- Where a one-person educational consultant undertakes consultancy work for a school this is to be paid via Payroll.
- Where a one-person educational consultant holds a course in the school then this is to be paid via Payroll.
- Where a one-person educational consultant holds a course outside school premises then this is to be paid via the financial ledger, although, the actual data entry of the invoice would probably have to be processed centrally by Financial Services.

C.2.2 Tutors

Any form of tutorial work by an individual or one person limited company, is likely to require payment via the Payroll. This includes many Arts Council placements, for example.

C.2.3 Therapists

Generally therapists should be paid via Payroll, although there may be exceptions, depending on the nature of the work and structure of any company engaged to undertake the therapy.

C.2.4 Workmen

Where an individual tradesman is engaged to undertake work, either as a sole trader or as a one person limited company, then it is possible that the payment should be reimbursed via Payroll. However, there are two factors to consider – is the tradesman actually undertaking the work themselves and does BCBC employ similar staff. If the answer to both is positive, then it is likely that payment should be processed via Payroll, but advice should be sought from Purchase Ledger in such instances.

Important Note:

HMRC have introduced an online tool to check employment status.

This can be found at:

<https://www.tax.service.gov.uk/check-employment-status-for-tax/setup>.

- C.3 This tool, in most cases, provides a definitive answer as to whether to pay the invoice via the creditor system or via payroll and must be completed by the engaging manager – usually the headteacher. Where this check is completed, it is important that the result is saved, retained, and a copy forwarded to Purchase Ledger to justify the decision for payment, and in the event of any future HMRC audit enquiry.
- C.4 Should the check determine that the invoice should be processed via Payroll, there is a specific Personal Information Form, as attached, which must be completed by both the individual and the school. The coded and authorised invoice must then be sent directly to Payroll for payment.

Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr Bridgend County Borough Council



Swyddfeydd Dinesig, Stryd yr Angel, Pen-y-bont, CF31 4WB / Civic Offices, Angel Street, Bridgend, CF31 4WB

SUPPLEMENT C – APPENDIX 1 – PERSONAL INFORMATION FORM

If Limited Company Enter Name Here:								
Title: (Mr, Mrs, etc)								
Surname:								
Forenames:								
Previous Surname:								
Address:	House Name/No.:							
	Street:							
	Town:							
	County:							
	Post Code:							
Home Tel. No.								
Mobile No.								
E-mail Address:								
Date of Birth:								
Gender: (Male/Female)								
NI Number:								

BANK / BUILDING SOCIETY DETAILS – This section MUST be completed								
Bank / Building Society Name:								
Bank Sort Code:								
Account No. (max 8 numbers: for Lloyds Bank 7 numbers – add 0 at beginning)								
Building Society RollNo.								
Is this a shared Bank Account with an existing BCBC employee?	Yes/No	If 'Yes' please provide Full Name of Employee						

P46 DETAILS

Please read all the following statements and tick the one that applies to you.

A: This is my first job since last 6 April and I have not been receiving taxable Jobseeker's Allowance, Employment and Support Allowance, taxable Incapacity Benefit, state pension or occupational pension **A**

B: This is my only job, but since last 6 April I have had another job, or have received taxable Jobseeker's Allowance, Employment and Support Allowance or Incapacity Benefit. I do not receive a state or occupational pension. **B**

C: I have another job or receive a state pension or occupational pension. **C**

STUDENT LOANS

9. Do you have a Student Loan which is not fully repaid?

Yes If yes, go to question 10

No If no, go to question 12

10. Are you repaying your Student Loan direct to the Student Loans Company by agreed monthly payments?

Yes If yes, go to question 12

No If no, go to question 11

Student Loan Plans

You will have a Plan 1 Student Loan if:

- You lived in Scotland or Northern Ireland when you started your course, or
- You lived in England or Wales and started your course before September 2012

You will have a Plan 2 Student Loan if you lived in England or Wales and started your course on or after 1 September 2012.

11. What type of Student Loan do you have?

Plan 1

Plan 2

12. Did you finish your studies before the last 6 April?

Yes No

For further guidance about repaying Student Loans go to www.gov.uk/new-employee/student-loans

Signature

Date:

TO BE COMPLETED BY THE EMPLOYING DIRECTORATE AND SECTION

THE FOLLOWING FIELDS ARE MANDATORY
Failure to complete will result in delayed payment

Could this position be filled via the recruitment process

Yes – Please state reason why this process was not used

No – Please state reason

Start Date of contract

End date of contract

Directorate

Section

Manager/Headteacher signature

Manager/Headteacher name

Date

VAT - NOTES OF GUIDANCE

1. INTRODUCTION TO VAT

- 1.1 Value Added Tax (VAT), is a tax on the supply of goods or services. The tax is administered by Her Majesty's Revenue and Customs (referred to throughout this section as HMRC). Every organisation and institution that is registered for VAT purposes is required by statute to account for the VAT it collects and pays.
- 1.2 HMRC refer to purchases as INPUTS and to sales at OUTPUTS. Therefore the VAT a local authority pays to its suppliers it called INPUT TAX and the VAT charged by a local authority on sales is called OUTPUT TAX.

2. VAT RATES

- 2.1 Certain types of goods and services are classified as "exempt" or "outside the scope" of VAT. All goods and services that do not come under one or other of the above categories are subject to VAT at one of the following rates: -
- (a) Standard Rate (currently 20%)
 - (b) Zero Rated (Nil)
 - (c) Reduced rate (currently 5%)
- 2.2 It is important to differentiate between an 'Exempt' supply, non-business supply and a zero rated supply as a local authority can only recover input VAT incurred in relation to its exempt supplies if it forms less than 5% of the total VAT incurred by the local authority during each year. A breach of an authority's partial exemption calculation would affect the authority's ability to recover substantial amounts of VAT.
- 2.3 To enable any organisation to claim VAT on its costs it must:
- 1) Place the order and receive the supply;
 - 2) Possess a valid VAT invoice, addressed to it;
 - 3) Make a payment out of its' own funds.

3. POSITION OF LOCAL AUTHORITIES

3.1 Non Business

- 3.1.1 The regulations covering a local authority's activities are different to those governing private sector organisations. A local authority, although VAT registered, is not in "business". However, some goods/services offered may also be available in the private sector, and if the private sector provider would have to charge VAT then the local authority could be seen as having an unfair pricing advantage by not having to do so. For this reason, HMRC say that only those supplies

undertaken under a special legal regime (fulfilling its statutory obligations) and not in competition with the private sector can be treated as “non-business”.

- 3.1.2 When a local authority provides goods or services which compete with the private sector then the normal VAT classification and rates apply.
- 3.1.3 A local authority is able to reclaim from HMRC the whole of the VAT paid relating to non-business activities after offsetting the VAT received in respect of the sales of certain goods and services. Primary and Secondary School education is one of a local authority’s largest areas of non-business activity.

3.2 VAT Registration

- 3.2.1 Bridgend County Borough Council is registered for VAT with HMRC, and has been allocated the VAT registration number: GB 666 5828 86. This registration applies to all BCBC establishments, including all BCBC Schools, Children & Family Centres etc. throughout the county. Any sales between these establishments are therefore ‘internal’ sales and outside the scope of VAT. The registration only covers those services for which a local authority has direct responsibility.
- 3.2.2 All schools within the LMS scheme are part of a local authority for VAT purposes and schools must ensure that VAT is allocated correctly, and therefore falls automatically into the VAT account. Providing this is done, the authority will recover all of the VAT paid, after offsetting VAT received on income collected. They will make the monthly return and claim to HMRC. VAT does not therefore fall as a cost against the School Budget Share.
- 3.2.3 There are a number of clubs, associations, societies, etc., which although connected with a local authority, are operated independently and therefore would not be covered by its registration. School private funds are not included within the Bridgend CBC VAT registration and a school would therefore be required to register for VAT in its own right if all their private funds combined exceeded the registration threshold set each year in the Chancellor of Exchequer's Annual Budget statement. The level for 2018 is **£85,000** per annum.

4. EVIDENCE OF VAT TRANSACTIONS

- 4.1 In order to reclaim VAT it is essential that the Council obtain evidence of having incurred a liability for VAT. This evidence should be in the form of a "VAT invoice or receipt" and it is therefore imperative that a VAT invoice or receipt is obtained from every supplier when VAT is charged. Every registered supplier is legally bound to issue a VAT invoice/receipt if requested to do so. The requirements are set out below:

4.2 Detailed VAT Invoices

If the total of a purchase exceeds £250, then the supplier should provide a detailed VAT invoice or receipt, which should show:

- a sequential number based on one or more series which uniquely identifies the document
- the time of the supply
- the date of issue of the document (where different to the time of supply)
- the name, address and VAT registration number of the supplier
- the name and address of the person to whom the goods or services are supplied
- a description sufficient to identify the goods or services supplied
- for each description, the quantity of the goods or the extent of the services, and the rate of VAT and the amount payable, excluding VAT, expressed in any currency
- the gross total amount payable, excluding VAT, expressed in any currency
- the rate of any cash discount offered
- the total amount of VAT chargeable, expressed in sterling
- the unit price
- the reason for any zero rate of exemption

4.3 Simplified Invoices

If the total of a purchase is £250 or less (including VAT), then we can accept a less detailed VAT invoice or receipt, which only need show:

- Suppliers name and address and VAT registration number
- Date of supply
- Description of goods or services supplied
- Amount payable (including VAT)
- VAT rate applicable to the items

4.4 Purchase Card Payments/Alternative Evidence

The above rules for valid tax invoices/receipts are taken directly from HMRC guidelines. Every effort should be made to comply with them and all staff should be in the habit of requesting a tax invoice/receipt when making purchases.

Some till receipts are sufficient to fulfil the requirements of a less detailed VAT receipt. HMRC would usually accept such evidence even if the rate of VAT is not shown, provided that the supplier's VAT registration number is shown and the description of the goods is clear and for a supply that you would expect to be taxable.

However, you need to be aware that should HMRC perform a spot check, and were unhappy with the documentation on file, you would be required to either obtain the correct document (albeit in retrospect) from the supplier, or repay from your budget the VAT reclaimed. There may also be a penalty and an element of interest for the period between recovering the VAT and repaying it.

4.5 Calculating the VAT Amount

Often a less detailed VAT invoice or till receipt will not show the VAT separately, so it will be necessary for the school to calculate both the VAT and the net amount in order to enter the transaction onto purchase ledger or BSM.

Calculating Standard Rated VAT

To do this, you need the VAT fraction.

For example:

If you sell something at:	and the VAT rate is:	then the amount of VAT is:
£2.40	20%	£0.40

However, £0.40 is not 20% of £2.40. It is $\frac{1}{6}$ of £2.40.

This is how it is worked out: rate of tax / (100 + rate of tax)

So, with VAT at 20% the VAT fraction is: $\frac{20}{120}$, which is the same as $\frac{1}{6}$.

$$£2.40 \times \frac{20}{120} = £0.40 \text{ or } £2.40 / 6 = £0.40$$

4.6 Other Rates of VAT

If VAT is shown on an invoice at any rate other than 20% or 5% it is likely to be a mixed supply of some standard rated and some zero rated goods charged at a composite rate. If VAT is shown at another rate because it is a supply from another EC country it cannot be recovered, and the whole cost should be recorded as outside the scope of VAT. In most cases, the additional cost could

have been avoided by following the procedure for purchases from overseas (see section 4.1).

If the invoice being paid does not bear any VAT, then the invoice is either exempt, outside the scope (non-business), or zero-rated, or the Business is not VAT registered e.g. is under the VAT threshold with a taxable turnover less than £85,000 in a 12 month period. Our current financial information system (purchase ledger module) supplier prefix ranges as tabled below have pre- set Vat codes which can be overwritten if required when entering a payment.

SUPPLIER PREFIX RANGE

<u>Prefix Range</u>	<u>Description</u>	<u>VAT code</u>
APP	Adult Placement Provider	NON
CIS	Construction industry Scheme	STD
DIR	Direct Payments	NON
EMP	Employees	NON
FOS	Foster Parents	NON
GRA	Grants	NON
IRE	Independent Residential	NON
LAS	Local Authorities	STD
PCA	Petty Cash	STD
PSC	Personal Services Company	STD
SPP	Supporting People Payments	EXM
SUN	Sundry Accounts	STD
SUP	Normal / General Suppliers	STD
UNI	Universities / Colleges	STD
VOL	Volunteer Expenses	EXM

4.7 Proforma Invoices/Payments in Advance

Invoices marked "Proforma", "This is not a tax invoice" or "Not valid until receipted" should NOT be used to reclaim VAT. This is because the supplier is using a different system for accounting for VAT and the tax point doesn't occur until your payment is received. This applies equally in any case where a payment is made in advance of receiving a tax invoice (eg: you may have to pay in advance to secure places for staff at seminars). The correct procedure for dealing with such transactions is as follows:

The full amount should be charged to the school budget and recorded as outside the scope (non-business).

When the supplier receives your payment or supplies the goods/services they will send you a tax invoice or receipt.

Once a valid tax receipt/invoice has been received, you should send it to a member of the VAT team along with the code that the full amount has been charged against and request a VAT reimbursement.

4.8 Self-Billing Invoices

These can only be used following consultation with the VAT Accountant and subsequent advance approval from HMRC.

4.9 Copy Invoices

A copy invoice is not regarded as sufficient evidence for the purposes of recovering VAT unless it is a 'certified copy' from the supplier.

4.10 Incorrect VAT Amounts

In no circumstances can an invoice be altered. Thus, if the invoice is not addressed to the Council or the School, or if the VAT calculation is wrong by more than a trivial amount, the invoice must be returned to the supplier to produce a correct invoice.

4.11 Credit Notes

A credit (or debit) note must contain the same information as a tax invoice although with the type of supply amended accordingly to, for example, 'return of goods'. Enough information to identify the original invoice should also be supplied.

4.12 Credit and Debit Card Receipts

A credit card advice slip is not a valid VAT document as it does not carry any details of the goods purchased. Therefore, wherever purchases for the school are made using a credit or debit card, a proper VAT receipt must be obtained and retained by the school as evidence to support VAT recovery.

5. TAX POINTS

5.1 Tax on a supply of goods or services becomes chargeable at a specific time, which is known as the tax point. The rate of tax to be charged is the rate in force at the tax point. The basic tax point is the date when goods are removed to give effect to the transaction. However, the following alternatives may apply:

-

(a) If the supplier either issues a tax invoice or receives payment for the goods before the basic tax point, then the date when the invoice is issued or the date of payment becomes the tax point.

(b) If the supplier issues a tax invoice within 14 days after the basic tax point, then the date when the invoice is issued becomes the actual tax point for the whole supply.

5.2 It is important that transactions are processed in such a way as to ensure the VAT is accounted for during the right month. Any delay in declaring to HMRC the VAT that is due to them will result in interest being charged and, perhaps penalties being applied.

6. DISCOUNTS

- 6.1 There are three main types of discount. In all cases you should enter the VAT shown on the invoice into your accounting records. The rationale behind the figures is given below.

Trade Discounts

VAT is always 20% of the discounted selling price. This is because it is known with certainty that the customer will be paying the discounted amount.

Settlement Discounts

Currently, if the supplier offers a discount for early payment, the VAT is based on the discounted sum, even if the discount is not taken. This is to avoid the supplier having to re-calculate and amend the VAT for each transaction.

Contingent Discounts

If a discount is offered on the condition that something happens at a later date (such as a placing future orders), then the VAT value is based on the full amount paid on the initial transaction. Any subsequent discount will have to be made by the issue of a credit note.

7. CORRECTING ERRORS

- 7.1 VAT accounting errors must be corrected as soon as they are detected. The VAT Team can arrange this upon receipt of a note explaining the error, copies of the invoices or other documentation involved and, if possible, a COA Financials print showing the offending items.

8. FOREIGN VAT

- 8.1 Foreign VAT can be avoided if the foreign supplier is told that the Council is registered in the UK for VAT. The Council's VAT number (GB 666 5828 86) should be given to the foreign supplier who will then record it on the invoice for payment and not charge foreign VAT on the supply.
- 8.2 UK VAT will need to be accounted for by the local authority and also recovered from HMRC, therefore you are required to send copies of all foreign invoices (including those purchased through purchasing cards) to the VAT team who can include them on the VAT return.

Importing goods from overseas

- 8.3 Goods purchased from other EC member states are known as 'acquisitions' and those purchased from non-UK suppliers outside of the EC are known as 'imports'. VAT treatment differs depending on which of these categories your purchase falls into.
- 8.4 When making acquisitions of **goods** from a supplier who is VAT registered in another EC member state you should always quote BCBC's VAT registration number (GB 666 582 886). The supplier will zero-rate the supply to the school. The VAT team must be informed of such transactions as BCBC must account

for VAT on their monthly VAT return as though it has been charged at UK rates.

- 8.5 When purchasing **services** from any supplier outside the UK (whether part of the EC or further afield) you should always quote BCBC's VAT registration number (GB 666 582 886) and send details to the VAT team. This is because many services may appear to be provided 'VAT free', but there is a requirement for BCBC to account for VAT on their monthly VAT return as though it has been charged at UK rates under a system called the 'reverse charge'.
- 8.6 If you do not inform an EC supplier of your VAT registration number, they will charge VAT at the rate relevant to their country of registration. This is not recoverable and you would be expected to bear the additional cost from your budget.
- 8.7 **Goods** obtained from outside the EC are 'imports' and are liable to VAT at importation. Usually, the shipping agent will send a demand for payment relating to handling charges, duty and VAT before allowing the delivery of the goods. The only evidence that can be used to recover import VAT is a certificate issued directly by HMRC, which is sent to the Local Authority rather than the school receiving the goods, and it is therefore imperative that BCBC's VAT team is informed of these types of transactions so that they can recover the VAT and credit it back to the school. Please be aware that the shipping agent's invoice will include the VAT on the goods, which they have paid on the school's behalf, but it is not recoverable from the shipping agent's invoice and should therefore be entered as outside the scope (non-business). In order to receive a refund of the VAT you **must** inform the VAT team.
- 8.8 Any goods liable to customs duty will show this value on the same certificate; this is **not** VAT and is not recoverable.

Please make sure all staff that place orders on behalf of the school are aware of the above rules, especially when making purchases online as it is often difficult to know where you are buying goods or services from. If BCBC fails to correctly account for the VAT due on acquisitions, or apply the reverse charge for services, we could be liable to penalties.

9. GRANTS AND SPONSORSHIP

- 9.1 A grant made by one organisation to another is non-business (outside the scope of VAT) as the donor is not considered to have received a supply in return for the payment.
- 9.2 Many schools raise income through donations from both individuals and companies. Where such income is paid into the school budget it can only be treated as outside the scope of VAT if certain conditions are met.
- 9.3 Monies given voluntarily which do not secure any benefit to the donor are outside the scope of VAT. Merely acknowledging the contribution in a programme or annual report would not negate this principle.

- 9.4 Contributions which secure publicity or other tangible benefits, for example free tickets or advertising, for the donor are subject to VAT at the standard rate.

10. CAPITAL PROJECTS

- 10.1 When planning capital projects involving acquisition or construction of property, which may later be let or sold you must notify the VAT Accountant as soon as possible. This is so a decision can be made on whether to Opt to Tax the completed project.

11. SCHOOL INCOME

- 11.1 Although the provision of statutory education by a local authority school is a non-business activity, other activities carried out by the school may be subject to VAT. Schools are reminded of the importance of differentiating between an 'Exempt' supply, non-business supply and a zero rated supply as a local authority can only recover input VAT incurred in relation to its exempt supplies if it forms less than 5% of the total VAT incurred by the local authority during each year.
- 11.2 A breach of an authority's partial exemption calculation would affect the authority's ability to recover substantial amounts of VAT. It is important that when completing an e-return that the correct treatment of VAT is selected (if one is not available please contact the FIS team who will create the relevant field for you).

Sales to pupils

- 11.3 The basic rule regarding the sale of goods and equipment to pupils is that provided that the particular item is required by the pupil in the course of the normal curriculum then the supply would be regarded as non-business, ie no VAT would be charged on the sale. ALL of the following conditions must be satisfied: -
- The goods and services must be closely related to the education provided. By this we mean for the direct use of the student *and* necessary for delivering the education to him or her.
 - The pupil must receive education from the local authority – in either a local authority maintained school or in connection with some other local authority run educational activity, such as an orchestra.
 - The goods and services required must be purchased from the local authority. By this we mean that the local authority must hold title to the goods, and transfer ownership to the parent, guardian or pupil purchasing them. However, within that, the delivery address and point of distribution of those goods and services is a matter for individual local authorities to determine.

- Payment for the goods must be made either to the local authority or to the school. If paid to the school it must be paid into the school's budget.
- Some evidence, eg order form, must be kept to show that the recipient of the goods and services has been receiving education from the local authority, and that what has been supplied was essential to that education. The style of the order form can be tailored to the needs of the local authority.
- The price of the goods and services supplied must be at or below cost; this is there is no intention to make a profit. "Cost" means the full overhead-inclusive price of supplying the goods and services to the pupil.

Examples of items sold under the above provisions could include:

- General stationery;
- Calculators;
- Musical instruments;

Sales to Staff

- 11.4 Staff are sometimes allowed private use of office equipment such as telephones or photocopiers, provided they pay for it. Although the people concerned are employees of the school they are not acting in that capacity when they receive the supply – a fact acknowledged by the school in making a charge. Therefore, VAT must be charged in exactly the same way as for sales to ordinary members of the public, ie using the correct VAT rate applicable to the goods and or services supplied.

Sale of Clothing

- 11.5 The sale of clothing (including school uniform) to pupils is taxable at the appropriate rate. Clothing for children under the age of 14 may be zero-rated. To qualify for zero-rating the clothing has to fulfil the strict set of sizing and styling criteria outlined by HMRC in VAT Notice 714 'Young children's clothing and footwear'.
- 11.6 In order to apply the zero-rating, the school will **not** need to know all of the rules set out in HMRC guidance, it is sufficient to presume that the manufacturer will apply the zero-rating where applicable. For clothing where VAT is not charged by a supplier when you buy stock, the zero-rating must be applicable, and therefore VAT does not need to be accounted for when you sell such goods.

Food and Drink

11.7 School meals

The VAT treatment on school meals depends on who is providing the catering.

No VAT is chargeable on meals provided to pupils by Bridgend C.B.C. provided that the meals are served in the school canteen, as this is seen as incidental to the provision of education when supplied by the same body that supplies the education

Meals provided to adults i.e. Teachers and visitors will be standard rated as this is not a statutory responsibility for the school unlike the provision of catering to pupils.

The decision to use alternative catering providers for school meals should be discussed with the VAT Accountant to determine the VAT implications.

12. PURCHASES USING PRIVATE SCHOOL FUND

12.1 VAT is normally only recoverable when purchases are paid for from the school's official Budget Share (assuming the School's Private Fund is **not** VAT registered).

12.2 However, HMRC have allowed a concession whereby VAT can be recovered on purchases for the school even when the funding comes from an unofficial account (e.g. Private School Fund or PTA account).

12.3 This is often referred to as the "VAT Saver" scheme.

12.4 The guidelines for operating the VAT saver scheme are as follows: -

(1) Firstly, the intended purchase must be for goods or equipment that the school could reasonably expect to buy if the budget resources were available.

(2) The school must place the order for the goods/services, and the VAT invoice when received must be either in the name of the school or the County Council.

(3) The school must retain ownership of the purchase and use it for an educational purpose. The item purchased must be entered on the school inventory, if costing in excess of £50.

(4) The school fund or PTA can make a contribution to the school of the funds required to purchase the item, excluding the VAT element. This contribution should be banked in the school budget and recorded as a donation to the school, outside the scope of VAT.

(5) The invoice should then be paid in the same way as if it were a normal purchase from school account.

(6) The VAT element will be recovered in the usual way.

13. HIRE OF PREMISES

13.1 Rules governing the treatment of VAT for the hiring out of school premises are quite complex.

13.2 For basic room hire ie where no additional services are provided then the supply is exempt. If you let out sports and physical recreation facilities for a series of sessions your supply is exempt (unless you have opted to tax) when you meet all the following conditions:

- the series consists of 10 or more sessions.
- each session is for the same sport or activity.
- each session is in the same place. This condition is still met where a different pitch, court or lane is used (or a different number of pitches, courts or lanes), as long as these are at the same establishment).
- the interval between each session is at least 1 day but not more than 14 days (for an interval to be at least 1 day, 24 hours must elapse between the start of each session). The duration of the sessions may be varied. There is no exception for intervals greater than 14 days through the closure of the facility for any reason.
- the series is to be paid for as a whole and there is written evidence to the fact. This must include evidence that payment is to be made in full whether or not the right to use the facility for any specific session is actually exercised. Provision for a refund given by the provider in the event of the unforeseen non-availability of their facility would not affect this condition.
- the facilities are let out to a school, club, association or an organisation representing affiliated clubs or constituent associations, such as a local league.
- the person to whom the facilities are let has exclusive use of them during the sessions.

13.3 Hiring of sports facilities not covered by the conditions shown under the exemption rules will be standard rated.

13.4 Hiring of facilities - e.g. language labs, or rooms with any other facilities included will be standard rated.

13.5 Should you be in any doubt on how to treat your particular situation please contact the VAT team using the contact details provided at the end of this manual.

14. SCHOOL TRIPS

- 14.1 If a school can state that a trip has any educational benefit the trip may be treated as a supply in connection with education. It should run the trip through the school's delegated budget and reclaim UK VAT subject to the normal rules. Provided that the school does not make a profit on the trip, any charge is outside the scope of VAT. These rules apply to both day visits and longer trips.
- 14.2 *TOMS (Tour Operator Margin Scheme)*
If you use a travel agent for a trip within the UK or EC, their special VAT rules will not normally allow them to issue a VAT invoice to you. As such there is no means for you to recover any VAT incurred on the costs of a trip. It will be cheaper to buy direct from service providers.
- 14.3 *Trips within the UK:* The hire of a coach with driver is zero-rated. Hotels and some visitor attractions charge VAT and must provide a full VAT invoice on request.
- 14.4 *Trips elsewhere in the EC:* It is not normally possible to recover the VAT that is directly or indirectly incurred in another EC country, or on agents' margin.
- 14.5 It is therefore important that the school check before organising a trip whether the chosen tour operator will be able to issue VAT invoices so that irrecoverable VAT, if any, can be built into the cost.
- 14.6 In the unlikely event that a school intends to organise a trip or holiday that does not form part of the curriculum and is intended to make a profit, this will fall within the provisions of TOMS and the school will effectively become a 'tour operator'. Advice should be sought from the VAT team in this instance.
- 14.7 The supply of trips by Private Funds' cannot be considered non-business because the Private Fund is not a section 33 body.

15. SCHOOL PHOTOGRAPHS

- 15.1 When entering into a contract with a school photographer, the school should make it clear to the photographer whether they are acting on behalf of the local authority (using the official School Budget Share) or on behalf of the governing body (using the School Private Fund account).
- 15.2 The simplest solution is to deal with the payment to the photographer and the sales income from parents entirely through the private school fund. In which case VAT would not be charged on the sum retained (commission) by the school provided the fund falls below the VAT registration threshold (currently £85,000).
- 15.3 There are no financial advantages gained by routing the transactions via the school's delegated budget. If, however, this were to occur, it should be noted that income from sales to parents credited to the school's delegated budget would be subject to VAT at the Standard Rate.

16. VOLUNTARY AIDED SCHOOLS

- 16.1 In the case of voluntary aided schools the governing body retains statutory responsibility for certain capital expenditure, including when made from the school's delegated budget. Therefore, in respect of any supplies which fall within the prescribed definition of such expenditure, the supply will be made to the governing body, even where the expenditure is met from the school's delegated budget, and VAT incurred may not be recovered by the local authority.
- 16.2 Capital expenditure for which the governing body of a voluntary aided school is responsible is covered in Section 7 – Corporate Landlord Roles and Responsibilities.

17. FURTHER INFORMATION

For further VAT advice please contact the VAT team in the Finance Section – 01656 643424.

E. CONSTRUCTION INDUSTRY SCHEME

E.1 INTRODUCTION

- E.1.1 The Construction Industry Scheme (CIS) is a tax deduction scheme which involves tax being deducted at source from payments which relate to construction type work. CIS does not apply to payments made to employees, since payments to employees are covered by the Pay As You Earn (PAYE) system of deduction of tax at source.
- E.1.2 These notes of guidance apply to works undertaken at schools that are paid for from either the school formula funded budget or the school private fund. Cheque book schools are outside of the CIS scheme.
- E.1.3 Under the scheme, Bridgend schools, acting as contractors, may need to make deductions of income tax in certain circumstances, when making payments to sub-contractors for works undertaken.

E.2 CIS340

- E.2.1 A copy of the Inland Revenue booklet CIS340 (last updated in July 2015) is attached (Supplement E.1) giving full details of the Construction Industry scheme. There is also a CIS telephone helpline available via HMRC (currently 0300 200 3210).

E.3 PROCEDURES FOR SCHOOLS

- Invoices should be examined to determine if they should be processed as CIS – for construction type works, including painting, floor laying etc.
- Every CIS qualifying invoice must be paid using the appropriate CIS supplier prefix. Sundry payments **must not** be processed in any circumstances.
- Each contractor is allocated a tax band by HMRC. Tax bands can change at any time and are kept updated by Purchase Ledger Section. For those contractors allocated xxx, the labour element is subject to tax deduction at the appropriate rate. The system will calculate this, providing that invoice details are entered correctly. For invoices with no identifiable labour element, schools should obtain more specific details from the supplier, as necessary.
- Monthly statements of tax deducted are sent to each supplier by the Local Authority and a payments and deduction schedule sent to HMRC.

NB. THE SCHOOL REMAINS LIABLE FOR TAX DEDUCTIONS WHICH SHOULD HAVE BEEN MADE. FAILURE TO MAKE A CORRECT DEDUCTION COULD RESULT IN THE SCHOOL HAVING TO PAY THE AMOUNT OF TAX DUE, PLUS ANY PENALTIES IMPOSED BY THE INLAND REVENUE, FROM ITS DELEGATED SCHOOL BUDGET.

1. Home (<https://www.gov.uk/>)
 2. Construction Industry Scheme: CIS 340 (<https://www.gov.uk/government/publications/construction-industry-scheme-cis-340>)
-
1. HM Revenue & Customs (<https://www.gov.uk/government/organisations/hm-revenue-customs>)

Guidance

Construction Industry Scheme: a guide for contractors and subcontractors (CIS 340)

Updated 28 July 2015

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1. Introduction to the Construction Industry Scheme (CIS)

This section gives a brief introduction to CIS. The scheme sets out the rules for how payments to subcontractors for construction work must be handled by contractors in the construction industry and certain other businesses.

Under the scheme, all payments made from contractors to subcontractors must take account of the subcontractor's tax status as determined by HM Revenue and Customs (HMRC). This may require the contractor to make a deduction, which they then pay to HMRC, from that part of the payment that does not represent the cost of materials incurred by the subcontractor.

1.1 Types of work that are covered by the scheme

The scheme covers all construction work carried out in the UK, including jobs such as:

- site preparation
- alterations
- dismantling
- construction
- repairs
- decorating
- demolition

The UK includes UK territorial waters up to the 12-mile limit.

The scheme doesn't apply to construction work carried on outside the UK. However, a business based outside the UK and carrying out construction work within the UK is within the scheme and must register accordingly.

There is more information on the scope of the scheme in paragraphs 2.18 to 2.20 and in Appendix A. There is more information on businesses not resident in the UK at Section 5.

1.2 Types of businesses that are covered by the scheme

The scheme covers all types of businesses and other concerns that work in the construction industry, including:

- companies
- partnerships
- self-employed individuals

These businesses can be:

- contractors
- subcontractors
- contractors and subcontractors

Under the scheme, the terms 'contractor' and 'subcontractor' have special meanings that cover more than is generally referred to as 'construction'.

Contractor

A contractor is a business or other concern that pays subcontractors for construction work.

Contractors may be construction companies and building firms, but may also be government departments, local authorities and many other businesses that are normally known in the industry as 'clients'.

Some businesses or other concerns are counted as contractors if their average annual expenditure on construction operations over a period of 3 years is £1 million or more.

Private householders aren't counted as contractors so aren't covered by the scheme.

Subcontractor

A subcontractor is a business that carries out construction work for a contractor.

Businesses that are contractors and subcontractors

Many businesses pay other businesses for construction work, but are themselves paid by other businesses too. When they're working as a contractor, they must follow the rules for contractors and when they're working as a subcontractor, they must follow the rules for subcontractors.

For a more detailed explanation of what is a contractor and what is a subcontractor, please read Section 2.

1.3 Registering for the scheme

All contractors must register with HMRC for the CIS. Subcontractors who don't wish to have deductions made from their payments at the higher rate of deduction should also register with us. We'll provide registration details that contractors and subcontractors will need to use when they deal with payments.

For information on when and how to register, please read [Registering for the scheme](#).

1.4 Verifying subcontractors

Before a contractor can make a payment to a subcontractor for construction work, they may need to verify with HMRC that the subcontractor is registered. We'll check whether the subcontractor is registered with us and then tell the contractor the rate of deduction they must apply to the payment, or whether the payment can be made without any deductions.

For more information, please read [the verification process](#).

1.5 Making deductions from payments

Under the scheme, all payments made from contractors to subcontractors, must take account of the subcontractors' tax status. This may require the contractor to make a deduction, which they then pay to us from that part of the payment that does not represent the cost of materials incurred by the subcontractor.

If no deduction is required, the contractor can make the payment to the subcontractor in full.

If a deduction is required, the contractor must:

- calculate the deduction
- make the deduction
- record details of the payment, materials and deduction
- make the net payment to the subcontractor
- complete and give the appropriate statement of deduction to the subcontractor

For more information, please read [making a payment](#).

1.6 Returns

Each month, contractors must send HMRC a complete return of all the payments they have made within the scheme or tell us that they have made no payments. The return will include:

- details of the subcontractors
- details of the payments made, and any deductions withheld
- a declaration that the employment status of all subcontractors has been considered
- a declaration that all subcontractors that need to be verified have been verified

For more information, please read [completing a return](#).

1.7 Payments to HMRC

Each month, or quarter in some cases, contractors must send us a payment for the deductions they've made from subcontractors.

For more information, please read [payments to us](#).

1.8 The scheme does not apply to employees

For a contract to be within the scheme, it mustn't be 'a contract of employment'. This means that the scheme applies to workers who are self-employed under the terms of the contract, and who are not employees subject to Pay As You Earn (PAYE).

Employment status depends on general law and it's for the contractor to decide on the individual's employment status when the subcontractor is first engaged. The fact that the subcontractor has worked in a self-employed capacity before is irrelevant in deciding on their employment status - it's the terms of the particular engagement that matter.

For more detailed advice for contractors, please read [employment status](#).

(<https://www.gov.uk/government/collections/employed-or-self-employed>)

1.9 Subcontractors applying to be paid gross

Subcontractors can apply to be paid gross - with no deductions taken from their payments. To do this, subcontractors will need to show us that they meet certain qualifying conditions.

For more information, please read [how to apply to be registered for gross payment](#).

(<https://www.gov.uk/business-tax/construction-industry-scheme>)

1.10 How subcontractors pay tax

Subcontractors have to make a return of their profits each year, and their tax liability is based on that return. A subcontractor may already have paid tax by payments on account or had deductions made, as shown on the payment and deduction statements given to them by their contractors.

If the amount already paid or deducted is greater than the amount due, we'll repay the excess. If there is a shortfall, then the subcontractor must make a balancing payment.

1.11 Subcontractors setting off deductions

Subcontractors that are limited companies should set off deductions they bear on their receipts against the following sums payable to us:

- PAYE tax due from the company's employees
- employers' and employees' National Insurance contributions (NICs) due
- Student Loan repayments due from the company's employees
- CIS deductions made from the company's subcontractors

The company will need to reduce the amount of PAYE, NICs, Student Loan repayments and any CIS deductions that the company is due to pay by the amount of CIS deductions made from the company's own income. This should be done monthly (or quarterly, as appropriate) and the calculation should be shown on the company's Employer Payment Summary (EPS).

If, for any month or quarter, the company's own CIS deductions are greater than the PAYE, NICs, Student Loan repayments and CIS liabilities payable, the company should set off the excess against future payments in the same tax year.

At the end of the tax year, once we've received the company's final Full Payment Submission (FPS) and final EPS, any excess CIS deductions that cannot be set off may be refunded or set against Corporation Tax due. No repayments or set-offs against other liabilities can be made in-year except where the company is in liquidation or administration.

Companies may keep their own records for this purpose or they may use form Construction Industry Scheme: record of amounts set-off (CIS132) (<https://www.gov.uk/government/publications/construction-industry-scheme-record-of-amounts-set-off-cis132>).

1.12 Registering for the scheme - contractors

When to register

When you're about to take on and pay your first subcontractor, regardless of whether that subcontractor is likely to be paid gross or under deduction.

How to register and more information

To register as a contractor, you need to follow the process for setting up as a new employer (<https://www.gov.uk/register-employer>).

What happens next

HMRC will set up a Contractor Scheme (and a PAYE Scheme if you have asked us to) and will tell you where to find the information you need.

1.13 Registering for the scheme - subcontractors

When to register

Register when you are, or your firm or company is, about to start work within the construction industry.

How to register and more information

Register as a sole trader

If you're a sole trader and you already have a UTR you can register for CIS online (<https://www.tax.service.gov.uk/forms/form/CIS301302/new>) by logging in with your Government Gateway ID.

You can apply for gross payment status (<https://www.gov.uk/what-you-must-do-as-a-cis-subcontractor/gross-payment-status>) at the same time.

If you don't have a UTR, register as a new business for Self Assessment (<https://www.gov.uk/new-business-register-for-tax>) and choose 'working as a subcontractor' when prompted. You'll be registered for Self Assessment and CIS at the same time.

Register as another type of business

Fill in the online form for limited companies (<https://www.gov.uk/government/publications/construction-industry-scheme-company-registration-cis305>) or the online form for partnerships (<https://www.gov.uk/government/publications/construction-industry-scheme-partnership-registration-cis304>).

HMRC will register the partnership separately to your sole trader registration. They'll need the partnership UTR and trading name.

You're based abroad

You should still register for CIS if you're a subcontractor based abroad (<https://www.gov.uk/construction-industry-scheme-businesses-based-outside-uk>) but do construction work in the UK.

What happens next

HMRC will write and confirm your registration and tell you what information you'll need to give to your contractors before they pay you.

2. The terms used under the scheme

2.1 Introduction to key terms

Under the scheme, a contractor has to make a deduction in certain situations when making a payment to a subcontractor under a contract that covers construction operations.

Terms used under the scheme

Term used	Paragraph
Contractors	2.2 to 2.9 and 2.12 to 2.14
Subcontractors	2.10 to 2.14
Payments	2.15

Term used	Paragraph
Deductions	2.16
Contracts	2.17
Construction operations	2.18 to 2.20, Appendix A

2.2 Contractor

Under the scheme, the term ‘contractor’ has a special meaning that is much wider than it normally has in the construction industry.

A contractor is a business or other concern that pays subcontractors for construction work. Under the scheme, there are 2 groups of contractors:

- mainstream contractors
- deemed contractors

Mainstream contractors

Mainstream contractors include the following:

- any businesses that include construction operations and pay others for work carried out under the scheme - there is more information on construction operations in paragraphs 2.18 to 2.20 and Appendix A
- any property developers or speculative builders, erecting and altering buildings in order to make a profit
- gang leaders organising labour for construction work - a gang leader will also be a subcontractor (there is more information on gang leaders at paragraph 2.14)
- foreign businesses that carry out construction operations in the UK or within UK territorial waters (up to the 12-mile limit)

Deemed contractors

Under the scheme, some businesses, public bodies and other concerns outside the mainstream construction industry but who regularly carry out or commission construction work on their own premises or investment properties are deemed to be contractors.

These concerns are deemed to be contractors if their average annual expenditure on construction operations in the period of 3 years ending with their last accounting date exceeds £1 million.

If these concerns have not been trading for the whole of the last 3 years, they are contractors if their total expenditure on construction operations for the part of that period of 3 years during which they were trading exceeds £3 million.

Any concern that is deemed to be a contractor because one of the above conditions is met will continue to be deemed a contractor until it can satisfy us that its expenditure on construction operations has been less than £1 million in each of 3 successive years.

The following bodies or businesses are examples of those that are 'deemed' to be contractors if they spend an average of more than £1 million a year on construction operations:

- non-construction businesses such as large manufacturing concerns, departmental stores, breweries, banks, oil companies and property investment companies
- local authorities
- development corporations or new town commissions
- the Commission for the New Towns
- the Housing Corporation, housing associations, housing trusts, Scottish Homes and the Northern Ireland Housing Executive
- any public bodies named in the regulations, such as National Health Trusts or Health and Social Services Trusts
- public offices or Departments of the Crown (including any Officer of the House of Commons and the Scottish Parliamentary Body)

For more information on deemed contractors, please read Appendices A, B and C.

2.3 Businesses and individuals that are not contractors under the scheme

Under the scheme, the following businesses and individuals aren't contractors:

- ordinary householders that are having work done on their own premises, such as new house building, decoration, repairs or an extension
- businesses which don't include construction operations whose average annual expenditure on construction work over the last 3 years has been less than £1 million

2.4 Exceptions to the scheme for contractors

Under the scheme, businesses and other concerns that are otherwise mainstream or deemed contractors may not need to apply the scheme for certain types of work. Some typical cases are explained below.

2.5 Expenditure incurred by certain businesses on their own property

Businesses that aren't mainstream contractors but are brought into the scheme because they spend an average of more than £1 million on construction operations each year don't need to apply the scheme to expenditure that relates to property used for the purposes of the business itself, or, if the business is a company:

- other companies within the same group
- any company of which 50% or more of the shares are owned by the company

Other exempted types of properties include:

- offices

- warehouses
- nursing homes
- leased property used by the business's group, including property leased by one company to another within the same group
- any other facilities used for the business

Any incidental use of the property by third parties such as auditors, project team members who aren't employees and security staff, will not affect the exemption.

The scheme must be applied to expenditure for construction work on any property that is:

- not used for the purposes of the business, such as where it's let for commercial purposes to a third party
- for sale or to let (except where the sale or letting of that property is purely incidental to the business)
- is held as an investment

2.6 Work carried out on land owned by a subcontractor receiving payment

HMRC can authorise mainstream contractors not to apply the scheme to small contracts or payments for construction operations amounting to less than £1,000 (excluding the cost of materials) in the following cases, where the contractor is paying a subcontractor to undertake work:

- that falls within the scheme on the subcontractor's own property
- on any agricultural property of which the subcontractor is a tenant

An example of this type of payment is where a mainstream contractor lays a pipeline across some land and pays the land owner or tenant to fill in the hole after the pipeline has been laid.

We will need the details of:

- the construction work to be done
- who will be doing the work
- where the work will be done
- the cost of the work

2.7 Small payments

We can authorise deemed contractors not to apply the scheme to small contracts for construction operations amounting to less than £1,000, excluding the cost of materials. (This arrangement doesn't apply to mainstream contractors.)

2.8 Local education authority maintained schools

The scheme shouldn't be operated for payments made for construction operations by the governing body or head teacher of a maintained school on behalf of the local education authority.

2.9 Charities

The scheme shouldn't be operated for payments made for construction operations by any body of persons or trust established for charitable purposes only. However, trading subsidiaries of such charitable bodies or trusts will need to apply the scheme to such payments where appropriate. Generally, that will mean where the trading subsidiaries are brought into the scheme because they spend at least £1 million on average on construction operations each year as described at paragraph 2.2 onwards.

Under the scheme, the term 'subcontractor' has a special meaning that is much wider than it normally has in the construction industry.

2.10 Subcontractors

A subcontractor is a person or body that has agreed to carry out construction operations for a contractor. The subcontractor may be carrying out the operations in any way, including:

- carrying out the operations themselves
- having the operations done by their own employees or subcontractors

Subcontractors include:

- companies, corporate bodies or public bodies, as well as any self-employed individual running a business or partnership
- labour agencies or staff bureaux that contract to get work done with their own workforce, or to supply workers to a contractor
- foreign businesses being paid for construction operations that take place in the UK or its territorial waters (up to the 12-mile limit)
- gang leaders who agree with a contractor on the work to be done and receive payment for the work of their gang
- local authorities and public bodies who carry out construction operations for someone else (please read paragraphs 2.11)

2.11 Local authorities and public bodies as subcontractors

Local authorities (and their Direct Services or Labour Organisations) and public bodies (or subsidiaries) are subcontractors if they carry out construction operations for someone else.

Although they don't need to apply for registration, they must be regarded as registered for gross payment.

When making payments to local authorities and public bodies, contractors shouldn't:

- verify them
- apply deductions to any payments
- include the payments on their monthly returns

For the full list of local authorities and public bodies that are subcontractors when carrying out construction operations, please read the Construction Industry Manual (<https://www.gov.uk/hmrc-internal-manuals/construction-industry-scheme-reform>).

2.12 Agencies as subcontractors

Where a worker is supplied to a contractor by or through an agency and the worker carries out construction operations under the terms of a contract they have with the agency, the agency supplying the worker will be a subcontractor as far as the contractor is concerned. The contractor must always apply the scheme when making payment to the agency.

Where a worker is merely introduced to the contractor by an agency and subsequently carries out construction operations under the terms of a contract they have with the contractor, the agency isn't a subcontractor in this case.

2.13 Rules for agency workers

Special rules apply to agency workers who normally treat the worker as an employee for tax and NICs purposes. The business paying the worker should normally deduct tax under PAYE and account for Class 1 NICs.

Very exceptionally, the special rules for agency workers don't apply and any payments for construction work will fall within the scheme. The agency will then be a contractor and will need to fulfil its obligations in that role.

2.14 Gangs

The contractor must meet their obligations under the scheme for payment to the gang leader. The contractor doesn't need to be concerned with the transactions between the gang leader and the other members of the gang. Any deductions from payments to the members of the gang are the responsibility of the gang leader.

If the contractor makes a separate agreement with any other member of the gang, then that member will be a subcontractor or employee of the contractor. A contractor who pays each member of the gang separately must treat each as a separate subcontractor or employee and apply the deduction scheme or PAYE in each case.

2.15 Payments

A payment is anything paid out by the contractor to the subcontractor under a contract for construction operations. This applies whether or not the payment is made directly to the subcontractor.

Payments include cash, cheques and credit. An advance, a sub or a loan is a credit and must be treated as a payment.

For more information on payments that are made to someone other than the subcontractor, please read paragraphs 6.4 to 6.6.

2.16 Deductions

A deduction is the amount that a contractor has to withhold on account of tax and Class 4 NICs from a payment made to a subcontractor. There are 2 rates of deduction:

- standard rate - which must be applied to payments made to those subcontractors that are registered with us to be paid under deduction
- higher rate - which must be applied to payments made to subcontractors where we are unable to identify the subcontractor

The deduction rates may change from time to time. You can find out the current rates by contacting us (<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/construction-industry-scheme>).

The deduction does apply to any part of a payment that is for subsistence or travelling expenses.

The deduction doesn't apply to any part of a payment that is for the cost of:

- materials
- VAT

2.17 Contracts

A contract means any legally binding agreement or arrangement under which one individual or business does work or provides services for another individual or business. A contract includes an agreement made by word of mouth as well as a written document.

2.18 Construction operations

Construction operations are defined in law in Section 74, Finance Act 2004, which is shown at Appendix B.

As a general guide, construction operations cover almost any work that is done to a:

- permanent or temporary building or structure
- civil engineering work or installation

The work might include:

- site preparation
- alterations
- dismantling
- construction
- repairs
- decorating
- demolition

Any work in connection with construction done on a construction site in the UK or within its territorial waters (up to the 12-mile limit) and under contract to the owner, client, main contractor or a subcontractor is likely to be a construction operation.

2.19 Activities that are not construction operations

Some activities on construction sites aren't regarded as construction operations under the scheme. This includes any activity that is clearly not construction work, such as the:

- running of a canteen
- running of a hostel
- provision of medical or safety services
- provision of security services
- provision of site facilities

Paragraphs 2.18 to 2.20 give only a general guide to construction operations. Appendix A gives more detailed guidance and Appendix B shows the definition of construction operations from Section 74, Finance Act 2004.

2.20 Contracts that relate to construction and non-construction operations

Where a single contract relates to a mixture of construction and non-construction operations, all payments due under the contract are within the scheme. This is the case even if only one of the jobs is regarded as a construction operation.

3. How payments are made to subcontractors

This section explains what must happen before payments can be made to subcontractors and how payments are made.

3.1 The verification process

Verification is the process we use to make sure that subcontractors have the correct rate of deduction applied to their payments under the scheme.

There are 3 main steps to the process:

- Step 1. The contractor contacts us with details of the subcontractor
- Step 2. We check that the subcontractor is registered with us
- Step 3. We tell the contractor what rate of deduction to apply, if any

Before a contractor can make a payment for construction work to a subcontractor, they must decide whether they need to verify the subcontractor.

3.2 When does a contractor need to verify a subcontractor?

The rule is that a contractor doesn't have to verify a subcontractor if they last included that subcontractor on a return in the current or 2 previous tax years. (Please read the following paragraph for details of how this works in practice.)

If you're paying a subcontractor in the tax year that runs from 6 April 2016 to 5 April 2017, you don't have to verify them if you have already included them on any monthly return since 6 April 2014. Otherwise, you must verify the subcontractor.

Example 1

Date contractor engages subcontractor A: February 2016

Date contractor last paid subcontractor A: Never

Details of last payment return: None

Verification details

The contractor must verify this subcontractor before they can pay them under the scheme. We'll tell the contractor whether a deduction should be made from this and all future payments to the subcontractor.

Example 2

Date contractor re-engages subcontractor B: March 2016

Date contractor last paid subcontractor B: November 2013

Details of last payment return - contractor made last payment return for the subcontractor in November 2013.

This was within the previous 2 tax years. When this subcontractor was last paid in November 2013 they were entitled to be paid gross.

Verification details

The contractor doesn't have to verify this subcontractor and should pay them gross, without any deduction.

Example 3

Date contractor re-engages subcontractor C: December 2016

Date contractor last paid subcontractor C: August 2011

Details of last payment return - contractor made last payment return for the subcontractor in August 2011. This was earlier than the previous 2 tax years.

Verification details

The contractor must verify this subcontractor before they can pay them as they've not included them on a return in the current or previous 2 tax years.

3.3 Paying the subcontractor gross or under deduction

If a contractor doesn't have to verify a subcontractor, for the reasons given in paragraphs 3.2, they must pay the subcontractor on the same basis as the last payment made to them - unless we have previously told the contractor otherwise.

This means that if the:

- subcontractor was last paid under the standard rate of deduction, the current payment must also be made under the standard rate of deduction
- last payment was made gross, because a deduction was not required, the current payment

must also be made gross

3.4 Companies within a group

A contractor that is a company within a group doesn't have to verify a subcontractor if either of the following applies:

- the subcontractor has already been verified, within the current or previous 2 tax years, by one of the other companies within the same group
- paragraph 3.2 applies

3.5 How to verify a subcontractor

You can verify subcontractors using:

- the free HMRC CIS online service (<https://www.gov.uk/use-construction-industry-scheme-online>)
- commercial CIS software (<https://www.gov.uk/government/publications/construction-industry-scheme-cis-commercial-software-suppliers>)

3.6 The information HMRC will need

The contractor should have their own identifying details to hand, such as name, address, phone number etc. We'll will ask for this information so that we can be satisfied that the contractor is who they say they are. For the verification itself, please have the information below ready.

About the contractor

Details to be provided:

- name
- Unique Taxpayer Reference (UTR)
- accounts office reference
- employer reference

About the subcontractor

Sole trader:

- name
- UTR
- National Insurance number

Partner in a firm:

- firm's name
- partner's name
- firm's UTR

If the partner is an individual:

- partner's UTR or partner's National Insurance number

If the partner is a company:

- company's UTR or company registration number

Company:

- name of company
- company's UTR
- company registration number

About the contract

Confirmation that a contract has been agreed with the subcontractor or that you've formally accepted a tender for work under a contract.

3.7 What we'll do when we verify the subcontractor

We'll check our records to see if the subcontractor is registered with us and then tell the contractor to pay the subcontractor in one of the following ways:

- gross - that is without any deductions taken from the payment
- net of a deduction at the standard rate
- net of a deduction at the higher rate because we:
 - have no record of that subcontractor's registration
 - are unable to verify the details for any other reason

3.8 Verification reference number

When HMRC verify a subcontractor, we'll give the contractor a verification reference number. The verification reference number will be the same for each subcontractor that we've verified at the same time.

If it's not possible to verify a subcontractor, we'll add 1 or 2 letters to the end of the number so that it's unique to that subcontractor.

Example 1

A contractor phones HMRC to verify 5 subcontractors. We verify all 5 subcontractors and give the contractor the single verification reference V0004528765 to cover all of them.

Example 2

A contractor phones HMRC to verify 5 subcontractors. We verify 4 successfully, but we're not able to verify the fifth.

We give the contractor the single verification reference V04528765 for the 4 subcontractors who we could verify. We give the same verification number to the subcontractor who couldn't be verified but add a letter to the end so the number is V0004528765/A.

The verification reference number is important if the contractor has been told to make deductions from the subcontractor's payments at the higher rate. Contractors must make a note of the reference numbers given and must enter them on their monthly return alongside the entries for each subcontractor from whom deductions at the higher rate have been made. It's essential that the contractor shows the verification reference number, complete with any letters on the end, on the subcontractor's payment and deduction statement in each case where deductions have been made at the higher rate (please read paragraphs 3.15 to 3.16).

The subcontractor will need this reference number later when seeking credit for any of the deductions made.

Contractors don't need to show this reference on monthly returns or subcontractors' payment statements where deductions have been made at the standard rate or where the subcontractor has been paid gross.

3.9 Future verification

When a contractor has verified a subcontractor, or made a payment to the subcontractor if verification wasn't necessary, the contractor should continue to pay the subcontractor in the same way until we tell them about any change.

If a subcontractor is to change from gross payment to payment under deduction, or the other way round, we'll tell the subcontractor and the contractor.

3.10 Changing a subcontractors payment status

When we need to change a subcontractor's payment status from gross payment to payment under deduction, we'll write to tell them, giving 90 days' notice of any change to allow them to appeal, if required.

We'll also contact all contractors who have verified or used the subcontractor in the current or previous 2 tax years. We'll give contractors 35 days' notice of the change. Payments they make to the subcontractor after the notified date of change must be made under deduction. If the subcontractor's recent invoice has already been processed in the contractor's accounting system we wouldn't expect the contractor to reprocess it if it's difficult or time consuming, but would expect the change to be applied to the next payment.

Sometimes a subcontractor's payment status will change from payment under deduction to gross payment. If this happens, we'll tell the subcontractor and any contractors who have verified or used the subcontractor in the current or previous 2 tax years. The revised payment status should then be applied to all subsequent payments to the subcontractor as soon as it's practical for the contractor to do so.

3.11 Making a payment under deduction

Deductions must only be made from that part of the payment that does not represent the cost of

materials incurred by the subcontractor.

Any travelling expenses (including fuel costs) and subsistence paid to or on behalf of the subcontractor must be included in the gross amount of payment and the amount from which the deduction is made.

3.12 How to calculate the amount to deduct

There are 2 steps that contractors must follow.

Step 1: Work out the gross amount from which a deduction will be made by excluding VAT charged by the subcontractor if the subcontractor is registered for VAT, please read the examples in Appendix D.

The contractor will need to keep a record of the gross payment amounts so that they can enter these on their monthly returns.

Step 2: Deduct from the gross payment the amount the subcontractor actually paid for the following items used in the construction operations, including VAT paid if the subcontractor isn't registered for VAT:

- materials (please read paragraph 3.13)
- consumable stores
- fuel (except fuel for travelling)
- plant hire (please read paragraph 3.14)
- the cost of manufacture or prefabrication of materials

3.13 Materials

The contractor can ask the subcontractor for evidence of the direct cost of materials.

If the subcontractor fails to give this information, the contractor must make a fair estimate of the actual cost of materials. The contractor must always check, that the part of the payment for materials supplied isn't overstated. If the materials element looks to be excessive we may seek to recover any under deduction from the contractor.

Examples of how to calculate the deduction are shown in Appendix D.

3.14 Plant hire claimed as materials

'Plant' includes, for example, scaffolding, cranes, cement mixers, concrete pumps, earth moving equipment and compressors.

Where the subcontractor hires plant in order to carry out construction work, the cost of the plant hire and any consumable items such as fuel needed for its operation may be treated as materials for the purposes of calculating any deduction.

This treatment only extends to plant and equipment actually hired by the subcontractor from a third party. If the subcontractor owns the plant used in executing the work no notional deduction for plant hire may be made, although consumable items such as fuel used by the plant may still be treated as materials.

The contractor should check this with the subcontractor before making payment as failure to do so may leave the contractor responsible for any under deduction.

3.15 Providing documentary evidence of a deduction

The contractor must provide a written statement to every subcontractor from whom a deduction has been made within 14 days of the end of each tax month. A tax month runs from the sixth of one month to the fifth of the next month so the statement must be provided by the 19th of the month.

The statement may be issued by electronic means but only where the:

- contractor and subcontractor agree to this method
- statement is in a form that allows the subcontractor to store and print it

The statement can be issued on the basis of one for each tax month or one for each payment if this is more frequent.

Contractors may choose the style of the statements but they must include the:

- contractor's own name and employer tax reference
- end date of the tax month in which the payment was made, such as 'tax month ending 5 May 2016' or the date of payment where the statement relates to a single payment
- following details of the subcontractor:
 - name
 - UTR
- personal verification number if the subcontractor couldn't be verified and a deduction at the higher rate has been made
- gross amount of the payments made to the subcontractor, as calculated above in paragraph 3.12
- cost of any materials that has reduced the amount against which the deduction has been applied
- amount of the deduction

There may be other information that a contractor may want to put on the statement to enable the subcontractor to understand the payment that has been made. For example, this may include the amount of VAT charged by the subcontractor.

If a contractor regularly fails to give a payment and deduction statement where a statement is required to be given, this may be taken into account when considering whether or not the contractor should retain gross payment status as a subcontractor.

It's good practice for a contractor to give a subcontractor a payment statement where the payment has been made gross, but there is no obligation to do so.

3.16 Duplicate statements

If a statement doesn't reach a subcontractor or it's lost, the subcontractor may ask the contractor for another copy.

Contractors may issue duplicates in such cases but the duplicate must be clearly marked 'Duplicate' to avoid any confusion with the missing statement if it's later found.

We've given an example of a typical statement of deduction in Appendix E.

3.17 Who to make payments to

The contractor should normally make payments under deduction to the subcontractor, but the subcontractor may authorise payment to be made out to another person, such as a debt factor (<https://www.gov.uk/hmrc-internal-manuals/compliance-operational-guidance/cog909270>).

The statement must still be made out in the name of the subcontractor and issued to the subcontractor so they receive credit for any deduction.

Please read paragraphs 6.9 to 6.11 for more information about making gross payments to someone other than the subcontractor.

3.18 Keeping records of payments

On or before making any payment to a subcontractor, the contractor must make a record of the:

- gross amount of the payment, excluding VAT
- cost of any materials excluding VAT (if the subcontractor is registered for VAT), for those subcontractors who are liable for a deduction
- amount of the deduction

3.19 Summary of procedures for making payment to a subcontractor

Contractors should:

- consider whether or not they need to verify the subcontractor with us (please read paragraph 3.2)
- verify the subcontractor if necessary (please read paragraphs 3.5 to 3.9)
- make payment to the subcontractor where a deduction isn't required

Where a deduction must be made from the payment, contractors should:

- calculate and make the deduction from the payment to the subcontractor
- record details of payment, materials and deduction
- make the net payment to the subcontractor
- complete either a statement of deduction for all payments made in that tax month or one statement for each payment, as the contractor prefers, to show date of tax month, gross payment, amount liable to deduction and amount deducted - exclude any amounts shown on any earlier statements
- give the statement to the subcontractor

4. What HMRC require from contractors

4.1 What is required from contractors

This section explains what we require from contractors under the scheme. It covers the contractor's monthly return, payment of any deductions due to us, and explains what might happen if contractors don't apply the scheme properly.

4.2 Monthly returns

Each month, contractors must send HMRC a complete return of all payments made to all subcontractors within the scheme in the preceding tax month. This is regardless of whether the subcontractors were paid:

- gross
- net of the standard deduction
- net of the higher deduction

Monthly returns must reach us within 14 days of the end of the tax month they are for.

Example

A return of all payments made to subcontractors between 6 May and 5 June must be sent in sufficient time to reach us by 19 June.

4.3 How to make a monthly return

There are 2 ways contractors can make their monthly returns:

- the free HMRC CIS online service (<https://www.gov.uk/use-construction-industry-scheme-online>)
- commercial CIS software (<https://www.gov.uk/government/publications/construction-industry-scheme-cis-commercial-software-suppliers>)

4.4 Reporting non-scheme payments to a subcontractor

Sometimes, contractors may include on the monthly return payments to subcontractors that aren't within the scheme.

Where this happens, we'll not normally regard such action as giving rise to an incorrect return.

However, when paying subcontractors under deduction, contractors should ensure that deductions aren't made from payments to subcontractors for contracts that are wholly outside the scope of the scheme.

4.5 No return due for the month

Contractors who haven't paid any subcontractors in a particular month must let us know by the 19th of the month that they've made no payments to subcontractors in the previous tax month using:

- the free HMRC CIS online service (<https://www.gov.uk/use-construction-industry-scheme-online>)

- commercial CIS software (<https://www.gov.uk/government/publications/construction-industry-scheme-cis-commercial-software-suppliers>)

If a contractor fails to tell us by the 19th of the month that no return is due we may issue a penalty. Where this happens and the contractor subsequently tells us that no subcontractors were paid in the month we'll cancel the penalty.

Contractors who know they won't be paying any subcontractors for several months should let us know and we'll make their CIS scheme 'inactive' for 6 months. If the situation changes during that time, the contractor must let us know.

4.6 Amending errors on monthly returns

The principle for the monthly return is that it should reflect what the contractor has actually paid and deducted in the month it covers.

HMRC recognises, however, that contractors will sometimes make mistakes on their monthly returns. Where this happens we'll not automatically look for penalties or take away the contractor's own gross status as a subcontractor. We'll usually only take these actions in the more serious cases where we believe the error or omission has been caused by the contractor's negligence or intent.

The following paragraphs, explain how and when a return needs to be amended, assuming that the relevant monthly return has already been submitted to us.

4.7 Incorrect entry of details on return

A contractor might omit details of a payment to a subcontractor or might make a mistake in entering details of the payment or deduction onto the return. For example, the contractor may transpose the payment figures and record a payment of £560 as £650 on the return.

In this case, the entry on the return will clearly not reflect the actual payments and/or deductions made in the month. To correct this type of error, contractors should phone us giving full details of the errors and the correct figures.

If you need to inform us about an incorrect return, please use:

- the free HMRC CIS online service (<https://www.gov.uk/use-construction-industry-scheme-online>)
- commercial CIS software (<https://www.gov.uk/government/publications/construction-industry-scheme-cis-commercial-software-suppliers>)

4.8 Subcontractor is underpaid in error

There'll be cases where the error has been made in the payment itself and copied onto the CIS monthly return, for example, where a subcontractor has been paid £2,000 instead of £3,000.

Underpayments of this type can usually be put right by a further, balancing payment. That further payment, and any deductions made from it, should be entered onto the return for the month in which it's paid. The total of payments made and any deductions should then be correct, overall.

4.9 Subcontractor is overpaid in error

If the contractor overpays the subcontractor, for example, by making a payment of £3,000 instead of the £2,000 due, then the monthly return should reflect the amount of the payment made, that is, £3,000.

How that is then corrected for CIS will depend on the approach that the contractor adopts. If the subcontractor's engagement continues into the following month, the contractor may agree with the subcontractor to pay £1,000, instead of the £2,000 due.

This will balance out the payments and the contractor simply needs to enter the £1,000 paid in the second month on the return for that month.

If the subcontractor is paid under deduction, the same principle will apply. For the first month in this example, assuming a deduction rate of 20%, there would be a net payment of £2,400 and a deduction of £600 and, in the second, a net payment of £800 and a deduction of £200. The payment statements provided to the subcontractor each month would also reflect those figures.

Where the subcontractor's contract has ended and no further payments are due, from which to take a previous month's overpayment, the steps to be taken by the contractor depend on what action is taken to recover the overpayment.

If the contractor stops the cheque or the subcontractor returns it without cashing it, the contractor should reissue the payment in the correct amount, retrieve and reissue the subcontractor's payment statement and contact us to report the error on the earlier return. The revised payment and any deductions should be recorded on the next monthly return.

Where the cheque has been cashed and any deductions have been paid over to us, the contractor will be seeking the excess payment from the subcontractor. Although the monthly return in this case will be correct, as it reflects what was actually paid in the month, the contractor should phone us to report the error and to advise us of the correct payments due to the subcontractor.

If you need to inform us about an incorrect return, please contact the CIS Helpline (<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/construction-industry-scheme>).

4.10 Amending a return

Contractors that need to make corrections to returns, as described in the previous paragraphs, are able to make those corrections online. How they do this depends on whether they use:

- the free HMRC CIS online service (<https://www.gov.uk/use-construction-industry-scheme-online>)
- commercial CIS software (<https://www.gov.uk/government/publications/construction-industry-scheme-cis-commercial-software-suppliers>)

If the contractor uses the HMRC CIS online service to file returns, this same service may be used to amend any returns sent to us since 5 February 2016. To do this, contractors should go to the HMRC CIS online service and select 'Amend return' from the 'Returns' menu. To amend a return for a month earlier than the return for 5 February 2016, contractors must contact the CIS Helpline (<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/construction-industry-scheme>).

Contractors using third party software to file their returns may be able to make amendments online depending on the implementation of such a feature within the software they are using. They'll need to check with their software supplier to find out if and when this facility is available to them.

4.11 Where commercial CIS software is unable to amend a return

Contractors who need to make amendments to their returns but can't yet do this online because their software supplier hasn't yet made the facility available should phone us with full details of which monthly return(s) they need to amend. Please contact the CIS Helpline (<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/construction-industry-scheme>).

When making corrections over the phone, the contractor should make a note of the date and time of the call and nature of the changes. This is in case the contractor needs to make any subsequent enquiries about the changes.

If you need to inform us about an amended return and are unable to do this online, please contact the CIS Helpline (<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/construction-industry-scheme>).

4.12 Making payments to HMRC

Contractors must pay the amount deductible from payments to subcontractors to our accounts office monthly. They must pay deductions due to be made in each tax month within 14 days of the end of that month or within 17 days where payment is made electronically, whether or not these deductions have actually been made. This means that where a required deduction has not actually been made from the subcontractor's payment, for whatever reason, the contractor is still responsible for paying that amount over to us.

Contractors may also have to pay penalties if they don't pay the amounts due on time and in full.

Example

Deductions made between 6 May and 5 June must be paid by 19 June, or by 22 June where payment is made electronically (or the previous banking day where the 22nd is a weekend or bank holiday).

Please ensure you use the correct payslip for the month in question.

If the contractor also has PAYE employees, the contractor must make a payment to our accounts office that includes both the subcontractors' deductions and the PAYE/NICs deducted.

A contractor whose average monthly payments to the accounts office (including, where applicable, PAYE and NICs deductions from employees) are below £1,500, may choose to pay quarterly.

The quarters end on 5 July, 5 October, 5 January and 5 April and payments are due within 14 days of the end of each quarter or 17 days if the contractor pays electronically.

Even where payments are made on a quarterly basis, contractors must still send returns monthly (see paragraph 4.2 above).

4.13 Companies setting off deductions

Companies that have deductions taken from their income as subcontractors should set off these deductions against the amounts payable monthly or quarterly for PAYE, NICs and Student Loan repayments due from their employees and CIS deductions from their subcontractors. This should be done monthly (or quarterly, as appropriate) and the calculation should be shown on the company's EPS.

Companies should simply reduce the amount of PAYE, NICs, Student Loan repayments and any scheme deductions they pay over to our accounts office by the amount of CIS deductions made from their income.

In any month or quarter, if the company's own CIS deductions are greater than the PAYE, NICs, Student Loan repayments and CIS liabilities payable, the company should set off the excess against future payments in the same tax year. At the end of the tax year, when we've received the company's final EPS and full payment submission, any excess CIS deductions that cannot be set off may be refunded or set against any Corporation Tax due.

Contractors must keep a record of the amounts set off so they can complete their end-of-year returns. They can keep their own records for this purpose or they can use form CIS132 'Record of amounts set off' (<https://www.gov.uk/government/publications/construction-industry-scheme-record-of-amounts-set-off-cis132>).

4.14 Employer annual return

There are no annual returns within the CIS.

4.15 Inspection of records

From time to time, we'll inspect the records of contractors in the same way as we inspect an employer's PAYE records.

4.16 Records archived using optical imaging systems

If records are created in paper form, we're content for them to be archived using optical imaging systems, as long as what is retained is a complete and unaltered image of the original paper document.

Contractors must, at their own cost:

- keep records for at least 3 years after the end of the tax year to which they relate
- make records available on request
- provide viewing facilities for the records
- provide full-scale copies of the records if required

4.17 Action we'll take if contractors don't operate the scheme correctly

If a contractor fails to operate the scheme correctly, we may cancel the contractor's own gross payment status if the contractor also operates as a subcontractor.

4.18 Penalties for late monthly returns

If a contractor fails to submit a monthly return on time, we'll charge them the day after the filing date - a fixed penalty of £100.

If the return is still outstanding, we'll charge a:

- second fixed penalty of £200 - 2 months after the filing date
- tax-geared penalty which is the greater of £300 or 5% of any deductions shown on the return - 6 months after the filing date
- second tax-geared penalty which is the greater of £300 or 5% of any deductions shown on the return, (where we believe information has been deliberately withheld, this penalty will be higher) - 12 months after the filing date

From 6 April 2015 we don't charge contractors a penalty in respect of any months for which a return isn't due for the month. However, if a contractor doesn't tell us that a return isn't due for the month, a penalty may be issued. Where this happens, contractors should let us know that they have no return to make for the month in question and we'll cancel the penalty.

Please read paragraph 4.5 for more information about this.

4.19 Penalties for incomplete or incorrect monthly returns

If a contractor submits a monthly return that is incomplete or incorrect, we may charge penalties where we believe the error or omission has been caused by negligence or intent on the part of the contractor.

Incomplete or incorrect returns include:

- persons or payments omitted from the return
- persons or payments incorrectly entered onto the return
- failing to make a declaration in respect of verification or employment status
- incorrectly making a declaration in respect of verification or employment status

4.20 Missing records

If a contractor fails to produce records relating to payments made under the scheme when asked to do so, we may charge penalties up to £3,000.

We may charge contractors penalties of up to £3,000 if they:

- fail to give statements to subcontractors registered for payment under deduction, recording their payments and deductions
- negligently or deliberately provide incorrect information in such statements

4.21 Problems with deductions

If things go wrong when a contractor applies deductions, the contractor may need to satisfy us that every reasonable care was taken to follow the rules of the scheme and that either:

- the failure to make all or some of the deduction was due to an innocent error
- in spite of reasonable care, the contractor didn't believe that the payment came within the rules of the scheme

If we refuse to waive payment of the deductions that should have been made, the contractor has the right of appeal (<https://www.gov.uk/tax-appeals>) against that decision.

Where we cannot agree whether or not a deduction should have been made, we may make an assessment of the amount we believe should have been deducted. The contractor has a right of appeal (<https://www.gov.uk/tax-appeals>) against our assessment.

HMRC will waive the contractor's liability if we're satisfied that the individual or business the contractor made the payments to:

- was not chargeable to Income Tax or Corporation Tax for these payments
- has made a return of income or profits that includes the payments and has paid the Income Tax and Class 4 NICs or Corporation Tax for the income or profits

5. Businesses not resident in the UK

5.1 Non-resident businesses

The scheme applies to any non-resident:

- contractor who pays subcontractors for construction work carried out in the UK
- subcontractor who is being paid for construction work carried out in the UK

It doesn't matter where payment is actually made - if the construction work is carried out in the UK then the scheme applies to that payment.

There is no difference between the treatment of UK contractors and subcontractors and non-resident contractors and subcontractors.

If you're applying to be registered as a subcontractor you'll need to do this before you start work in the UK. Otherwise, your contractor will have to make deductions at the higher rate from your payments.

5.2 Non-resident individuals and partnerships registering for CIS

Non-resident individuals and partnerships who need to register as:

- contractors should read paragraph 1.12 in this guide
- subcontractors should read paragraph 1.13 in this guide

5.3 Non-resident companies registering for CIS

Companies taking on subcontractors for construction work in the UK and companies that are intending to act as subcontractors in the UK need to register with our Specialist Personal Tax Office.

There are 3 ways to contact us about this.

Post:

Charities, Savings & International 1
HM Revenue and Customs
BX9 1AU

Fax: 03000 547381

Telephone: 03000 516644 (Overseas +44 3000 516644)

For information about Double Taxation Agreements (DTAs) or about how the Construction Industry Scheme applies to non-residents or to discuss registration or other matters about the scheme, we can give you advice and send you the forms and leaflets you need.

5.4 Repayment of deductions where there is a Double Taxation Agreement

If you, or your company, are resident in a country that has a DTA with the UK it's possible that you may be entitled to claim exemption from UK tax. This will be the case where your UK business profits are not attributable to a permanent establishment in this country through which you are carrying on business. Claims for exemption under the terms of a DTA should be sent to Specialist Personal Tax International. You can find more information in the guide RDR1-residence, domicile and the remittance basis (<https://www.gov.uk/government/publications/residence-domicile-and-remittance-basis-rules-uk-tax-liability>).

5.5 Permanent establishment

The term 'permanent establishment' includes:

- place of management
- a branch
- an office
- a factory
- a workshop
- an installation or structure for the exploration of natural resources
- a mine, an oil or gas well, a quarry or any other place of extraction of natural resources
- a building site or construction or installation project

A building site or construction or installation project is a permanent establishment. However, under many DTAs it isn't treated as one if it does not last longer than a stated period - usually between 3 and 24 months. Check the agreement for your country of residence to see what, if any, the period is.

The existence of a DTA doesn't mean that you don't have to operate the CIS. You must still register and operate the scheme as normal.

If we agree that you're exempt from UK tax under a DTA, we'll repay any deductions made under the scheme as follows.

Company subcontractors should set off any deductions made from payments they receive from contractors against their own liability for PAYE/NICs and subcontractors' deductions, where they have such liabilities. Any balance of deductions that cannot be set off in this way may be repaid on submission of the company's Employment Payment Summary (EPS) and FPS.

Individuals and partnership subcontractors wanting to claim a refund should contact us at the office where they registered for the scheme.

5.6 Repayment of deductions where there is no DTA

Generally, if you are an individual or partner in a firm, any deductions made by contractors from the amounts they pay you are allowable against your UK tax liability. However, there may be times when you make little or no profit in the tax year, and the deductions exceed your liability. When this happens, you can claim a repayment of the excess deductions from us. If we're satisfied that you have paid too much, we'll send you a repayment.

Companies must reclaim a repayment of excess deductions on submission of their FPS and EPS under Real Time Information (RTI).

5.7 Non-resident subcontractors who don't register

If you don't register as a subcontractor when you should do, your contractor is obliged to make deductions at a higher rate from any payments made to you.

6. Miscellaneous

6.1 False declarations

It's an offence for a subcontractor knowingly to:

- make a false declaration
- submit any false documentation

in order to register for gross payment or payment under deduction.

This offence may result in a penalty of up to £3,000.

6.2 Disputes about deductions

If a contractor and a subcontractor cannot agree about a deduction, either of them may ask us for a ruling. If they still cannot reach an agreement after the ruling, either the contractor or the subcontractor may ask us to bring the matter before the independent tax tribunal for a decision.

If agreement can't be reached quickly because of the dispute, the contractor must make the appropriate deduction and pay it to our accounts office. If it's later found that some or all of the deduction wasn't necessary, we'll repay the excess to the subcontractor.

The same rules apply in any disagreement with us.

6.3 Use of trading names

Many businesses, whether sole traders, partnerships or companies, conduct all, or part, of their business using one, or sometimes more, trading names. However, a trading name has no legal status of its own and is simply a brand name for the underlying legal entity.

When registering for CIS, subcontractors will need to provide us with their legal name but they can also give us one trading name, if they wish.

When the subcontractor subsequently enters into a contract with a contractor, they should give the contractor details of their legal name, as registered on our computer system, together with their UTR, and National Insurance number, or company registration number when they are a company. Without this information, we may be unable to identify the subcontractor when the contractor attempts to verify them.

When this happens, we'll tell the contractor to make deductions at the higher rate from any payments to the subcontractor.

Contractors should enter the subcontractor's name, as it's recorded on our computer system, onto the monthly return.

Payment to third parties

6.4 Nominees

If payment is to be made to a subcontractor's nominee, for example, a gang member, workmate or the subcontractor's relative, the contractor must verify both the subcontractor and the nominee. For payment to be made gross to the nominee, both the subcontractor and the nominee must be registered for gross payment.

If the subcontractor isn't registered for gross payment, payment under deduction must be made to the nominee using the rate applicable to the subcontractor.

This means that if the subcontractor is registered for payment under deduction, the standard rate of deduction must be applied to the payment being made to the nominee. If the subcontractor isn't registered, or cannot be verified for any other reason, the payment to the nominee must be made under deduction at the higher rate - regardless of the nominee's own payment status.

The contractor must still make out a payment and deduction statement in the name of the subcontractor and issue it to the subcontractor.

6.5 Debt factors

If a subcontractor assigns their right to receive payment to a debt factor, then, the contractor can make the payment as if it were being made direct to the subcontractor.

If we've told the contractor to pay the subcontractor gross, the payment to the debt factor must also be made gross.

If we've told the contractor to make a deduction from the payment to the subcontractor, the

contractor must make the deduction from the payment to the debt factor.

The contractor must still make out a payment and deduction statement in the name of the subcontractor and issue it to the subcontractor.

6.6 Personal representatives, liquidators and receivers

Where a subcontractor has died, any payments to their personal representatives should be made on the same basis as payments were made to the deceased immediately before their death.

Where a liquidator, receiver or administrator has been appointed to conduct the affairs of a company, payments should continue to be made in accordance with the company's tax status.

6.7 Death of a contractor

If a contractor dies, the responsibility for the running of the scheme falls to their personal representatives. The responsibilities include paying over deductions and sending in the monthly returns.

6.8 Takeover of a business

If a business previously run by an individual is taken over by a partnership or company, the old scheme registration can't be used for the new business. The new business must register for the scheme and get gross payment status before it can be paid without deductions being made. Similarly, if an individual takes over as sole proprietor of a business having previously been a partner or director of that business, they must apply again for gross payment status as the previous status of the partner or director will no longer be valid.

When a contractor takes over another business as a going concern, the contractor may request authorisation to treat certain subcontractor verifications made by the previous business as if they had been made by the new business. Normally, this will apply in respect of any subcontractors who are working on ongoing contracts at the time of the transfer of the business. This will avoid the need for the contractor to have to verify several subcontractors after the acquisition of the business.

To request authorisation in these circumstances, please contact the CIS Helpline (<https://www.gov.uk/government/organisations/hm-revenue-customs/contact/construction-industry-scheme>).

We will need the following details for both the new contractor and the former contractor business:

- name
- UTR
- accounts office reference
- employer reference

We'll also need to know which subcontractors' contracts are being transferred to the new business.

6.9 Change of control of a close company

A close company is basically a company that is under the control of 5 or fewer persons. If a close company holds gross payment status and there is a change of control - through a transfer or issue of shares in the company - the company must notify us of the names and addresses of the new shareholders within 30 days. Companies that fail to do this may have their gross payment status withdrawn.

6.10 Change of address

Subcontractors must notify us of any changes to their:

- business address
- registered office address
- private address

6.11 Contra and setoffs

The terms 'contra' and 'set off' have special meanings in the construction industry.

Contras

A contra is a charge for goods or services supplied by one party to another.

Under the scheme, a contra does not reduce the payment from which the deduction may have to be made and is a payment by the contractor to the subcontractor.

Example

On a contract worth £200, a contractor gives the subcontractor some surplus materials and restricts payment by £50.

The contractor must calculate the deduction on the full contract value of £200.

When completing the monthly return, the contractor must show the gross payment to the subcontractor, or the amount before deduction where appropriate, in the amount of £200.

Set off

A set off is money not paid to a subcontractor by a contractor who believes there has been a breach of contract.

Under the scheme, a set off does reduce the payment from which the deduction may have to be made and so isn't a payment by the contractor to the subcontractor.

Example

On a contract worth £2,000, a contractor withholds £400 because work was below standard.

The contractor must calculate the deduction on £1,600.

When completing the monthly return, the contractor must show the gross payment to the

subcontractor, or the amount before deduction where appropriate, in the amount of £1,600.

6.12 Paying subcontractors by credit or debit cards

Subcontractors may invite contractors to pay them by debit, credit or other type of purchase card in order to obtain payment under the contract. Usually, there'll then be a difference in the timing between the subcontractor receiving payment from the card company and the contractor receiving and paying against a statement on which that particular charge appears.

The contractor's arrangements for paying and accounting for these charges will affect the timing of when such payments must be entered onto the monthly return. If the contractor's accounting system will not treat the subcontractor's invoice as having been paid until payment is made to the card company, then that will be the point at which the payment should be included on the monthly return.

Although there is no particular reason why cards can't be used to make payments to subcontractors paid under deduction, doing so would lead to a number of problems. These include the timing of the payment of the amount deducted, the recording of the payment and deduction on the relevant monthly return and the issue of the deduction statement to the subcontractor. We therefore recommend that contractors should restrict the use of payment cards to those subcontractors paid without deduction or to cover only the cost of materials.

6.13 Retention payments

Some contracts allow the contractor to retain a percentage of the contract price for a period after the construction work has been completed. This is done so that if deficiencies in the work become apparent during the 'retention period', the final payment can be withheld until the subcontractor has made good the faults.

There are no special rules for retention payments and they are treated the same way as any other payments. Whether the retention payment is made gross or under deduction depends on the subcontractor's tax status at the date of payment and not when the work was actually done.

At the time of payment of the retention, the contractor must decide whether they must verify the subcontractor (in accordance with paragraphs 3.1 to 3.9) and then make the deduction required under the scheme.

6.14 Reverse premiums

'Reverse premium' is the term commonly used to describe when a landlord or developer offers inducements to prospective tenants to take up an interest in land.

An example of an inducement is payment of all or part of the costs of fitting out the property. Such inducements are excluded from the scheme.

6.15 Payments made under a Private Finance Initiative arrangement

The Private Finance Initiative (PFI) is a form of Public Private Partnership, aimed at enabling the public and private sectors to work more closely together by making use of private capital and expertise in the provision of public sector infrastructure and services. PFI contracts are often for long periods, typically 20 to 30 years.

Common types of PFI include:

- services sold to the public sector - the private sector provides the capital assets and the public purchaser pays only on delivery of the specified services
- financially free-standing projects - the private sector designs, builds, finances and operates an asset, recovering the costs through direct charges on the private users of the asset
- joint ventures - the costs of a project are not met entirely by the charges on end users but are subsidised from public funds

Payments made by a public body under a PFI arrangement are specifically excluded from the CIS and the scheme must not be applied to such payments.

6.16 Group companies

The definition of group companies for the purposes of certain aspects of the scheme, is contained at Section 152 Corporation Taxes Act (CTA) 2010. Basically, 2 companies are deemed to be members of a group if one is at least a 75 % subsidiary of the other, or both companies are at least 75% subsidiaries of a third company and so on.

6.17 Managing agents

When a managing agent is acting for a principal or client in letting contracts that include construction operations, the managing agent will not generally be a contractor as defined within the scheme. This is because the contract for construction operations will more likely be between the principal and the subcontractor. The managing agent's role would be to see that the work is carried out in accordance with the principal's contract with the subcontractor and may include making payments to the subcontractor.

Where the contract between the principal and the managing agent includes the maintenance of the property and the agent enters into a contract on their own behalf, even though this is done under the terms of the service contract between the agent and the principal, the agent will be acting as a contractor within the scheme.

Payments made under a contract between the managing agent and the subcontractor may also fall within the scheme where it's a mixed contract, for example, where it includes elements of security, cleaning, minor repairs and maintenance.

6.18 Scheme representatives

A contractor that is a company within a group may be authorised to appoint another of the companies within the same group to undertake its obligations under the scheme. For example, a group of several companies required to operate the scheme could choose a single company within the group to operate CIS on their behalf.

The scheme representative must continue to make returns and payments to us under the name of the company or companies for which it's acting.

Each company that has chosen to have its scheme obligations handled by another company within its group will always remain liable for any obligations it has under the scheme even though it has chosen another company to operate the scheme on its behalf.

6.19 Unofficial forms

No substitute forms may be used. If a form has been lost or mislaid, please ask us for another. However, contractors will need to create their own statements of deduction for those subcontractors from whom deductions have been made. Paragraphs 3.15 and 3.16 and Appendix E give more information on this.

Appendix A

A.1 The scope of construction operations

This Appendix gives information on the scope of construction operations as HMRC has interpreted it from the legislation in Section 74, Finance Act 2004.

We have reproduced Section 74, Finance Act 2004 in Appendix B for your reference.

Contracts relating to construction operations

A.2 Definition of a contract

A contract may be either:

- written
- agreed by word of mouth

Regardless of the form of the contract, the common characteristic will be that there will be a payment by a contractor to a subcontractor and the contract will relate to construction operations.

Many contracts in the construction industry are agreed by word of mouth. This will not normally stop them from being legally binding on both parties and means they will come within the scheme.

Written contracts can vary in size and complexity.

When you have decided that a contractor and a subcontractor are parties to a contract and that the contract isn't one of employment, you need to decide whether it's a contract that relates to construction operations.

A.3 Contracts relating to construction operations

Any contract that has construction operations included in it, however small a part that may be, will fall within the scheme.

A.4 Mixed contracts

If a contract includes some work that is within the scheme and some that isn't thing to do with construction at all then all payments made under that contract will come within the scheme - even if shown on separate invoices. These types of contracts are often referred to as mixed contracts.

A.5 Contracts that relate to construction operations because the work contributes to the overall delivery of a construction project

Some contracts will relate to construction operations because they include work that contributes to the overall delivery of a construction project. For example, a tree surgeon may have many contracts in a year for tree felling. Tree felling isn't normally a construction operation in itself, but if the trees are cut down as part of work to clear a site ready to build a housing estate or a road, payments for the tree felling will be within the scheme.

This means that it isn't possible simply to look at the types of work carried out by a business to decide whether the business is a contractor or subcontractor. Contracts for the work will sometimes be covered by the scheme and sometimes will not.

A.6 Contracts that don't specifically provide for construction operations

Construction operations refers not only to particular works, but also to the work that people need to do in order to carry out those operations. This means that a contract relating to construction operations could include a contract that didn't specifically provide for operations, but which did provide for the provision of labour to carry out those operations.

An example of this would be where a subcontractor was under a duty to provide the labour of scaffolders to a contractor. The work of scaffolders is within the scheme when it's preparatory or integral to construction operations taking place.

A.7 Construction operations

The rest of this appendix gives guidance on operations that are regarded as construction operations within the scheme and operations that are regarded as non-construction operations.

Please read these paragraphs in conjunction with the table in Appendix C.

It's not possible for us to give exhaustive information in this guidance note.

Construction operations included within the scheme

Description	Legislation (please read Appendix B)	Paragraph
Buildings and structures	S74 (2)(a)	A.8
Construction	S74 (2)(a)	A.9
Alteration	S74 (2)(a)	A.10
Repair	S74 (2)(a)	A.11

Extension	S74 (2)(a)	A.12
Demolition	S74 (2)(a)	A.13
Dismantling	S74 (2)(a)	A.14
Works forming part of the land	S74 (2)(b)	A.15
Installation of systems	S74 (2)(c)	A.16
Internal and external cleaning	S74 (2)(d)	A.17
Painting and decorating	S74 (2)(e)	A.18
Integral works	S74 (2)(f)	A.19
Preparatory works	S74 (2)(f)	A.20
Finishing operations	S74 (2)(f)	A.21

A.8 Buildings and structures

Most construction operations are carried out as work on buildings and structures. The operations can be:

- permanent
- temporary
- offshore

The 6 main areas of work are:

- construction
- alteration
- repair
- extension
- demolition
- dismantling

Each of these is explained below in more detail.

A.9 Construction

Construction is a broad term that covers all of the following, to:

- build
- make
- put together

- assemble

Construction does include the assembly of prefabricated units and site facilities.

Example

The onshore construction of wind turbine towers and modular elements of wind turbine towers that are later towed to their final location at sea is an example of how broad we regard the definition of construction.

A.10 Alteration

An alteration is where a building or structure has been made different in any way. Alterations can be major or can be as simple as an adjustment or modification.

Examples:

- an alteration to the fabric of a building to accommodate equipment such as an item of plant or machinery, lifts, hoists or heavy-duty conveyors
- an alteration to accommodate a building service system (please read paragraph A.16 Installation of systems)
- removal of asbestos
- installation of partitioning or shop fittings to allow the building to be used in a different way

Notice 708 VAT: Buildings and construction (<https://www.gov.uk/government/publications/vat-notice-708-buildings-and-construction>) explains the meaning of alterations for VAT purposes.

A.11 Repair

Repair includes 'making good' and replacement of defective or damaged parts of a building or structure. Repairs also include repair of a building or structure that is necessary following a repair to any systems in the building or structure, even though a repair to the system itself isn't a construction operation for the purposes of the scheme (please read paragraph A.16 Installation of systems).

A.12 Extension

Extension means adding to or enlarging an existing building or structure.

A.13 Demolition

Demolition means pulling down a building or structure.

A.14 Dismantling

Dismantling means taking a building or structure apart. This is usually where the materials are expected to be used again.

Sometimes part of a building may be destroyed or dismantled prior to a refurbishment or to its use being changed. Often this type of work will be an alteration to the building or structure as well and the legislation is broad enough to include any work that involves any of the following:

- taking a building or structure apart
- totally destroying a building or structure
- rebuilding a building or structure
- altering a building or structure

The resulting building or structure may be permanent or temporary.

A.15 Works forming part of the land

All types of construction work that don't involve buildings or structures are called works forming, or to form, part of the land.

Examples include:

- minor works, such as a wooden fence with concrete posts
- major works such as roads, railways, bridges, harbours and power lines
- industrial plant such as petrochemical plant, a silo, tank or water treatment plant

Plant that is located in a building will not form part of the land and so will not fall within the scheme under this section. However, in some circumstances the installation of plant may require that the building be altered to accommodate or remove the plant so this will still be a construction operation.

Alteration, repair, extension, and demolition of works forming part of the land are also construction operations.

A.16 Installation of systems

A system is something that is made up of connected parts to perform a particular function such as systems of heating or lighting. The scheme includes the installation of 'systems'. As such, it includes the installation of complete systems rather than parts of a system. Complete systems will be installed in new builds or existing buildings and structures undergoing reapply-development. Repairs to a system, such as new taps on a sink or an extension to a system such as adding an extra radiator are not installations of systems and are therefore not included within the scheme.

A.17 Internal and external cleaning

Internal cleaning is regarded as a construction operation if it's undertaken whilst the construction contract is ongoing.

External cleaning or routine cleaning of existing commercial or industrial premises that are not undergoing any types of construction operations isn't regarded as a construction operation unless it's preparatory to painting and decorating.

A.18 Painting and decorating

Painting and decorating is regarded as a construction operation.

A.19 Integral works

Integral works are works that must be carried out for a construction operation to be completed.

Example

Erection of scaffolding might not be considered to be the construction of a structure in its own right, but it's a construction operation because it wouldn't be possible to carry out other works that are construction operations without it.

A.20 Preparatory works

Preparatory works are works that must be carried out before a construction operation can be started.

Example

Clearing a site or draining land in a flood plain before building houses.

A.21 Finishing operations

Finishing operations are work that 'renders complete' or 'finishes off' any of the construction operations in the previous paragraphs.

Example

In most modern commercial buildings much of the internal fixtures and fittings will be included in the design specifications and a building will not be considered complete without them.

Finishing operations aren't regarded as construction operations in their own right. They must be considered as part of the overall work that is being carried out as well as part of the contract as a whole. Often, the same work won't be a construction operation when it's carried out as an independent activity.

Examples:

- tree planting and landscaping in the course of forestry or estate management are not construction operations
- tree planting and landscaping as part of a new housing development are construction operations

The only exception to finishing operations is carpet fitting. Statement of Practice 12 (1981) (<https://www.gov.uk/government/publications/statement-of-practice-12-1981>) provides that carpet fitting (but no other floor covering) is regarded as excluded from the scheme. However, if carpet fitting is part of a mixed contract, then all the contract comes within the scheme. Please read paragraph A.4.

A.22 Non-construction operations

Some operations are specifically excluded from the scheme and these are explained below.

Where a contract includes operations that are construction operations, and operations that aren't construction operations, all payments for both types of work will fall within the scheme.

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Description	Legislation (please read Appendix B)	Paragraph
Drilling	S74 (3)(a)	A.23
Extraction	S74 (3)(b)	A.24
Manufacture of building or engineering components and delivery	S74 (3)(c)	A.25
Manufacture of components for systems	S74 (3)(d)	A.26
Professional work	S74 (3)(e)	A.27
Artistic works	S74 (3)(f)	A.28
Signwriting and signboards	S74 (3)(g)	A.29
Seating, blinds and shutters	S74 (3)(h)	A.30
Security systems	S74 (3)(i)	A.31

A.23 Drilling

Drilling work connected with actual, physical extraction of minerals or natural resources isn't a construction operation.

A.24 Extraction

Extraction of minerals or natural resources isn't a construction operation. Extraction includes:

- drilling for oil and gas
- pumping of oil and gas
- digging for coal and other minerals from underground deposits
- removal of coal and other minerals from underground deposits
- associated surface workings, such as open cast mine quarrying

Work connected with the primary purpose of mineral extraction isn't a construction operation. This includes:

- tunnelling, boring and shoring up tunnels in mines
- installing rail systems, conveyor systems and other systems

This is in contrast to tunnelling done in connection with the construction of a mainline railway for example, which would be a construction operation because it's an integral part of the construction of a work forming part of the land.

A.25 Manufacture of building or engineering components and delivery

Manufacture of the following isn't a construction operation, building or engineering:

- components
- equipment
- material
- plant
- machinery

Delivery of these is also not a construction operation.

A.26 Manufacture of components for systems

Manufacture of components for systems isn't a construction operation. Examples of components for systems include components of:

- heating
- lighting
- air-conditioning
- ventilation

Delivery of these is also not a construction operation.

A.27 Professional work

Professional work done by architects and surveyors as part of their normal professional discipline, whether on or off site, isn't a construction operation.

The only exception is where a professional goes beyond their professional discipline to take on the role of developer or main contractor in addition to providing professional services. In this case, the work isn't excluded from the scheme.

The work of other professionals is excluded only if they are acting purely as consultants. Typically, this would include the production of designs, plans, technical assessments and reports relating to construction projects including site testing. Any work that goes beyond a consultative or advisory role and becomes the supervision of labour or the co-ordination of construction work using that labour isn't excluded from the scheme.

A.28 Artistic works

All works that are wholly artistic are not regarded as construction operations. This means that if the works fulfil a normal functional purpose associated with a building, they aren't excluded from the scheme.

Examples include a:

- statue, even if commissioned with a new building, has no function other than to be enjoyed as an artistic work - its construction and installation wouldn't be regarded as a construction operation

- stained glass window with artistic merit, but it's a window that lets in light and is a decorative version of a common feature of a building, so its construction and installation would be regarded as a construction operation

A.29 Signwriting and signboards

Signwriting and work related to signboards and advertising boards is excluded from the scheme. This exclusion is very specific and doesn't extend to traffic signs or street furniture.

A.30 Seating, blinds and shutters

Seating in theatres, sports stadiums and other locations, and fixed seating is excluded from the scheme. This exclusion also covers louvered shutters, venetian blinds, other similar internal blinds, and curtain fittings.

Awnings aren't excluded.

A.31 Security systems

Installation of security systems that are dedicated to security only is excluded from the scheme. Specific types of systems specifically mentioned in the legislation are burglar alarms, closed circuit television and public address systems. Preparatory works on the land such as digging, building/erecting concrete posts on which to install the closed-circuit television (CCTV) is within CIS.

Example

Installation of a computer controlled centralised locking system with programmable key cards, such as those used in hotels, would be excluded from the scheme.

The installation must be a system and not simply a building feature that incidentally fulfils a security purpose.

Examples include:

- doors equipped with locks provide a measure of security, but they don't represent a system, so they wouldn't be excluded from the scheme
- fencing may deter intruders but it's a traditional feature of buildings and their surrounds and not a security system, even if it has security features, so it wouldn't be excluded from the scheme

Appendix B

Extract from Finance Act 2004

Section 74

B.1 In this section 'construction operations' means operations of a description specified in subsection (2), not being operations of a description specified in subsection (3); and references to construction operations:

(a) except where the context otherwise requires, include references to the work of individuals participating in the carrying out of such operations

(b) don't include references to operations carried out or to be carried out otherwise than in the UK (or the territorial sea of the UK)

B.2 The following operations are, subject to subsection (3), construction operations for the purposes of this chapter:

(a) construction, alteration, repair, extension, demolition or dismantling of buildings or structures (whether permanent or not), including offshore installations

(b) construction, alteration, repair, extension or demolition of any works forming, or to form, part of the land, including (in particular) walls, roadworks, power lines, electronic communications apparatus, aircraft runways, docks and harbours, railways, inland waterways, pipelines, reservoirs, water mains, wells, sewers, industrial plant and installations for purposes of land drainage, coast protection or defence

(c) installation in any building or structure of systems of heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, water supply or fire protection

(d) internal cleaning of buildings and structures, so far as carried out in the course of their construction, alteration, repair, extension or restoration

(e) painting or decorating the internal or external surfaces of any building or structure

(f) operations which form an integral part of, or are preparatory to, or are for rendering complete such operations as are previously described in this subsection, including site clearance, earth-moving, excavation, tunnelling and boring, laying of foundations, erection of scaffolding, site restoration, landscaping and the provision of roadways and other access works

B.3 The following operations are not construction operations for the purposes of this chapter:

(a) drilling for, or extraction of, oil or natural gas

(b) extraction (whether by underground or surface working) of minerals and tunnelling or boring, or construction of underground works, for this purpose

(c) manufacture of building or engineering components or equipment, materials, plant or machinery, or delivery of any of these things to site

(d) manufacture of components for systems of heating, lighting, air-conditioning, ventilation, power supply, drainage, sanitation, water supply or fire protection, or delivery of any of these things to site

(e) the professional work of architects or surveyors, or of consultants in building engineering, interior or exterior decoration or the laying-out of landscape

(f) the making, installation and repair of artistic works, being sculptures, murals and other works which are wholly artistic in nature

(g) signwriting and erecting, installing and repairing signboards and advertisements

(h) the installation of seating, blinds and shutters

(i) the installation of security systems, including burglar alarms, closed circuit television and public address systems

B.4 The Treasury may by order made by statutory instrument amend either or both of subsections (2) and (3) by:

- adding
- varying
- removing

any description of operations.

B.5 No statutory instrument containing an order under subsection (4) shall be made unless a draft of the instrument has been laid before and approved by a resolution of the House of Commons.

Appendix C

This Appendix gives guidance on construction operations that are included within the scheme and those that are excluded.

There is an A-Z guide in the Construction Industry Scheme Manual at CISR14330 (<http://www.hmrc.gov.uk/manuals/cisrmanual/CISR14330.htm>).

C.1 Contracts that include work that is included and work that is excluded

If a contract includes some construction operations that are within the scheme and some that are excluded, all payments made under that contract will come within the scheme.

C.2 Status of private householders

Private householders aren't contractors for the purposes of the scheme but if you do any of the work listed below for a contractor who is doing the work for a private householder, the contractor will have to operate the scheme on payments they make to you.

C.3 Included and excluded operations

Planning

Operations included:

- none

Operations excluded:

- professional work (including the ancillary work of engineers, draughtsmen, scientists and technicians) of architects, surveyors or consultants in building, engineering, decoration (interior or exterior) or landscaping

Site preparation

Operations included:

- demolition of, for example, buildings, structures and tree-felling
- preparation of site and site-clearance, earth-moving on site, excavation, tunnelling and boring

Operations excluded:

- delivery of materials
- transport of spoil from site

Construction

Operations included:

- preparation and laying of foundations and piling
- actual construction, alteration or repair of a permanent or temporary building or civil, chemical or other industrial engineering work or industrial plant or structure - for example:
 - asbestos removal
 - storage tanks
 - silos
 - pylons
 - cranes or derricks
 - pumps
- construction of site facilities including site huts, portable buildings and site hoardings
- installation of power lines, pipelines, gas mains, sewers, drainage, cable television and telecommunications distribution systems
- installation of closed-circuit television for purposes other than security (such as traffic management)
- installation of public services
- construction, repair and resurfacing of roads and bridges including white-lining
- provision of temporary and permanent roadways and other access works such as drives
- erection or dismantling of scaffolding falsework and formwork
- plant hire with operator for use on site
- installation of fire protection systems designed specifically to protect the fabric of the building (such as sprinkler systems, fireproof cladding) rather than a fire warning (alarm) system
- installation of prefabricated components or equipment under 'supply and fix' arrangements.
- transport of materials on site
- internal cleaning of buildings and structures carried out in the course of, or on completion of, their construction, alteration, extension, repair or restoration
- work done on installations (such as rigs, pipelines, construction platforms) maintained or intended to be established for underwater exploration for, or exploitation of, minerals where the work is on land or in the UK territorial waters (up to the 12-mile limit)
- installation of systems of heating, lighting, air-conditioning, ventilation, power supply and distribution, drainage, sanitation, water supply and distribution, and fire protection works

- installation of lifts, plant, or machinery needed by the specification of a building under construction or alteration
- construction and repair of industrial plant
- site restoration and landscaping
- installation, structural repair and painting of lamp standards, traffic lights, parking meters and street furniture
- construction of concrete and marble floors
- installation of and repair to:
 - glazing
 - doors and rolling grills or security shutters
 - kitchens and bathrooms
 - shop-fittings including fixed furniture (except seating and freestanding display cabinets)
- painting and decorating the internal or external surfaces of any building or structure

Operations excluded:

- manufacture or offsite fabrication of components or equipment, materials, plant or machinery and delivery of these to the site - for example:
 - traditional building materials
 - prefabricated beams and panels
 - ready-mixed concrete
- manufacture and delivery of prefabricated site facilities
- running of site facilities such as canteens, hostels, offices, toilets and medical centres or the supply of security guards
- installation or replacement of telecommunication or computer wiring through pre-existing ducting in buildings
- delivery of road-making materials
- setting out traffic cones
- hire of scaffolding equipment (without labour)
- delivery, repair or maintenance of construction plant or hire equipment without an operator - for example, concrete mixers, pumps and skips
- installation of fire alarms, security systems, including burglar alarms, closed-circuit television as part of a security system, and public address systems, but not any preparatory works on the land such as digging, building/erecting concrete posts on which to install the CCTV
- transport of materials from site to site on the public highway
- assembly of temporary stages and exhibition stands including lighting
- external cleaning (other than painting or decorating) of buildings and structures
- drilling for, or extraction of, oil or natural gas
- extraction of minerals, boring or construction of underground works for this purpose
- manufacture, delivery, repair, servicing or maintenance of these items:
 - systems of heating
 - lighting
 - air-conditioning
 - ventilation
 - power supply and distribution

- drainage
- sanitation
- water supply and distribution
- fire protection works
- lifts, plant or machinery needed by the specification of a building under construction or alteration
- replacement of system parts not involving other construction operations (for example, taps or a radiator)
- stairlifts requiring no alteration or repair to the building
- tree planting and felling in the ordinary course of forestry or estate management
- manufacture and delivery of lamp standards - routine maintenance such as cleaning and general replacement
- manufacture offsite and delivery of flooring materials
- manufacture and delivery of:
 - glazing materials
 - computer and instrumentation systems
 - thermal insulation materials
 - heating and ventilation systems
 - doors and rolling grills
 - painting or decorating materials
- manufacture, delivery and installation of seating, blinds and louvered shutters
- manufacture, installation and repair of artistic works (for example sculptures and murals) which are wholly decorative in nature (not functional items caught by the scheme which incidentally have artistic merit)
- manufacture and installation of solar, blackout or anti-shatter film
- signwriting and erecting, installation and repair of signboards and advertisements

Finishing operations

Operations included fitting of:

- floor coverings, such as vinyl, linoleum (but not carpet) and laminated wooden flooring
- pigeon mesh
- TV aerials and satellite receivers Installation of refrigeration units

But only where these operations render complete a building or structure that has been constructed or altered.

Appendix D

This Appendix gives examples of the deduction from subcontractors paid under deduction.

Deductions at the standard rate

Examples D1 to D3 show deductions at the standard rate of 20% which was the rate in force at the time of writing this guide.

Example D1

Where no materials are supplied ('labour-only')

A labour-only subcontractor does work on site for £200

Total payment £200

Amount deducted at 20% = £40

Net payment to subcontractor £160

The contractor calculates the deduction (£40), which has to be paid to our accounts office. The labour-only subcontractor receives the balance of £160.

Entries on the contractor's monthly return

In example D1, the contractor should enter the following amounts in the appropriate boxes on the contractor's monthly return:

Total payment £200

Direct cost of materials used £0

Amount deducted £40

Example D2

The following is an example of a calculation where materials as well as labour are supplied ('supply and fix') and the contractor has paid the subcontractor's expenses.

Where the subcontractor isn't registered for VAT, any VAT they had to pay on materials should be included in the cost of materials when calculating the CIS deduction.

Where expenses, for example accommodation, mobile phone and fuel costs are paid to the subcontractor, the amounts should be included in the subcontractor's gross payment.

A tiling subcontractor, who isn't VAT-registered, agrees to tile a wall and to supply the necessary materials for a total payment of £535. The materials cost the subcontractor a total of £235 (£200 + £35 for VAT). The subcontractor is also paid accommodation costs of £50 and fuel of £10.

Labour charge £300

Materials £235

Accommodation and fuel £60

Amount due (invoice amount) £595

Calculation of deduction

Total payment £595

Less cost of materials (inclusive of VAT) £235

Amount liable to deduction £360

Amount deducted at 20% £72

Net payment to subcontractor £523

The contractor deducts the cost of materials from the price for the whole job and calculates the deduction on the difference of £360. The contractor has to pay £72 to our accounts office and pays £523 (£595 - £72) to the subcontractor.

Entries on the contractor's monthly return

In example D2, the contractor should enter the following amounts in the appropriate boxes on the contractor's monthly return:

Total payment £595
Direct cost of materials used £235
Amount deducted £72

Example D3

The following is an example of a calculation where materials as well as labour are supplied ('supply and fix'). Where the subcontractor is registered for VAT, any VAT they had to pay on materials should be excluded from the cost of materials when calculating the CIS deduction.

For the total cost of £600, a subcontractor who is a taxable person for VAT purposes, agrees to paint the interior of a building and to supply the materials. The painter pays £235 for the materials, which includes VAT of £35.

Labour charge £400
Materials £200
Total payment £600
Add VAT £105
Amount due (invoice amount) £705

Calculation of deduction

Total payment (exclusive of VAT) £600
Less cost of materials (exclusive of VAT) £200
Amount liable to deduction £400
Amount deducted at 20% £80
Net payment to subcontractor £625

The subcontractor is paid £625, which is the invoice amount (£705) less the deduction (£80).

Entries on the contractor's monthly return

In example D3, the contractor should enter the following amounts in the appropriate boxes on the contractor's monthly return:

Total payment £600
Direct cost of materials used £200
Amount deducted £80

Deductions at the higher rate

Examples D4 to D6 show deductions at the higher rate of 30%. This rate is used for illustration purposes and may or may not be the rate in force at the time of reading this guide.

Example D4

Where no materials are supplied ('labour-only')

A labour-only subcontractor does work on site for £200

Total payment £200

Amount deducted at 30% £60

Net payment to subcontractor £140

The contractor calculates the deduction (£60), which has to be paid to our accounts office. The labour-only subcontractor receives the balance of £140.

Entries on the contractor's monthly return

In example D4, the contractor should enter the following amounts in the appropriate boxes on the contractor's monthly return:

Total payment £200

Direct cost of materials used £0

Amount deducted £60

Example D5

The following is an example of a calculation where materials as well as labour are supplied ('supply and fix'). Where the subcontractor isn't registered for VAT, any VAT they had to pay on materials should be included in the cost of materials when calculating the CIS deduction.

A tiling subcontractor, who isn't VAT registered, agrees to tile a wall and to supply the necessary materials for a total payment of £535. The materials cost the subcontractor a total of £235 (£200 + £35 for VAT).

Labour charge £300

Materials £235

Amount due (invoice amount) £535

Calculation of deduction

Total payment £535

Less cost of materials (inclusive of VAT) £235

Amount liable to deduction £300

Amount deducted at 30% £90

Net payment to subcontractor £445

The contractor deducts the cost of materials from the price for the whole job and calculates the deduction on the difference of £300. The contractor has to pay £90 to our accounts office and pays £445 (£535 - £90) to the subcontractor.

Entries on the contractor's monthly return

In example D5, the contractor should enter the following amounts in the appropriate boxes on the contractor's monthly return:

Total payment £535
Direct cost of materials used £235
Amount deducted £90

Example D6

The following is an example of a calculation where materials as well as labour are supplied ('supply and fix'). Where the subcontractor is registered for VAT, any VAT they had to pay on materials should be excluded in the cost of materials when calculating the CIS deduction.

For the total cost of £600 a subcontractor, who is a taxable person for VAT purposes, agrees to paint the interior of a building and to supply the materials. The painter pays £235 for the materials, which includes VAT of £35.

Labour charge £400
Materials £200
Total payment £600
Add VAT £105
Amount due (invoice amount) £705

Calculation of deduction

Total payment (exclusive of VAT) £600
Less cost of materials (exclusive of VAT) £200
Amount liable to deduction £400
Amount deducted at 30% £120
Net payment to subcontractor £585

The subcontractor is paid £585, which is the invoice amount (£705) less the deduction (£120).

Entries on the contractor's monthly return

In example D6, the contractor should enter the following amounts in the appropriate boxes on the contractor's monthly return:

Total payment £600
Direct cost of materials used £200
Amount deducted £120

Appendix E

Example payment and deduction statement

Example of a payment and deduction statement to be given to subcontractors paid under deduction on a:

- payment basis
- monthly basis, where this is less frequent

Any Contractors Ltd
56 High Street
Anytown
ABC 123

Contractor's Employer Reference Number: 123/456789

Construction Industry Scheme

Statement of payment and deduction for month ending 5 April 2015

Subcontractor

Name Mr A N Other

Unique Taxpayer Reference 98765 43210

Gross amount paid (Excl VAT) (A) £5,450.36

Less cost of materials £584.72

Amount liable to deduction at 20% £4,865.64

Amount deducted (B) £973.12

Amount payable (A - B) £4,477.24

Verification number (verification number only to be entered where a deduction at the higher rate has been made)

Further information

More detailed information about CIS (<https://www.gov.uk/business-tax/construction-industry-scheme>) and Self Assessment (<https://www.gov.uk/topic/personal-tax/self-assessment>) is available.

Find out how to register as a contractor (<https://www.gov.uk/what-you-must-do-as-a-cis-contractor/how-to-register>).

Your rights and obligations

Your Charter (<https://www.gov.uk/hmrc/your-charter>) explains what you can expect from us and what we expect from you.

How we use your information

HMRC is a Data Controller under the Data Protection Act 1998 (<https://www.gov.uk/hmrc/information-charter>). We hold information for the purposes specified in our notification to the Information Commissioner, including the assessment and collection of tax and duties, the payment of benefits and the prevention and detection of crime, and may use this information for any of them.

We may get information about you from others or we may give information to them. If we do, it will only be as the law permits, to:

- check the accuracy of information
- prevent or detect crime
- protect public funds

We may check information we receive about you with what is already in our records. This can include information provided by you as well as by others such as other government departments or agencies and overseas tax and customs authorities. We will not give information to anyone outside HMRC unless the law permits us to do so.

F. RELEVANT GOVERNMENT REGULATIONS

F.1 INTRODUCTION

F.1.1 '*The School Funding (Wales) Regulations 2010*' came into force in September 2010. The Act requires local authorities to allocate expenditure to 3 budgets:

- Local Education Authority (LEA) Budget
- Schools Budget
- Individual Schools Budget (ISB)

The Regulations prescribe the expenditure that makes up a Local Authority's LEA and Schools Budget for a financial year.

F.1.2 An authority's Individual Schools Budget is to be divided between the authority's maintained schools in the form of budget shares for each school. The Regulations provide the basis on which a Local Authority may determine the amount from its Individual Schools Budget to be allocated to each school as its budget share for a financial year.

F.1.3 This supplement will provide the main details of the Regulations. Copies of the Regulations can be obtained from Her Majesty's Stationery Office (HMSO) suppliers or by viewing:

http://www.opsi.gov.uk/legislation/wales/wsi2010/wsi_20100824_en_1

F.2 SCHOOLS BUDGET

F.2.1 The classes or descriptions of Local Authority expenditure within the Schools Budget are:-

(a) expenditure on the provision and maintenance of maintained schools and maintained nursery schools and on the education of pupils registered at those schools;

(b) expenditure on the education of pupils at independent schools, non-maintained special schools, pupil referral units, at home and hospital, and on any other arrangements for the provision of primary and secondary education for pupils otherwise than at schools maintained by a Local Authority; and

(c) all other expenditure incurred in connection with the authority's functions in relation to the provision of primary and secondary education, in so far as such expenditure does not fall within paragraph (a) or (b),

but only in so far as such expenditure -

(a) does not fall within a class or description of expenditure prescribed by regulation 5 for the purposes of section 45A(1) of the 1998 School Standards and Framework Act and the determination of a Local Authority's LEA budget, and

(b) is not excepted expenditure.

The main categories of expenditure are:

- Expenditure to Support Grants
- Additional Learning Needs
- Staff Costs
- Other Expenditure

F.3 LEA BUDGET

F.3.1 The main categories of expenditure within the LEA Budget are:

- Additional Learning Needs
- Health and Child Protection
- School Improvement
- Access to Education
- Education, Training and Services for Young Persons and Adults
- Strategic Management

F.4 INDIVIDUAL SCHOOLS BUDGET

F.4.1 A Local Authority may deduct from their Schools Budget any or all of the classes or descriptions of planned expenditure set out in Schedule 2 of the 2010 Regulations either in full or in part, in order to arrive at their Individual Schools Budget for the financial year.

In determining and redetermining budget shares for primary and secondary schools a Local Authority shall ensure that their formula provides that at least **70%** of the amount which is their Individual Schools Budget, is allocated in one or more of the following manners:

(For the purposes of this regulation the budget shares of special schools and any part of the individual schools budget retained for the purpose of redeterminations or correction of errors shall be excluded from the Local Authority's ISB.)

- In accordance with factors or criteria using pupil numbers, which provide for the same funding for pupils of the same age irrespective of the nature of the school, which they attend.
- To places in primary schools which the authority recognises as reserved for children in nursery classes.
- For children with special educational needs who do not have statements of special educational needs but only up to 5% of the total amount allocated by the authority to primary and secondary schools from their ISB.
- For pupils with statements of special educational needs where funding in respect of such pupils forms part of schools delegated budgets.

The remaining **30%** or less may be delegated using a variety of methods including:

- Size and condition of a schools buildings and grounds
- A school, which has a split site in accordance with the Local Authority's criteria
- Facilities found at some schools only
- Transport to and from activities outside the school premises, which form part of the school's curriculum
- Hire of facilities outside the school premises (inc. actual or estimated cost)
- The need for single payments to be allocated to primary, secondary or special schools, regardless of size
- Rates payable in respect of the premises (actual or estimated cost)
- Payroll administration costs: the funding must be based on the number of staff at the school, unless factors permitted elsewhere in the regulations are used
- Payments in relation to a Private Finance Transaction (including actual or estimated cost)
- School milk, meals and other refreshment
- Salaries at a school (including actual or estimated cost). This must be in accordance with a scale published by the authority

- Incidence of nursery classes and places recognised by the authority as reserved for children with special educational needs
- Expenditure incurred as a result of Infant class size regulations or Junior class size restrictions
- Incidence of Newly Qualified Teachers
- Incidence of pupils from ethnic minorities having below average levels of academic achievement in relation to other pupils in the authority's area

Where in a financial year a Local Authority takes factors or criteria into account in their formula that are additional to or different from factors of criteria taken into account in the previous financial year, they may make such transitional provision as they consider reasonable.

F.5 ALLOCATION OF THE INDIVIDUAL SCHOOLS BUDGET

- F.5.1 A Local Authority can decide not to allocate all of its ISB in the form of budget shares at the beginning of the financial year. Instead it can retain an amount centrally for the purpose of re-determination or the correction of errors, or for distribution later in the year. Any retained funding not used during the course of the financial year must be re-distributed to schools on the basis of pupil numbers.

G. COMMUNITY USE OF SCHOOL PREMISES AND GROUNDS

G.1 INTRODUCTION

G.1.1 At maintained schools the Governing Body controls the use of premises both during and outside school hours. There may be exceptions to this at voluntary aided, voluntary controlled and foundation or foundation special schools if a trust deed states that another body has control of the use of premises. At community, community special and voluntary controlled schools the Governing Body has to follow any general rules or directions set by the Local Authority.

G.1.2 The Control of School Premises (Wales) Regulations 2008 make provision for the control by governing bodies of the occupation and use of school premises. Governing Bodies must be sympathetic to the needs of the local community when deciding out of hours use.

G.1.3 The Local Authority can give the governing bodies of community, community special and voluntary controlled schools directions as to how school premises should be used. These directions do not take away the Governing Body's responsibility, but they can cover matters such as:

- Regular bookings for the youth service or adult education
- Security and caretaking
- What costs should be covered by charges
- The use of a central booking system, and
- Making sure that community use of the school's facilities does not affect the day-to-day use of the facilities by pupils, for example by making sure that outdoor sports pitches are not overused.

However, directions given by the Local Authority should be reasonable and should not interfere too much with the Governing Body's control.

G.1.4 Governing bodies should note that minimum standards for the premises of all maintained schools in England and Wales are contained in the Education (School Premises) Regulations 1999, and these cover school facilities, structural and environmental requirements, aspects of health and safety and the provision of team-game playing fields.

G.1.5 Section 15(1) of the Education Act 1996 places a duty on Local Education Authorities to secure the provision of adequate facilities for further education. This Act includes the following in their interpretation of further education:-

- full-time and part-time education for persons over compulsory school age (including vocational, social, physical and recreational training), and
- organised leisure-time occupation provided in connection with the provision of such education.

G.1.6 In order to meet its legal obligations under these Acts, the Authority will continue to support and encourage schools, internal stakeholders and external partners to:

- provide a diverse range of lifelong learning and leisure opportunities for children, young people, their families and the wider community;
- facilitate the development of schools as a centre for delivering services;
- make maximum use of the school site during the day, evenings, weekends and school holidays.

G.2 PROPOSED PROCEDURE FOR NEGOTIATING THE USE OF PREMISES AND GROUNDS

G.2.1 Governors and Headteachers will encourage maximum use of the accommodation and facilities. They will make sure that:

- a Community Use Agreement is completed for each user/user group at least a month before the activity/activities are scheduled to take place;
- charges are both realistic and affordable.

G.2.2 If a dispute arises about the usage or misuse of premises and it cannot be resolved, arrangements will be made for representatives of the Governing Body to meet representatives of the Local Authority to resolve the matter.

G.2.3 Schools who wish to use Local Authority accommodation located on the school site e.g. youth wings, adult wings etc. will need to negotiate with representatives from that Service.

G.3 FINANCIAL ARRANGEMENTS

G.3.1 Governing Bodies may not use their delegated budget shares for anything other than the purposes of the school. Overall, community use must at least cover its own costs. Governing Bodies may charge some organisations more than others so that other the extra funds can be used to subsidise those activities that bring an educational benefit to pupils at the school. The Governing Body and Headteacher will agree charges, which should cover the costs incurred by the school e.g. heating, lighting, caretaker hours, wear and tear etc. The charges will be listed in each Community Use Agreement and should be both realistic and affordable to encourage maximum community use of the school site.

G.3.2 Identical arrangements will apply when schools wish to negotiate the use of youth wings, adult wings and other accommodation and facilities provided by the Authority

G.3.3 Any income generated by community usage will be additional to the school's formula-based budget allocation. This usage should be compatible with the school's duty to promote the educational, social, moral, spiritual and recreational well-being of the pupils and the community, and in accordance with the directions below. The school will not be allowed to use their delegated budgets for these purposes, with the exception of out of hours learning provision for pupils.

G.4 SCHOOL PLAYING FIELDS

G.4.1 Allocations of use to outside bodies will be the responsibility of the Governing Body who, where appropriate, are advised to consult with the Local Authority.

G.5 SCHOOL MEALS FACILITIES (CANTEENS ETC)

G.5.1 Allocation of use to outside bodies will be the responsibility of the Governing Body, but where appropriate it may be advisable to consult with the Council's Catering Service.

G.6 ADMINISTRATION

G.6.1 All administration in respect of community use of premises is the responsibility of the school.

G.7 GENERAL

G.7.1 If the community use of premises, after School hours, is being considered by a School Governing Body, regard must be given to the fire precautionary standards and other health and safety

arrangements and requirements which, in the main, have been assessed on day time use only, i.e. 0900 - 1700 hours. Any additional provision to meet fire precaution and other health and safety requirements for use after hours will be the responsibility of the Governing Body.

G.8 DIRECTIONS TO GOVERNING BODIES ON THE USE OF SCHOOL PREMISES OUT OF SCHOOL HOURS

G.8.1 The Control of School Premises (Wales) Regulations 2008 makes provision for the control by governing bodies of the occupation and use of school premises. Regulation 3 provides that it is the governing body of a community school, community special school and maintained nursery school that is responsible for the occupation and use of the school premises, both during and outside school hours. This is subject to any directions by the Local Authority as to how the premises must be occupied and used, to any transfer control agreement and to any other legal requirements. Governing bodies must have regard to the desirability of making the premises available for use by the community.

Regulation 4 of the Act enables the governing body to enter into a transfer of control agreement if its purpose is to promote community use of the school premises. The agreement may only make provision for use of the school premises during school hours if the governing body has obtained the consent of the local authority. All transfer of control agreements are taken to contain certain terms such as the requirement that the body to whom control of the premises has been transferred acts in accordance with any local authority directions, that it will have regard to the desirability of the premises being made available for community use, and that the governing body may take back control of the premises by giving reasonable written notice. There are separate provisions in the Act for Foundation and Voluntary Aided and Controlled schools.

G.8.2 Previous joint provision schemes between the County and Borough Council will continue and Governing Bodies will be bound by the agreements currently in force.

G.8.3 SUITABILITY OF PREMISES

G.8.3.1 The accommodation is appropriately furnished and equipped, and the furniture is arranged to the requirements of the user.

G.8.3.2 The accommodation is clean, adequately lit, watertight and heated in line with the health and safety requirements for schools.

G.8.3.3 Users have easy access to toilets which are clean, warm, lockable, with toilet paper, soap, hot water and hand drying facilities.

G.8.3.4 Entrances, emergency exits and steps are adequately lit, both internally and externally.

G.8.3.5 There is firefighting equipment which is sufficient, serviceable and easily accessible.

G.8.3.6 Sufficient notices are posted explaining how buildings are to be evacuated in an emergency and also exits are clearly marked and sign- posted.

G.8.3.7 First aid equipment and materials are easily available and their location clearly indicated.

G.8.4 THE RESPONSIBILITIES OF THE LOCAL AUTHORITY AND THE GOVERNING BODY

G.8.4.1 The LOCAL AUTHORITY will give the Governing Body adequate and accurate notification of the accommodation requested.

G.8.4.2 The LOCAL AUTHORITY will notify the Governing Body of any accommodation which is subsequently not required at least 10 days in advance or pay the appropriate hire charges for that accommodation.

G.8.4.3 Except in circumstances which cannot be foreseen, the LOCAL AUTHORITY will be given at least 10 days' notice of the unavailability of any accommodation included in this agreement.

G.8.5 SECURITY AND CARETAKING

The Local Authority will require Governing Bodies to ensure that premises are opened in good time. Users have access to the accommodation at least 15 minutes before the start of the activity and 15 minutes to disperse at the end of the booking period.

G.8.6 REIMBURSEMENT OF COSTS

The LOCAL AUTHORITY will reimburse Governing Bodies for the cost of usage by its own departments and directorates, provided it has given its approval of the usage beforehand.

G.8.7 USAGE GRANTED INDEPENDENTLY BY GOVERNING BODIES

Governing Bodies are empowered to approve the use of school premises and facilities outside School hours without reference to the Local Authority, provided that:

1. the Local Authority's own requirements for use by its own departments and directorates is given priority and are satisfactorily met;
2. usage is compatible with the general aims and purposes of the school, i.e. the promotion of the educational, social, moral, spiritual and recreational well-being of pupils and the community;
3. usage will not damage accommodation and facilities by improper or excessive use;
4. health and safety requirements are met;
5. users have appropriate insurance cover;
6. it is clearly understood that the Local Authority will make no reimbursement whatsoever to Governing Bodies for the costs incurred by independent hiring of this kind.

G.8.8 ENQUIRIES AND ASSISTANCE

Local Authority Officers will be pleased to offer advice and assistance on all matters concerning the use of premises and facilities out of school hours.

H. CHARGING PARENTS FOR SCHOOL ACTIVITIES

THE LOCAL AUTHORITY POLICY ON CHARGING AND REMISSIONS

H.1 Sections 449-462 of the Education Act 1996 (“the 1996 Act”) sets out the law regarding what charges can and cannot be made for activities in schools maintained by local authorities in Wales. The 1996 Act prescribes what activities governing bodies may and may not charge for when taking place during or outside of school hours, including residential activities. The 1996 Act also requires that every governing body and local authority in Wales should have charging and remissions policies in place and review them.

H.2 The Welsh Government has produced a ‘Guidance for Governing Bodies on Charging for School Activities’ – see Supplement H Appendix 1 for information. This document provides non-statutory guidance for governing bodies and head teachers about policies on charging and remission for school activities and school visits. The main points are reproduced below.

H.2.1 A governing body may not charge parents for anything unless it has adopted charging and remissions policies.

H.2.2 The governing body should make sure that parents are aware of the charging and remissions policies. This can be done by placing them on a school website or publishing them in the school prospectus or annual report to parents.

H.2.3 Education

School governing bodies and local authorities may not charge for:

- an admission application or admission to any maintained school for children of compulsory school age;
- education provided during school hours (including the supply of any materials, books, instruments or other equipment);
- education provided outside school hours if it is part of the National Curriculum, or part of a syllabus for a prescribed public examination that the pupil is being prepared for at the school, or for education or activities that secure the school’s duty to provide religious education;
- tuition for pupils learning to play musical instruments if the tuition is required as part of the National Curriculum, or part of a syllabus for a prescribed public examination that the pupil is being prepared for at the school, or it is part of the school’s duty to provide religious education;

- entry for a prescribed public examination, if the pupil has been prepared for it at the school or for examination re-sit(s) if the pupil is being prepared for the re-sit(s) at the school; or
- any cost or charge associated with preparing a pupil for an examination.

Schools and local authorities may charge for:

- any materials, books, instruments, or equipment, where the child's parent wishes for him/her or the child to own them;
- optional extras; and
- music tuition, in limited circumstances

H.2.4 Charges may be made for other activities that are known as 'optional extras'. It is up to the local authority or governing body providing the activities to decide whether to make a charge. Optional extras are:

- education provided outside of school time that is not:
 - a) part of the National Curriculum;
 - b) part of a syllabus for a prescribed public examination that the pupil is being prepared for at the school; or
 - c) part of religious education.
- transport that is not required to take the pupil to school or to other premises where the local authority/governing body have arranged for the pupil to be provided with education; and
- board and lodging for a pupil on a residential visit;
- materials used in practical subjects and project assignments provided parents have agreed in advance that they or the pupil wish to keep the finished product e.g. ingredients or materials;
- examination entry fee(s) if the registered pupil has not been prepared for the examination(s) at the school;
- an examination that the school has arranged for pupil to take but does not appear on a prescribed list.

H.2.5 Any charge made in respect of individual pupils must not exceed the actual cost of providing the optional extra activity, divided equally by the number of pupils participating. It must not therefore include an element of subsidy for any other pupils wishing to participate in the activity whose parents are unwilling or unable to pay the full charge.

H.2.6 Transport

Schools cannot charge for:

- transporting registered pupils to or from the school premises, where the local authority has a statutory obligation to provide transport;
- transporting registered pupils to other premises where the governing body or local authority has arranged for pupils to be educated;
- transport that enables a pupil to meet an examination requirement when he has been prepared for that examination at the school; or
- transport provided in connection with an educational visit.

H.2.7 Musical Instrument Tuition

Although the law states that all education provided during school hours must be free, music lessons are an exception to this rule. Schools may charge for musical instrument tuition provided to individual pupils, or to a group of not more than four pupils, if the teaching is not an essential part of either the National Curriculum or a public examination syllabus being followed by the pupil.

H.2.8 School Visits

Schools may **not** charge for:

- education provided on any visit that takes place during school hours;
- education provided on any visit that takes place outside school hours if it is part of the National Curriculum, or part of a syllabus for a prescribed public examination that the pupil is being prepared for at the school, or part of religious education; or
- supply teachers to cover for those teachers who are absent from school accompanying pupils on a residential visit.

Schools **may** charge for the actual cost of board and lodging for residential trips.

H.2.9 Asking Parents for Voluntary Contributions

Although schools cannot charge for school time activities, there is nothing in law to prevent a school governing body or local authority asking parents and others to make voluntary contributions (in cash or in kind) for the benefit of the school or to fund school activities. All requests to parents for voluntary contributions must make it clear that the contribution is voluntary; and that there is no obligation to make a contribution. The governing body or head teacher must also make it clear that children of parents who do not contribute will not be treated any differently.

H.2.10 Child Poverty

When arranging school trips and activities governing bodies and head teachers should do as much as is practicable to ensure that children and young people living in poverty are not unfairly disadvantaged. The cost pressures on families with low incomes are significant and governing bodies and head teachers should try to ensure this is not exacerbated to the detriment of the child or young person. It is important to balance the education value of residential trips against their financial cost.

H.3 The Council strongly encourages Governing Bodies to charge parents in the following circumstances:-

H.3.1 Where a pupil fails, **without good reason**, to complete the examination requirement for any public examination prescribed or otherwise, for which he/she has been entered and the school is liable to pay the entry fee, the full cost of that fee should be charged. (Failure to complete the examination requirements might include failure to complete the course work requirements and/or failure to sit the final examination(s)).

H.3.1.1 Full cost charging for materials and ingredients for such subjects as Craft, Design and Technology (CDT) and Home Economics where parents have indicated that they wish to own the finished article.

H.3.1.2 With regard to breakages to windows, doors or fittings as a result of pupils' behaviour then a nominal charge be made to an individual's parents or a proportional cost if more than one pupil is involved.

H.4 Governing Bodies are strongly advised to include in their disciplinary code their policy regarding matters such as breakages or deliberate damage.

Guidance for Governing Bodies on Charging for School Activities

Audience	Governing bodies and head teachers of maintained schools in Wales; local authorities; teaching and other unions, diocesan authorities, Citizens Advice Cymru, equality and disability organisations, and other national and local bodies concerned with education in Wales.
Overview	This document provides non-statutory guidance for governing bodies and head teachers about policies on charging and remission for school activities and school visits.
Action required	Governing bodies and head teachers to have regard to this non-statutory guidance on issues relating to charging and remission for school activities and school visits.
Further Information	Schools Management and Effectiveness Division Department for Education and Skills Welsh Government Cathays Park Cardiff CF10 3NQ Tel: 029 2082 6088
Related Documents	Copies can be found on the Welsh Government website at: http://wales.gov.uk/topics/educationandskills/schoolshome/fundingschools/schoolfunding/chargingforschoolactivities/?skip=1&lang=en School Funding http://wales.gov.uk/topics/educationandskills/schoolshome/fundingschools/schoolfunding/?lang=en School Governors Guide to the Law (2009) http://wales.gov.uk/topics/educationandskills/schoolshome/schoolfundingandplanning/schoolgov/schoolgovguide/?lang=en SECTION 560 of THE EDUCATION ACT 1996 SECTIONS 449-462 of THE EDUCATION ACT 1996 Part V1 of IMMIGRATION AND ASYLUM ACT 1999 Regulation 4A(a) of the Education (Pupil Registration) Regulations 1995 (as amended 2001) Section 19 of the Transport Act 1985

Welsh Statutory Instrument 2003 No. 860 (W.107)

The Education (Remission of Charges Relating to Residential Trips)
(Wales) Regulations 2003

Tax Credits Act 2002

Part 6 of the Immigration and Asylum Act 1999

The Education (Remission of Charges Relating to Residential
Trips)(Wales)(Amendment) Regulations 2011

The Education (Remission of Charges Relating to Residential
Trips)(Wales)(Amendment) Regulations 2013

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Guidance for Governing Bodies on Charging for School Activities

Summary

This non-statutory guidance is aimed at helping governing bodies and head teachers of maintained schools set out their policies on charging and remission for school activities and school visits. It focuses on:

- school activities that governing bodies and local authorities can/cannot charge for, including transport, music tuition, residential visits and 'optional extras';
- asking parents or carers for voluntary contributions;
- charging and remission policies;
- activities not run by the school or local authority; and
- charges for using school minibuses.

The guidance also sets out the support available to parents on low incomes and in receipt of benefits when being asked for contributions towards the costs of school visits.

This guidance is not legal advice and is not a substitute for governing bodies and local authorities seeking independent legal advice.

Charging for School Activities

1. Introduction

The purpose of this non-statutory guidance is to help head teachers and governing bodies to set out their policies on charging and remission for school activities and school visits. This guidance document provides a policy view from the Welsh Government. However, it is not legal advice, nor is it a substitute for the reader seeking their own legal advice. Examples are provided throughout the text to illustrate points. Frequently asked questions, a model procedure which governing bodies may choose to adopt, and template letters are provided in the Annexes.

2. Legal Context

Sections 449-462 of the Education Act 1996 (“the 1996 Act”) set out the law regarding what charges can and cannot be made for activities in schools maintained by local authorities in Wales. The 1996 Act prescribes what activities governing bodies may and may not charge for when taking place during or outside of school hours, including residential activities. The 1996 Act also requires that every governing body and local authority in Wales should have charging and remissions policies in place and review them.

3. Charging and Remission Policies

3.1 A governing body may not charge parents for anything unless it has adopted charging and remissions policies.

3.2 The charging policy must give details of the circumstances in which the school will charge parents and in what circumstances it may ask for voluntary contributions. The remissions policy must also explain any circumstances in which the school will wholly, or partially, waive a charge.

3.3 The charging policy should list every activity that may be charged for and explain when charges will be made. It should provide clear information for parents about how a charge will be worked out and who might qualify for help with the cost or not have to pay at all.

3.4 The governing body should make sure that parents are aware of the charging and remissions policies. This can be done by placing them on a school website or publishing them in the school prospectus or annual report to parents.

3.5 Governing body and local authority policies may differ as long as they are lawful.

4. Education

4.1 School governing bodies and local authorities **may not** charge for:

- an admission application or admission to any maintained school for children of compulsory school age;
- education provided during school hours (including the supply of any materials, books, instruments or other equipment);
- education provided outside school hours if it is part of the National Curriculum, or part of a syllabus for a prescribed public examination that the pupil is being prepared for at the school, or for education or activities that secure the school's duty to provide religious education;
- tuition for pupils learning to play musical instruments if the tuition is required as part of the National Curriculum, or part of a syllabus for a prescribed public examination that the pupil is being prepared for at the school, or it is part of the school's duty to provide religious education;
- entry for a prescribed public examination, if the pupil has been prepared for it at the school or for examination re-sit(s) if the pupil is being prepared for the re-sit(s) at the school; or
- any cost or charge associated with preparing a pupil for an examination.

4.2 Schools and local authorities **may** charge for:

- any materials, books, instruments, or equipment, where the child's parent wishes for him/her or the child to own them;
- optional extras (see paragraph 6); and
- music tuition, in limited circumstances (see paragraph 8).

5. Education partly during school hours

5.1 If an activity happens, including "connected travelling time", partly during and partly outside school hours it counts as taking place entirely in school hours if at least 50% of it takes place in school hours. No charge may be made in such circumstances. "Connected travelling time" means time spent during school hours by the children taking part in the educational activity in question in getting to or from the place where the activity takes place.

5.2 Parents can only be charged for activities that happen outside school hours when these activities are not a part of the National Curriculum, not part of a syllabus for a prescribed public examination that the pupil is being prepared for at the school, and not part of religious education.

Example of educational activity during school hours

5.3 A long-distance trip might involve much travel before and after normal school hours, but if the time spent at the destination fell mainly within school hours, the trip would count as happening in school time and no charge could be made.

Example of educational activity outside school hours

5.4 A trip that involved leaving school an hour or so earlier than usual in the afternoon, but then went on until quite late in the evening, would be classified as taking place outside school time. Charges would then be allowed, but only if the activities are not a part of the National Curriculum, not part of a syllabus for a prescribed public examination that the pupil is being prepared for at the school, and not part of religious education.

6. Optional Extras

6.1 Charges may be made for other activities that are known as 'optional extras'. It is up to the local authority or governing body providing the activities to decide whether to make a charge. Optional extras are:

- education provided outside of school time that is not:
 - a) part of the National Curriculum;
 - b) part of a syllabus for a prescribed public examination that the pupil is being prepared for at the school; or
 - c) part of religious education.

(For example, a skiing holiday during the school holidays or an evening visit to the theatre, providing that the performance was not part of the National Curriculum, would be classed as optional extras.)

- transport that is not required to take the pupil to school or to other premises where the local authority/governing body have arranged for the pupil to be provided with education; and
- board and lodging for a pupil on a residential visit;
- materials used in practical subjects and project assignments provided parents have agreed in advance that they or the pupil wish to keep the finished product e.g. ingredients or materials;
- examination entry fee(s) if the registered pupil has not been prepared for the examination(s) at the school;
- an examination that the school has arranged for pupil to take but does not appear on a prescribed list.

Charges may also be made if a pupil fails without good reason to complete the requirements of any public prescribed examination where the governing body or local authority originally paid or agreed to pay the entry fee.

6.2 In calculating the cost of optional extras an amount may be included in relation to:

- any materials, books, instruments, or equipment provided in connection with the optional extra;
- non-teaching staff;
- teaching staff engaged under contracts for services purely to provide an optional extra, this includes supply teachers engaged specifically to provide the optional extra; and
- the cost, or a proportion of the costs, for teaching staff employed to provide tuition in singing or playing a musical instrument, where the tuition is an optional extra.

6.3 Any charge made in respect of individual pupils must not exceed the actual cost of providing the optional extra activity, divided equally by the number of pupils participating. It must not therefore include an element of subsidy for any other pupils wishing to participate in the activity whose parents are unwilling or unable to pay the full charge.

6.4 Furthermore in cases where a small proportion of the activity takes place during school hours the charge cannot include the cost of alternative provision for those pupils who do not wish to participate. Therefore no charge can be made for supply teachers to cover for those teachers who are absent from school accompanying pupils on a residential visit.

6.5 Participation in any optional extra activity will be on the basis of parental choice and a willingness to meet the charges. Parental agreement is therefore a necessary pre-requisite for the provision of an optional extra where charges will be made.

7. Transport

Schools **cannot** charge for:

- transporting registered pupils to or from the school premises, where the local authority has a statutory obligation to provide transport;
- transporting registered pupils to other premises where the governing body or local authority has arranged for pupils to be educated;
- transport that enables a pupil to meet an examination requirement when he has been prepared for that examination at the school; or
- transport provided in connection with an educational visit.

8. Musical Instrument Tuition

Although the law states that all education provided during school hours must be free, music lessons are an exception to this rule. Schools **may** charge for musical instrument tuition provided to individual pupils, or to a group of not more than

four pupils, if the teaching is not an essential part of either the National Curriculum or a public examination syllabus being followed by the pupil.

9. School Visits

9.1 Schools **may not** charge for:

- education provided on any visit that takes place during school hours;
- education provided on any visit that takes place outside school hours if it is part of the National Curriculum, or part of a syllabus for a prescribed public examination that the pupil is being prepared for at the school, or part of religious education; or
- supply teachers to cover for those teachers who are absent from school accompanying pupils on a residential visit.

9.2 Schools **may** charge for the actual cost of board and lodging for residential trips.

9.3 A visit counts as falling within school time if the number of school sessions taken up by the visit is equal to or greater than 50% of the number of half days spent on the visit. Each school day is divided into two sessions and each 24-hour period is divided into two half days beginning at noon and at midnight.

Example of visit during school hours

9.4 A visit from noon on Wednesday to 9pm on Sunday would count as nine half days including five school sessions. The visit is deemed as taking place in school hours.

Example of visit outside school hours

9.5 A visit from noon on Thursday to 9pm on Sunday would count as seven half days including three school sessions. The visit is deemed as taking place outside school hours. If fifty per cent or more of a half-day is spent on a residential trip, you should treat the whole of that half-day as spent on the trip.

Exemptions from paying the cost of board and lodging

9.6 When a school informs parents about a forthcoming visit, they should make it clear that parents who can prove they are in receipt of the following benefits will be exempt from paying the cost of board and lodging:

- a. Income Support;
- b. Income Based Jobseeker's Allowance;
- c. In receipt of any other benefit or allowance, or entitled to any tax credit under the Tax Credits Act 2002 or element of such a tax credit, as may be prescribed by regulations from time to time for any period wholly or partly

comprised in the time spent on the trip. Currently the following are prescribed:

- support under Part 6 of the Immigration and Asylum Act 1999;
 - Child Tax Credit, providing Working Tax Credit is not also received and the family's income (as assessed by Her Majesty's Revenue and Customs) does not exceed £16,190 i.e. children who are eligible to receive free school meals;
 - Income Related Employment and Support Allowance.
- d. Guarantee element of the State Pension Credit.
- e. Receipt of Universal Credit.

9.7 Schools should be mindful of the financial circumstances of the families of pupils when planning residential trips. Schools should consider the cost of board and lodging of residential trips and whether they are affordable to ensure that residential trips are not too expensive for the majority of pupils' families. If trips are too expensive, uptake may be low and there is a risk that the trip would be cancelled.

9.8 Schools also need to be mindful of the funding of the remission costs for eligible families when arranging school residential trips.

9.9 Schools may wish to use their discretion and remit in full or in part, the cost of optional extras for trips, materials, books, instruments and equipment in certain circumstances where families on low incomes encounter difficulty paying for such things.

10. Asking Parents for Voluntary Contributions

10.1 Although schools cannot charge for school time activities, there is nothing in law to prevent a school governing body or local authority asking parents and others to make voluntary contributions (in cash or in kind) for the benefit of the school or to fund school activities. All requests to parents for voluntary contributions **must make it clear that the contribution is voluntary**; and that there is no obligation to make a contribution. The governing body or head teacher **must also make it clear that children of parents who do not contribute will not be treated any differently**.

10.2 **If the activity cannot be funded without voluntary contributions, the governing body or head teacher should make this clear to parents when the contribution is requested.** Where there are not enough voluntary contributions to make the activity possible and there is no way to make up the shortfall, the activity must be cancelled – this must be made clear to parents when asking for contributions. **The essential point is that no pupil may be left out of an activity because his or her parents cannot, or will not, make a contribution.** The school must first decide which class, or group of pupils, will benefit from the activity and then

look for voluntary contributions, either for that activity, or by general fund-raising. Schools should make it clear to parents at the outset what their policy for allocating places on school visits will be.

10.3 When making requests for voluntary contributions to the school funds, **parents must not be made to feel pressurised into paying.** Schools should avoid sending colour coded letters as reminders to make payments and letters should not be intimidating or coercive.

10.4 It is suggested that schools should not ask parents to set up direct debit or standing order mandates for servicing voluntary contributions.

Good Practice

10.5 The Welsh Government considers that it is good practice for schools to notify parents in plenty of time, ideally several weeks in advance, about forthcoming visits, charges for activities or requests for contributions. This is particularly important for costly matters such as residential visits. If the exact date and cost is not known, an indication should be given.

10.6 When practicable, it is good practice for schools to allow parents to pay for expensive trips by instalments over a reasonable period of time.

11. Child Poverty

When arranging school trips and activities governing bodies and head teachers should do as much as is practicable to ensure that children and young people living in poverty are not unfairly disadvantaged. The cost pressures on families with low incomes are significant and governing bodies and head teachers should try to ensure this is not exacerbated to the detriment of the child or young person. It is important to balance the education value of residential trips against their financial cost.

12. Activities not run by school or local authority

12.1 When a non school organisation arranges an activity to take place during school hours and parents want their children to join the activity, such organisations may charge parents. Parents must then ask the school to agree to their children being absent, just as they would if they wanted to take their children out of school for a family holiday. The head teacher and governing body must decide whether this is in the pupil's best interest. They must also bear in mind the requirements of the Regulation 7 of the Education (Pupil Registration) (Wales) Regulations 2010 ("the 2010 Regulations") that a pupil should not be allowed more than ten school days' absence in any year unless there are exceptional circumstances.

12.2 However, where an activity is organised by a third party and is approved by the school, is educational, or is supervised by someone authorised by the school, then it should be treated as if it were provided by the school and no charge should be made to the parents or pupils. Such an activity, if it takes place outside the school premises, is an "approved educational activity" within the meaning of Regulation 6 of the 2010 Regulations.

12.3 An “approved educational activity” is defined as either:

- an activity which takes place outside the school premises and which is:
- approved by a person authorised in that behalf by the proprietor of the school;
- of an educational nature, including work experience under section 560 of the 1996 Act and a sporting activity; and
- supervised by a person authorised in that behalf by the proprietor or the head teacher of the school.

13. School Minibuses

13.1 Schools may only charge for transport in their minibuses if they hold a permit issued under Section 19 of the Transport Act 1985, and only if the transport is for other activities that are not covered in paragraph 6 on page 8. In some cases, the permit exempts the school from Public Service Vehicle operator and driver licensing requirements. A permit is not required if no charge is made in cash or kind. Schools should apply to their LA for a permit for each minibus.

13.2 Charges may recover some or all of the costs of running the vehicle, including loss of value. But the service may not make a profit, either directly through the fares charged or incidentally as part of a profit making activity, even if any profit would go into the school’s other running costs or for charitable purposes. A charge is any payment made in cash or kind (for example, a club subscription) by or on behalf of a person that gives him or her a right to be carried.

13.3 Only the school’s pupils, staff or parents may travel for a charge in a school’s minibus.

14. Supplementary Information

Uniform, P.E. Kit, Calculators, Pens etc. Aprons

Parents can be invited to equip their child with items of personal equipment intended to be used solely by their child.

Breakages and Damage

Where a pupil’s behaviour results in damage to school property or equipment, parents may be asked to pay for the necessary repair or replacement. Each incident should be dealt with on its own merit and at the schools discretion.

15. Frequently Asked Questions, Model Procedure And Sample Letters

15.1 The annexes provide materials to help governing bodies and schools in the implementation of policies on charging and remission for school activities and school

visits. There is no obligation to use them and it is not suggested that schools might not already have alternatives which are better.

15.2 **Annex 1** contains frequently asked questions.

15.3 **Annex 2** contains a model procedure on charging for school activities. There is no obligation to adopt this; a governing body may adopt a procedure of its choice if it meets the requirements of the law.

15.4 **Annex 3** offers sample letters which schools might like to use. These are drawn from our experience of what works well. There is no obligation to use them.

- **Sample Letter 1** is a request for a voluntary donation for a school trip, visit or practical activity. It explains that all contributions are voluntary, and that the activity may not take place if a substantial majority of parents do not contribute. It explains that if the trip goes ahead, it may include children whose parents have not paid a contribution as all children are treated the same and that the school will provide information on how each trip is funded on request.
- **Sample Letter 2** is a request for payment for a school trip, visit, practical activity that is classed as an optional extra. It explains that the school is not in a position to subsidise the event or offer any remission of charges.
- **Sample Letter 3** is a request for payment to cover the costs of board and lodging on a residential trip. It also draws attention to the categories of benefit claimants that are exempt from having to make a payment.

Annex 1

Frequently Asked Questions

Q What is a charging policy?

A A charging policy is a statement that takes into account of each type of activity that can be charged for and explains when charges will be made. If a charge is to be made for a particular type of activity, for example optional extras, parents need to know how the charge will be worked out and who might qualify for help with the cost (or even get it free). This information should be made available to parents. The local authority or governing body may not charge for anything unless it has drawn up a statement of general policy on charging, and in any event may only charge for those things that are prescribed by law. The governing body's policy may be more or less generous than the local authority's, as long as it meets the requirements of the law.

Q Can governing bodies charge for educating children in maintained schools?

A No charge can be made for admitting pupils to maintained schools. Education provided during school hours must be free. This includes materials and equipment, and transport provided in school hours by the local authority or by the school to carry pupils between the school and an activity. "School hours" are those when the school is actually in session and do not include the break in the middle of the school day.

Q Can a school charge for an activity that takes place out of school hours?

A Parents can only be charged for activities that happen outside school hours when these activities are not a necessary part of the national curriculum or do not form part of the school's basic curriculum for religious education or for activities that are an essential part of the syllabus for an approved examination. Charges may be made for other activities that happen outside school hours if parents agree to pay. The Education Act 1996 describes activities that can be charged for as "optional extras". It is up to the local authority or governing body providing the activities to decide whether to make a charge.

Q Can a school ask for voluntary contributions?

A Yes, in some circumstances. Although generally schools cannot charge for school-time activities, they may still invite parents and others to make voluntary contributions (in cash or in kind) to make school funds go further or assist in a particular activity. All requests to parents for voluntary contributions must make it quite clear that the contributions would be voluntary. Governing bodies should also make it clear that children of parents who do not contribute will not be treated any differently. If a particular activity cannot take place without some help from parents this should be explained to them at the planning stage.

Q What happens if the school is unable to raise enough voluntary contributions to cover costs?

A Where there are not enough voluntary contributions to make the activity possible and there is no way to make up the shortfall, the activity must be cancelled. The essential point is that no pupil may be left out of an activity because his or her parents cannot, or will not, make a contribution of any kind.

Q Why must the school have a Charging and Remission Policy?

A A Charging and Remission Policy is required by law and is designed to minimise the financial barriers which may prevent some pupils from benefiting from school activities and visits.

Q Is a residential trip in or out of school time?

A Residential activity counts as falling within school time if the number of school sessions missed by the pupils amounts to half or more of the number of half days taken up by the activity. Each school day is normally divided into two sessions and each 24-hour period is divided into two half days beginning at noon and midnight. If 50% or more of a half-day is spent on a residential trip, the whole half-day is counted as spent on the trip.

Annex 2

Policy on Charging for School Activities

Purpose of Policy

The purpose of this policy is to set out what charges can and cannot be made for activities in [INSERT NAME OF SCHOOL]. The policy has been drawn up in accordance with Sections 449-462 of The Education Act 1996 which sets out the law regarding what charges can and cannot be made for activities in schools maintained by local authorities.

Circumstances where no charge is made

No charge will be made for:

Education in School

- Education provided wholly or mainly during school hours.
- Admission to school for children of compulsory school age.
- Activities which are part of the National Curriculum, or are part of a prescribed examination syllabus, or part of Religious Education.
- The supply of any materials, books and instruments or other equipment.

Transport

- Transporting registered pupils to or from the school premises, where the local authority has a statutory obligation to provide transport.
- Transporting registered pupils to other premises where the governing body or local authority has arranged for pupils to be educated.
- Transport that enables a pupil to meet an examination requirement when he has been prepared for that examination at the school.
- Transport provided in connection with an educational visit which is part of the National Curriculum.

Residential visits

- Education provided on any visit that takes place during school hours.
- Education provided on any visit that takes place outside school hours if it is part of the National Curriculum, or part of a syllabus for a prescribed public examination that the pupil is being prepared for at the school, or part of religious education.
- Supply teachers to cover for those teachers who are absent from school accompanying pupils on a residential visit.

Music tuition

- Children learning to play musical instruments as part of the National Curriculum; or part of a syllabus for a prescribed public examination that the pupil is being prepared for by the school, or part of religious education; or
- Cost associated with preparing a pupil for an examination.

Examination fees

- Entry for a prescribed public examination if the pupil has been prepared for it at the school or for examination re-sit if the pupil is being prepared for the re-sits at the school.

Circumstances where the School may Charge Parents

Optional Extras

Charges may be made for other activities known as 'optional extras'. Where an optional extra is being provided, a charge may be made for providing materials, books, instruments, or equipment as follows:

Education

- Activities which take place mainly or wholly out of school time if they are not part of the National Curriculum, not part of a syllabus for a prescribed public examination that the pupils being prepared for at the school and not part of religious education.
- Materials used in practical subjects and project assignments provided parents have agreed in advance that they or the pupil wish to keep the finished product e.g. ingredients or materials.

Music tuition

- Musical instrument tuition provided to individual pupils or to a group of not more than four pupils if the teaching of music tuition is not part of the National Curriculum or a public examination syllabus being followed by the pupil.

Transport

- Transport that is not required to take the pupil to school or to other premises where the governing body have arranged for the pupil to be provided with education.

Examination Fees

- The examination is on the set list, but the pupil was not prepared for it at the school.

- The examination is not on the set list, but the school arranges for the pupil to take it.
- A pupil fails, without good reason, to complete the requirements of any public examination where the governing body or LA originally paid or agreed to pay the entry fee.

Board and Lodgings

- The cost of board and lodging for residential trips, even when taking place largely during school time. (Pupils whose parents are in receipt of certain benefits are exempt from paying the cost of board and lodging, see page 4).

Voluntary Contributions

Although schools cannot charge for school time activities, voluntary contributions may be sought from parents for activities which supplement the normal school curriculum.

Requests to parents for voluntary contributions will state that:

- there is no legal obligation to make a voluntary contribution;
- pupils will not be excluded through parents' inability or unwillingness to pay;
- pupils of parents who cannot contribute will not be treated any differently; and
- where there are not enough voluntary contributions to make the activity possible and there is no way to make up the shortfall, the activity will be cancelled.

Requests made for voluntary contributions made in respect of individual pupils must not include any element of subsidy for any other pupils wishing to participate in the activity whose parents are unwilling or unable to pay the full charge.

Remissions

Parents who can prove they are in receipt of the following benefits will be exempt from paying the cost of board and lodging of a residential trip:

- a. Income Support.
- b. Income Based Jobseeker's Allowance.

- c. In receipt of any other benefit or allowance, or entitled to any tax credit under the Tax Credits Act 2002 or element of such a tax credit, as may be prescribed by regulations from time to time for any period wholly or partly comprised in the time spent on the trip. Currently the following are prescribed:
 - o support under Part 6 of the Immigration and Asylum Act 1999;
 - o Child Tax Credit, providing Working Tax Credit is not also received and the family's income (as assessed by Her Majesty's Revenue and Customs) does not exceed £16,190 (i.e. children who are eligible to receive free school meals;
 - o Income Related Employment and Support Allowance.
- d. Guarantee element of the State Pension Credit.
- e. Receipt of Universal Credit.

The governing body may wish to remit in full or in part, the cost of other activities for parents in certain circumstances.

Supplementary Information

Uniform, P.E. Kit, Calculators, Pens etc. Aprons

Parents can be invited to equip their child with items of personal equipment intended to be used solely by their child.

Breakages and Damage

Where a pupil's behaviour results in damage to school property or equipment, parents may be asked to pay for the necessary repair or replacement. Each incident should be dealt with on its own merit and at the schools discretion.

Annex 3

Sample Letters

Sample letter [1]

Voluntary donation for Trip/Visit/Practical Activity

Dear Parents,

[child's name/year/subject]

The school is organising a **[Trip/Visit/Practical Activity]** to **[place]** on **[date(s)]**.

Activities such as this are beneficial because they give pupils experiences they may not otherwise have.

All contributions are voluntary and the proposed activity may not take place unless a substantial majority of parents contribute. If a **[Trip/Visit/Practical Activity]** goes ahead, it may include children whose parents have not paid any contribution. We do not treat these children differently from any others. Parents have a right to know how each trip is funded and the school provides this information on request.

Your contribution will cover **[specify: meals (breakfast, packed lunch, and evening meal), insurance, transport and equipment costs]**.

To make your contribution please complete the reply slip below and return it with your donation in an envelope marked with your child's name, form and 'school donation' to the school office by **[date]**. Cheques should be made payable to **[name]**.

Thank you very much for your support.

Yours sincerely

[name]

Reply Slip

Please return to school office

[Trip/Visit/Practical Activity] donation

Child's name: _____

Class/form: _____

I enclose

Please tick one of the following

cheque

cash

Signed: _____

Date: _____

Sample letter [2]

Payment for Optional Extra

[Information on optional extras can be found on page 4 of the Guidance].

Dear Parents,

[child's name/year/subject]

The school is organising a **[Trip/Visit/Practical Activity]** to **[place]** on **[date(s)]**. Activities such as this are beneficial because they give pupils experiences they may not otherwise have.

The cost of this **[Trip/Visit/Practical Activity]** per pupil is **[amount]**.

This will cover **[specify: accommodation, meals (breakfast, packed lunch, and evening meal), insurance, transport and equipment costs]**.

The school is not in a position to subsidise this visit, or to offer remission of charges, therefore a payment from each pupil wishing to attend will be required. Please note that if not enough interest is shown it may have to be cancelled.

To make your payment please complete the reply slip below and return it with your payment in an envelope marked with your child's name, form and name of 'trip/visit/practical activity' to the school office by **[date]**. Cheques should be made payable to **[name]**.

Thank you very much for your support.

Yours sincerely

[name]

Reply Slip

Please return to school office

[Optional Extra] Payment for [trip/visit/practical activity]

Child's name: _____

Class/form: _____

I enclose

£

Please tick one of the following

cheque

cash

Signed: _____

Date: _____

Sample letter [3]

Residential Trips

Dear Parents,

[child's name/year/subject]

The school is organising a Residential Trip to **[place]** on **[date(s)]**.

Activities such as this are beneficial because they give pupils experiences they may not otherwise have.

No charge is being made for the activity or travel; however there is a charge of **[amount]** to cover the costs of board and lodging. To make your payment please complete the remittance slip below and return it with your payment in an envelope marked with your child's name, form and name of residential trip to the school office by **[date]**. Cheques should be made payable to **[name]**.

We do not ask parents who receive the following benefits to make a payment **[insert list of benefits]**. If you receive any of these, please complete the attached exemption slip and return it in an envelope marked with your child's name and form to the school office by **[date]**.

Thank you very much for your support.

Yours sincerely

[name]

Remittance Slip

Please return to school office

[Name of residential trip]

Child's name: _____

Class/form: _____

I enclose

Please tick one of the following

cheque

cash

Signed: _____

Date: _____

Exemption Slip

Please return to the school office

**Application for remission of charges for board and lodging on
[Name of residential trip]**

Child's name: _____

Class/form: _____

I am in receipt of the following benefit/s:

Signed: _____

Date: _____

I. INSURANCES - SCHOOLS

- I.1 Via the purchase of insurance the Local Authority ensures that:
- I.1.1. its capital investment in its school buildings and contents is protected against fortuitous risks which could have a major impact on its finances.
 - I.1.2. its duty to pay compensation for negligent acts or omissions arising out of its activities is adequately funded and administered.

NOTE: The Council regularly puts its insurances out to tender. This may result in changes in the following paragraphs. Such changes are likely to be of a minor nature.

I.2 THE AUTHORITY PROVIDES THE FOLLOWING INSURANCES

- I.2.1 **Buildings and Contents** within the premises are insured for damage caused by fire, lightning, explosion, storm, flood, aircraft, escape of water and sprinkler leakage. The insurance is extended to include:

- professional fees incurred in re-building
- the costs of demolition, temporary boarding-up and making safe

This insurance provides for "new for old" replacement of property and is subject to a deductible of £150,000. Losses arising from the perils noted above, which are less than the deductible of £150,000, are paid by the Local Authority.

NB. The above applies to controlled schools. For Voluntary aided schools, the School Governors make their own arrangements for insuring damage by these perils to Welsh Government grant aided areas of responsibility. The Local Authority insures these risks to its areas of responsibility.

- I.2.2 **Business Interruption** The insurance covers the increased costs, up to £5,000,000, that a school may incur for a period of up to three years following an insured property damage claim. For example: the cost of hiring temporary classrooms in the event of a fire at the school.
- I.2.3 **Money** The Local Authority insures cash and cheques, postal and money orders belonging to the Local Authority or Governing Body against physical loss, including theft, up to the maximum holding for which the safe is suitable. This insurance covers monies belonging to school private funds.
- I.2.4 **Fidelity Guarantee** Loss to the Local Authority or Governing Body through the fraud or dishonesty of employees.

I.2.5 **Engineering** Schools with passenger lifts or hoists have these insured against sudden and unforeseen damage, and those with pressure plant have cover against explosion or collapse. However for these insurances to apply the equipment must be receiving periodic statutory inspections by the Insurance Company. Please contact the Insurance Section of the Local Authority if you want Statutory Inspections arranged.

I.2.6 **Motor Vehicles** provided by the Local Authority are insured by the Local Authority on a third party only basis. The own damage risk is self-insured by the Local Authority. The school pays the first £3,000 of any loss and any amount above this is paid by the Local Authority. However, this can be reduced to £250 if a specific request is made by the school to the Insurance Section of the Local Authority.

Local Authority vehicles are only insured for use on Local Authority business ie., any properly authorised school activity. Private usage is not permitted.

Local Authority vehicles may be driven by any licensed and authorised person.

Some schools have their own minibuses including vehicles donated to it or purchased from private funds. These vehicles must be taxed and insured by the school, either from their budget or private funds. The insurance can either be purchased from the Local Authority's motor insurers via the Risk and Insurance Section or directly by the school with an Insurer of their choice. If the school chooses to insure directly with an Insurance Company then the interest of Bridgend County Borough Council must be noted on the policy and the Local Authority must be entitled to an indemnity for third party legal liability claims arising out of the use of the vehicle. All policies must meet minimum specified criteria set out by the Risk and Insurance Officer prior to purchase. Failure to do so may result in any additional costs being incurred falling on the school budget. This will protect the Local Authority in the event that the school minibus is involved in an accident and the claim is made against the Local Authority instead of or as well as the school.

I.2.7 **Liability** The Local Authority insures its legal liability to pay compensation for death or injury to employees, pupils or other persons, damage to third party property and third party financial loss.

At the request of the Local Authority, the insurance will also protect staff, Council Members, School Governors and Governing Bodies if claims are brought against them personally rather than against the Local Authority, providing that the person was acting in good faith within the scope of his/her authority at the time.

The insurance also covers the legal costs incurred in defending insured claims made against the Local Authority or Governing Bodies.

I.2.8 **IT Equipment** The council can insure schools IT equipment on an “All Risks” basis. The deductible is £2,500. Insurance is in place for Infants, Junior, Primary and Special Schools. Cover for comprehensive schools can be arranged on request.

I.2.9 **Offsite Activities** This policy covers staff, pupils and volunteers whilst on school trips and activities carried out away from the school, anywhere in the world. The policy can be extended to cover onsite activities as well. The premium is based on staff and pupil numbers and is charged back to the school.

I.2.10 **Travel** If school staff are travelling abroad in connection with their duties, but it is not a school trip, they are insured by the Local Authority travel insurance policy.

I.3 **UNINSURED RISKS**

The Local Authority does not insure against vandalism and theft except for the insurance cover referred to above for money and IT equipment. Insurance is available via CCV Cardiff Insurance Brokers. Please see I4.

The Local Authority does not provide motor insurance to a member of staff who is driving their own car whilst undertaking school duties. They must first inform their insurance company and purchase insurance that protects them whilst driving their vehicle on the business of the school.

I.4 **INSURANCE SCHEMES**

Whilst the Local Authority does not insure against the risks referred to in I.3 above, there is a facility provided by other brokers whereby schools are able to insure their contents for malicious damage, theft and other perils. Schools deal with these other brokers direct.

In addition these brokers also operate a scheme for schools buildings insurance with a low deductible.

I.5 **INSURANCE HANDBOOK**

A fuller description of the insurance policies is contained within the Schools Insurance Handbook. A copy of this has been sent to all schools and is available on the Local Authority intranet.