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## **SECTION 1: INTRODUCTION**

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- 1.1 The Scheme for the Financial Management of Schools sets out the financial relationship between the Authority and the schools it maintains.
- 1.2 The following section should be included in your current finance manual for reference. Each sub section is cross-referenced to the paragraph in the scheme that it applies to.
- 1.3 Further guidance or clarification on the information contained in this section of the manual can be obtained from your Schools' Financial Advisor, as part of a Service Level Agreement with the Childrens Services Finance Team.

## SECTION 2: BASIS OF ACCOUNTING FOR SCHOOLS

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### 2.0 List of Appendices

1	Budget Submission. Bank Account School
2	Budget Submission. Non-Bank Account School
3	Draft Finance Committee Terms of Reference
4	Schools Internal Financial Admin Regulations
5	Inventory Pro-forma
6	Guidance on Register of Pecuniary Interest
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10	Surplus Balances Return
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12	Chart Of Accounts

**All the above appendices are posted on the intranet for schools' use.**

**The Local Authority is currently working towards a situation where the majority of returns are submitted electronically.**

2.1 Government guidelines regarding the basis of accounting for LMS schemes are such that Local Authorities may not instruct schools to use any one basis of accounting when using internal systems to produce financial reports for the use of school staff or Governors. The Local Authority will require returns made to the Authority to be completed on an Accruals basis. With this in mind, the Local Authority will require details of any Accruals or Prepayments affecting the school accounts for the current reporting period to be included in the financial monitoring return.

2.2 ***The Local Authority will not require exact values of accruals and prepayments – a school's best estimate will suffice to give a more up to date and accurate view of the level of school spend compared with the planned spending profile.*** However below, are examples of accruals and prepayment transactions for schools who would wish to adopt this method of accounting in their local systems.

### 2.3 Simple Definition of Accruals and Prepayments

An Accrual is an adjustment made to the accounts when a school knows it has received goods or services but that an invoice has not yet been posted to the school accounts. The adjustment would effectively increase the expenditure against an account code until the invoice or claim is processed through the accounting system.

## SECTION 2: BASIS OF ACCOUNTING FOR SCHOOLS (Scheme Reference 2.2)

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A Pre-Payment is also an adjustment made to the accounts, but takes into account goods or services a school has been billed for that it has not yet received i.e. paid for in advance, for example rental agreements. The adjustment made would effectively reduce the expenditure against an account code until the goods or services have been received.

### 2.4 Examples of Accruals

2.4.1 Most schools will have processed claims for Casual Supply Teachers pay for a given month. The Head of the school will certify that the particulars contained in the claims are correct. The forms are then sent to the payroll to be paid. This process means that the school budget has not been debited with the cost of casual supply immediately. In order to show a true record of the accounts, an estimate of the total value of the forms should be made and the appropriate figure entered in the relevant column of the financial return.

2.4.2 A school's electricity bill for the quarter ended 28 February 2005 amounts to £3,000. The bill is received in March 2005 and paid in full in April 2005. What is the effect on the annual financial statements to the year ended March 2005?

Since the bill relates to the quarter ended 28 February 2005, the £3,000 cost must be recognised entirely within the year to March 2004, regardless that it was not paid until after the end of the year. Therefore the transaction should be recorded, in the year to 31st March, by showing the amount owed to the electricity supplier as an accrual in the local accounting system. The correct double entry for this would be debiting the electricity code and crediting a code set up for accruals.

The transaction is summarised as follows

Debit - Electricity £3,000

Credit - Accruals £3,000

2.4.3 Taking the details from the example above, it can be assumed that electricity is supplied evenly over the three-month period to 28 February 2005, at £1,000 each month. The school should therefore recognise a further cost of £1,000 for the month of March 2005. It will eventually be billed to the school in June 2005, but the cost will need to be recognised earlier.

The estimate of £1,000 for March 2005 usage will be recognised in the 2004/05 year by accruing the amount owed to the electricity supplier. The expense would be increased by the amount estimated as owed, thereby recognising the total amount supplied and therefore charged in the accounts. The accrual may have been calculated by reference to a meter reading, at the year end date, or any other reasonable basis.

## SECTION 2: BASIS OF ACCOUNTING FOR SCHOOLS (Scheme Reference 2.2)

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The transaction may be summarised as follows

Debit - Electricity £1,000

Credit - Accruals £1,000.

### 2.5 Examples of Pre-Payments

2.5.1 A school may from time to time send its employees on training courses that must be paid for in advance. A cheque is normally raised and sent with some sort of booking form. As with the Accruals examples, in order to show a true reflection of the goods and services received by a school, in a particular period, an adjustment needs to be made in the accounts. However for pre-payments the level of expenditure for the account code or expenditure activity is reduced until the goods or services are actually received by the school.

2.5.2 A school receives a phone bill for rental charges relating to the following 3 months. As in example in 2.4.2 an adjustment is made to the accounts in order to show in the accounts what goods/services the school has actually received at that time. So the Pre-Payment adjustment would be a proportion of the phone bill relating to the rental charges.

2.5.3 A school's insurance bill for the year ended 31 January 2005 amounts to £12,000. The bill is received in February 2004 and paid in full in March 2004. What is the effect on the financial statements to March 2004?

Since the bill relates to the year ended 31 January 2005, the £12,000 cost must be recognised entirely within, and evenly spread throughout, the year of insurance cover. The school must recognise a cost of £1,000 in each of the 12 months from February 2004 to January 2005.

Only £2,000 will be recognised in the accounts for the year ended 31<sup>st</sup> March 2004, even though £12,000 has been paid. Therefore £10,000 of the bill will be set aside (prepaid) to the following financial year.

The transaction may be summarised as follows

- Debit - Insurance £12,000
- Credit – Bank £12,000
- Debit - Prepayments (B/S) £10,000
- Credit - Insurance (I&E A/c) £10,000

This will create an expense of £2,000 in the Income and Expenditure Account in the relevant year.

### 2.6 Accruals Accounting compared to Commitment Accounting

In the examples above the difference between costs incurred (whether paid or not) and costs paid is illustrated. The principle of accruals accounting is appropriate to a school's accounts, but should not be confused with commitment accounting. In the latter type of accounting a commitment is defined as the value of goods ordered in an accounting period irrespective of whether the goods had been received in the period.

## **SECTION 2: BASIS OF ACCOUNTING FOR SCHOOLS (Scheme Reference 2.2)**

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For example, goods are ordered by the school on 20 March 2005, the supplier delivers on 2 April 2005 and the invoice is paid on 30 April 2005. The 2004/2005 accounts do not therefore include an amount for these goods because they were not delivered in that financial year. The full cost is incurred in 2005/2006.

## SECTION 3: FINANCIAL REPORTING REQUIREMENTS (Scheme Reference 2.1.2)

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- 3.1 A schedule for financial reporting will be issued by the Schools' Finance Team annually. This will cover the deadlines for submission of all the forms detailed below, and will be posted on the Authority's Intranet site.

Year – End procedures and deadlines may vary from year to year and specific guidance will be issued before each year -end and posted to the Intranet site.

The returns required from schools will depend on the accounting arrangements they adopt.

- Those who maintain the prime record of accounts and maintain a bank account for funding purposes,
- Those who use the Authority's accounting system and process payments and income through central systems, and use Imprest accounts for small purchases.

- 3.2 **Bank Account Schools** will be required to submit the following returns

Budget Submission (Appendix 1)

VAT Return (electronic extract from Local system).

Surplus Balances Return (where applicable)(Appendix 10)

Consistent Financial Reporting Annual Return (electronic extract from Local system)

TPA Payroll Return (where applicable)

CITS Return (to follow at a later date if applicable)

Period End Returns Workbook. (Appendix 7) which includes:-

- ✓ Income & Expenditure Account
- ✓ Bank Reconciliation Statement.
- ✓ Balance Sheet
- ✓ Capital Applied Return
- ✓ Staff Employment Return (where applicable)

- 3.3 **Non Bank Schools** will be required to submit the following returns

Budget Submission, including the Oracle coding breakdown.(Appendix 2)

Financial Monitoring Return (Appendix 11)

Consistent Financial Reporting Annual Return (electronic extract from Local system)

Surplus Balances Return (where applicable)(Appendix 10)

Imprest Account Claims

Year-End Reserved Creditors/Debtors, Prepayments and Receipts in advance.

- 3.4 Schools will not be required to provide cash flow forecasts for the Authority's monitoring requirements. Schools may however, wish to continue to provide these forecasts to Senior Management and Governors for internal monitoring purposes.

- 3.5 All schools maintained by Peterborough City Council are required to electronically submit financial monitoring returns. The timetables for the submission of returns will be published on the Intranet at the beginning of each financial year, and may be updated from time to time.



## SECTION 3: FINANCIAL REPORTING REQUIREMENTS (Scheme Reference 2.1.2)

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3.6 Those schools demonstrating that they have in place adequate procedures for reporting monthly to Governors and Senior Managers may submit financial monitoring returns on a quarterly basis. The criteria used to assess this are:-

- The school has submitted returns for six months consecutively. This is to ensure that a process of monthly reconciliation, reporting and budgetary control has been established within the school.
- The returns received from a school for a period of not less than six months and including the previous financial year end should also have met the following criteria:
  - Returns were all received electronically by the due date
  - That all the returns were complete
  - That the school has included accruals where appropriate
  - That the balances brought forward reconcile with the previous year's final reports for that school
  - That the budget allocated reconciles with the Section 52 budget share plus the school standards grant allocation plus all TSF allocations.
  - The out turn position on the return broadly reflects the budget plans (original or revised) submitted by the school.
  - That the school is not predicting a deficit by the end of the financial year.

These criteria will be re-applied as schools move to Bank Account status.

In the circumstances where a school has applied for and been granted a licensed deficit, the Local Authority will continue to monitor the schools returns on a monthly basis.

The Local Authority is currently working towards a situation where the majority of returns are submitted electronically and the majority of forms are posted on the secure Intranet site.

## **SECTION 4: PAYMENT OF SALARIES AND OTHER BILLS (Scheme Reference 2.1.3)**

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The detailed process a school uses for payment of goods and services will depend on whether or not it maintains its own Bank Account.

4.1 Those schools using the Authority's Income, Payments and Payroll services will have Service Level Agreements with each service. The Services to Schools folder on the Authority's Intranet site will contain the appropriate documentation for each of these services.

4.2 For schools currently maintaining the prime record of account and having their own payroll arrangements in place, there is a basic minimum requirement in terms of internal systems and procedures to ensure that there are adequate controls when dealing with payroll related issues.

- Clear written instructions and procedures for staff involved in preparing the payroll and sections/departments passing information through for payroll purposes.
- An independent person who regularly reviews and tests work, and produces and retains evidence that this has been done. This person should not be part of the processing and production of payroll information.
- Any computerised system should be protected with personal passwords. Access rights should be tailored to the individual's access needs only.
- A form should be prepared for each starter and leaver setting out their details. This should be authorised by someone independent of the staff preparing the payroll, prior to the details being entered into the system.
- Any changes to employees' standing data should be authorised appropriately.
- Timesheets should have been appropriately authorised before they may be passed for payment.
- A list of names of people paid in each pay period should be produced by the payroll system and sent to each department head.
- Any "reasonableness checks" available within the computerised package should be utilised, for example, no NI number for a prolonged period, net pay exceeding a pre-set limit etc.
- A person independent of the staff preparing the payroll should sign off the payroll, before BACS information is transmitted.
- Adequate arrangements should be made to ensure that the division of duties implied by these notes is not compromised in the event of staff absence.

All schools maintaining their own payroll arrangements will be required to send a return to the Local Authority, and send the payments due to the TPA through the authority each month.

The City Council's Payroll Department will contact schools maintaining their own payroll arrangements with regards to any changes to the return required for the Teachers Pension Agency (TPA).

## **SECTION 4: PAYMENT OF SALARIES AND OTHER BILLS (Scheme Reference 2.1.3)**

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### **4.3 Ordering & Payment of Goods and Services**

All ordering for goods and services must comply with PCC financial regulations & standing orders. Before orders are placed, certain criteria must be met in terms of oral and written quotations, see Section 12.

The template for a school's internal financial administration/regulation is included as **Appendix 4** It includes a procedural outline as well as dealing with specific requirements, which schools should follow. e.g.

- No private orders
- Levels of authorisation for orders
- Imprest account usage
- Payments made in respect of travel and subsistence of staff should be made through the payroll

Schools using the authority's system for payments, should complete a batch header sheet for the invoices before they are sent to payments section for processing.

### **4.4 Internal Charging Arrangements**

The current internal invoicing system will continue for the following charging arrangements:

- Local authority departments charging non-bank account schools for goods or services provided.
- Schools wishing to charge Local Authority departments or other schools where neither one maintains their own bank account.

### **4.5 External charging arrangements**

All schools operating their own bank account should receive and send external invoices to all other schools and departments within the City Council.

In certain circumstances, e.g. Business Rates charges, schools may set up a **DD/STO** directly from their Bank Account to allow for situations requiring regular, periodic payments

A school currently using the Local Authority's systems for Income and Expenditure transactions should request, from Income Section, the issue of an external invoice to charge a Bank Account school.

### **4.6 Reimbursement for Attendance at Child Protection Case Conferences**

Peterborough City Council has a policy of requesting that schools release staff to attend child protection case conferences and other related events. The Authority has a scheme in place to reimburse schools for attendance at initial case conferences, review conferences and core group. Further guidance on this scheme may be sought from the Senior Education Officer (Pupil support) tel. 748376.

## SECTION 5: CONTROL OF ASSETS (Scheme Reference 2.1.4)

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- 5.1 Each school must maintain an inventory of its moveable non-capital assets, in a form determined by the Peterborough City Council, and setting out the basic authorisation procedures for disposal of assets.
- 5.2 It is an important requirement that the Local Authority's assets are safeguarded from loss or theft and therefore it is the duty of every responsible school to administer an effective inventory control or asset register. Inventories should be accurate and up to date in accordance with the Authority's Financial Regulations (Section M – Inventories).
- 5.3 All schools should maintain an inventory that contains details of significant equipment. The register should be kept up-to-date and include the following information:
- date of acquisition;
  - description of the asset including a unique identification mark e.g. serial number;
  - cost;
  - source of funding;
  - location of asset; and
  - details of disposal or write-off

### 5.4 **Items To Be Included / Excluded**

The guidelines for the items to include completion of the inventory are as follows:

- Equipment valued at £1000 or over;
- Equipment of a desirable nature and / or portable nature valued at under £1000

#### **Exclude**

- Consumable or small items (e.g. pens, staples etc.);
- Permanent fixtures;
- Items of furniture such as desks, chairs etc.

### 5.5 **Security of Assets**

All the items in the inventory should be permanently and visibly marked as the school's property and there should be an independent check undertaken and evidenced at least yearly to ensure that items listed on the inventory are still there.

Discrepancies between the physical check and the amount recorded in the inventory should be reported to the Headteacher, investigated promptly and where significant, reported to the Governing Body.

A duplicate copy of the inventory should be kept off the premises as a backup should a disaster occur and the original inventory is destroyed.

## **SECTION 5: CONTROL OF ASSETS (Scheme Reference 2.1.4)**

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### **5.6 Disposals**

Items to be disposed of either by sale or write-off, must be appropriately authorised and documented for disposal in accordance with the governing body's policies. Where significant, these should be sold following competitive tender. Any sold assets must be processed by the generation of a school invoice.

### **5.7 Maintenance of the Inventory**

The inventory should be maintained on an on-going basis and periodically evidenced that all items are still present. Following verification of assets held, the Headteacher should sign off the inventory as a true record of the schools assets.

See Appendix 5

## SECTION 6: WRITING OFF DEBTS (Scheme Reference 2.1.6)

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- 6.1 Governing bodies are only authorised to write off debts up to a level stipulated by the Director of Strategic Resources. **The current limit is £5000.**
- 6.2 Furthermore, the Governing Body may permit the Head Teacher to approve the write off of debts to a lower level. Any such level should be embedded in the school's own financial administration regulation and all written off debts should be recorded in the minutes of the Governing Body.

## **SECTION 7: SUBMISSION OF BUDGET PLANS (Scheme Reference 2.3)**

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- 7.1 The scheme states that all Local Authority maintained schools are required to submit a budget plan to the Authority by 31<sup>st</sup> May showing the school's intentions for expenditure in the current financial year and the assumptions underpinning the budget plan. A copy of the return is included as Appendix 1. For those schools continuing to use Oracle as the prime record of account, this budget submission document includes pages to indicate the codes for upload into Oracle. These pages should be sent electronically for the upload process to occur. A copy is included as Appendix 2.

Templates for Budget Submissions are posted on the Authority's secure Intranet site.

## **SECTION 8: AUDIT GENERAL (Scheme Reference 2.6)**

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- 8.1 Schools are required to co-operate both with auditors employed by the local authority (internal audit) and auditors appointed by the Audit Commission to the local authority itself (external audit) and provide access to the school's records.
- 8.2 In regard to internal audit, all schools come within the audit regime determined by the LA. Each school will be provided with a comprehensive audit within the timescales highlighted in Table A below. Internal Audit are moving towards a risk based approach and will require assurance that schools are managing their risks effectively.
- 8.3 Audit work may centre on specific areas, for example payroll, sixth form funding or teacher's pensions returns. The audit review may also be in the form of a questionnaire for schools to complete.

**TABLE A**

**Audit Regime**

<b>Type of School</b>	<b>Frequency of Audits</b>
<b>Schools maintaining Prime Record of Account</b>	<b>Every 1-2 Years</b>
<b>Schools using Peterborough City Council Accounting System</b>	<b>Every 3-5 Years</b>



## SECTION 9: AUDIT SCOPE (Scheme Reference 2.6)

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### 9.1 Governing Body

To ensure that the Governing Body (GB) complies with the legal requirements for school governance. Generally the Headteacher needs to demonstrate the decision(s) made and action(s) taken can be justified, explained and carried out in agreement with the GB. To ensure this occurs the GB should establish a number of sub-committees which discuss the main issues / concerns of the school. These may include:

- Finance
- Standing Committees for staff disciplinary, staff appeals and suspended pupils;
- Pay review
- Staffing appointments;
- Curriculum; and
- Premises.

9.2 As part of this, clear responsibilities need to be established and documented for the Governing Body, the subcommittees, the Headteacher and all staff, together with the frequency of meetings. In order that the school operates without favouritism, a Pecuniary and Personal Interests Register should be established.

In **Appendices 3 and 6**, are suggested examples of Finance Committee Terms of reference and guidance on maintaining a register of pecuniary interest. The school, should also establish procedures and policies that encompass its activities in relation to:

- Pay policy;
- Charging policy;
- Lettings policies;
- Clear financial practices, which also define the responsibilities for all types of financial administration.

These should be included / collated into a School Financial and Administration Manual.

### 9.3 School Development Plan (SDP)

To ensure that the Governing Body has a written statement of the aims and objectives of the school for the medium term that is based on need. This should be expressed in terms of the curriculum, premises and staffing needs, resource implications, planned use of any surpluses generated year-on-year, and should be clearly linked to the school budget. Approval and progress against plan should be recorded in the minutes.

### 9.4 Budget Preparation

To ensure that the Governing Body complies with the legal requirements for budget planning. The preparation of the budget should involve the Headteacher and the Governing Body and should be completed prior to the start of each

## **SECTION 9: AUDIT SCOPE (Scheme Reference 2.6)**

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financial year. Overall, the budget should be approved by the Governing Body and this should be recorded in the minutes.

### **9.5 Budgetary Control**

To ensure that the Governing Body complies with the LMS Scheme for budget monitoring. Regular monitoring reports should be provided to the governors and departmental heads accountable for devolved budgets within the school.

### **9.6 Bank Account Schools**

To ensure that the school is operating within the guidelines laid down, adequate banking procedures are in operation, regular reconciliation of the accounts take place and that the account is not operating in a deficit situation. All expenditure, including cash items, should be authorised appropriately.

### **9.7 Ordering & Payments**

To ensure that official orders are raised for goods & services and to check that goods and services received are in accordance with those ordered. Audit staff will also to ensure that payments are properly accounted for, in accordance with PCC financial regulations, regulations under the LMS Scheme, school financial procedures and OFSTED “Keeping Your Balance”.

### **9.8 Cash Collection & Banking**

To ensure that adequate procedures are in place for the collection and banking of monies in tact. For bank account schools this should include an invoicing system incorporating appropriate controls for debt recovery

### **9.9 Imprest Accounts**

To ensure that the imprest account is being maintained correctly, in accordance with PCC procedures.

### **9.10 Pupil Numbers**

To ensure that:

- the pupil number returns only include pupils who are on the roll of the school and that the schools local systems are accurate and up to date.
- Appropriate procedures are adopted for the accurate submission of pupil data to the authority.
- Pupils who are temporarily absent are treated in accordance with Local Authority policy.

Pupil numbers influence the resources available to the LA through the dedicated schools grant. As a result care needs to be taken on reviewing the statistics produced by the school. Potential risks are:

- there is a financial incentive for schools to maximise their pupil numbers in order to increase their share of the ISB.

## SECTION 9: AUDIT SCOPE (Scheme Reference 2.6)

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- The publication of league tables of examination results may encourage some Headteachers to remove less able pupils from their registers in order to increase the proportion of successful results obtained.
- Distortion of age bands to increase financial benefit.

### 9.11 School Funds

To ensure that:

- Arrangements are made for the proper administration of unofficial funds in accordance with financial regulations.
- Accounts for unofficial funds are subject to annual audit and a financial statement prepared.
- Accounts are submitted to the Governing Body on an annual basis.

### 9.12 Computers

To ensure that:

- The security of the system is adequate
- Any confidential information, including pupil and staff data is restricted and secure.
- There are adequate back-up procedures for the computer system and that back up data is stored in a secure place.
- There is an Internet Access Policy, which has been agreed by the Governing Body. The policy should include acceptable parameters for use by staff.

### 9.13 Payroll

- Employees are paid in accordance with the appropriately completed attendance and work records.
- All employees are verified as bona fide employees
- To ensure that there is adequate control over payments, deductions and variations to pay.
- Where applicable, BACS transfers are authorised appropriately

### 9.14 Inventories

To ensure that an inventory record is held and that appropriate annual checks are undertaken in accordance with the financial regulations for LMS. Adequate insurance arrangements should be in place and a policy and valid certificate available for inspection.

### 9.15 School Meals

To ensure that all school meals income is properly recorded and accounted for in accordance with accounts and audit regulations 1996.

### 9.16 Free Meals

To ensure that all free meals, are granted in accordance with the Social Security Act 1986.

## **SECTION 10: AUDIT OF VOLUNTARY AND PRIVATE FUNDS (Scheme Reference 2.8)**

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- 10.1 In addition to the normal internal and external audits, schools must provide audit certificates in respect of any voluntary and private funds they hold and of the accounts of any trading organisations controlled by the school. The procedures for furnishing these audit certificates and advice on the handling of such voluntary and private funds are set out below.
- 10.2 All voluntary and private funds should be:
- In an appropriate name and not in the name of individual members of staff
  - A minimum of three signatories should be on each fund
  - Records should be maintained to ensure that all income and expenditure is appropriately accounted for.
  - Annual accounts are produced for each fund
  - The accounts should be audited by a person independent of the accounting procedures of the fund
  - The audited accounts should be presented to the governing body for information and approval.
- 10.3 Following the approval by the governing body, a copy of the audit certificate should be forwarded to Peterborough City Council Internal Audit. The format of the audit certificate is at the discretion of the school; however, two suggested formats are detailed in **Appendices 8 and 9**.

## **SECTION 11: PURCHASING, TENDER AND CONTRACT ARRANGEMENTS (Scheme Reference 2.10)**

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**THIS SECTION OF THE MANUAL IS A COMPREHENSIVE GUIDE FOR SCHOOLS RELATING TO PURCHASING ARRANGEMENTS.**

**NB: THE COUNCIL IS IN THE PROCESS OF ADOPTING A PROCUREMENT STRATEGY. CHANGES RELATING TO PROCUREMENT PRACTICES, e.g. E-PROCUREMENT, WILL BE FORMULATED SOON AND WHERE APPROPRIATE WILL BE COMMUNICATED TO SCHOOLS.**

### **Important points**

#### **11.1 General Principles Associated with Purchasing**

Schools should be mindful that all purchases of works, goods, materials and services are made from public money obtained from a number of sources. They therefore need to ensure that all purchases are seen to have arisen from a process that: -

- (i) is fair and equitable to all parties and that does not lend itself to allegations of impropriety;
- (ii) demonstrates best value and value for money;
- (iii) demonstrates public accountability in the expenditure incurred and the conduct of the schools affairs.

Following the rules laid down in the authority's Financial Regulations and Standing Orders for Contracts is the best defence against allegations that any purchase does not demonstrate the above and hence may have been made incorrectly or fraudulently.

Purchasing is inextricably linked to the schools budget process. Schools should have mechanisms in place to monitor levels of commitment against budget and consideration must always be given as to whether there will be adequate funds available to pay for a proposed contractual obligation before any agreement is entered into. This is particularly relevant to the formal quotation/tendering purchase process where the commitments involved are higher and any difficulties are likely to have a significant impact on the school's financial position. In addition, once schools have entered into an agreement with a contractor/supplier they should ensure that they do not vary the agreement in any way without assessing whether the budget can sustain the proposed variation. Any variation to an agreement should always be made in writing.

#### **11.2 Plan and prepare as early as possible.**

Schools should prepare for the procurement process as early as possible allowing enough time to follow the proper procedures and for contractors or suppliers to be given enough time to put in bids. The time allowed for the 'procurement process' will depend on the 'contract' being let and more time must be allowed for a complicated contract as opposed to a straight-forward or simple one to enable proper procedures to be followed. Time should also be allowed to comply with European Union (EU) rules where EU rules apply (See Appendix A).

## **SECTION 11: PURCHASING, TENDER AND CONTRACT ARRANGEMENTS (Scheme Reference 2.10)**

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All the legal, financial and other professional advice should be sought before entering into a contractual agreement.

Individual Governors and staff including the Headteacher must declare any personal or financial interest that may exist relating to a contract – see paragraph 1.6 below.

The estimated total value of the contract should be calculated before the procurement process starts – see paragraph 2.1.

The criteria used to award contracts should be decided as soon as possible – see paragraph 2.4 below.

Quotes and tenders must be kept confidential – see the Code of Tendering under Best Value (Appendix D).

Contracts or orders must be completed, in writing, before works or services start or goods or materials are supplied – see paragraphs 3 and 4 below.

Keep records of all dealings with contractors or suppliers - see paragraphs 3 and 4 below.

Each contract should be reviewed to assess how well it met the contract requirements you set and achieved value for money (this is part of Best Value practice).

### **11.3 Value for Money**

In all procurements schools should always have regard to value for money considerations. These do not always mean that the best purchase is the cheapest. Consideration should also be given to factors such as quality, suitability, reliability, delivery date and competence of the contractor/supplier. This is not an exhaustive list and other factors may need to be considered dependent on the procurement in question.

In order to achieve better value for money schools may form purchasing consortia and act together to purchase goods, materials and services for their own use or for the benefit of other members of the consortium. Members of the consortia must however ensure that all procurements conform to the Regulations and Standing Orders of the Council. Schools should be mindful that these arrangements may become complex and the benefits derived may be mitigated or lost by the costs of administration time. In all cases schools need to ensure that they retain sufficient control to ensure that their own needs are met. Consortia can also be established to provide services between schools, e.g. this could occur where there is a lack of specialist staff at a particular school.

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### 11.4 Best Value

School Governing Bodies are required to take account of Best Value principles in managing their budgets, although they are not under a statutory duty to carry out reviews in the same way as Local Authorities. Consideration of the principles will help managers to achieve value for money and help to maximise the impact of school spending on the raising of education standards.

The principles of Best Value build on the “3Es” (Economy, Efficiency and Effectiveness) and are often summarised as the “4 Cs”: (Challenge, Compare, Consult and Compete). The table detailed at Appendix G provides a working explanation, alongside an exploration of how these might be interpreted in the school context.

### 11.5 Leasing and Rental of Equipment

There are two kinds of leases, operating leases and finance leases. **SCHOOLS ARE NOT EMPOWERED TO ENTER INTO FINANCE LEASES** (A Finance lease being one where equipment is acquired and ownership of the asset eventually passes to the authority. This is classed as capital expenditure.) **Operating leases** are where ownership of the asset concerned remains with the lessor and are in substance rental agreements. This type of lease is an option which schools may wish to consider. Schools should always read the terms and conditions of operating leases and rental agreements very carefully. Particular care should be taken over cancellation clauses these can be extremely onerous (e.g. as part of some photocopier contracts). In any instance, where schools are considering entering into one of these agreements, they should seek appropriate advice from their financial or legal advisers or from the authority’s Loans and Insurance Section.

The option of renting equipment can be a worthwhile consideration, particularly if the need is short term or the equipment concerned may become obsolete quickly. Short-term rental may cost a fraction of the purchase price. Other factors to consider are:

- (i) the costs of repair and insurance are usually the responsibility of the hiring company; this of course should be checked as being specifically included in the hire contract
- (ii) equipment that does not live up to expectations or is used less frequently than anticipated can be returned. Equipment can be rented to ascertain whether usage would make purchase or further rental cost effective
- (iii) contracts can be terminated when financial constraints dictate the need for cost saving measures
- (iv) the full purchase price is not payable and instalments spread the cost thus improving cash flow management

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- (v) rental can be the most cost effective way of procuring equipment that is required infrequently
- (vi) long term rental may ultimately be more expensive than outright purchase.

### **11.6 Other Contracting Considerations**

#### **11.6.1 Service Levels**

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

#### **11.6.2 Potential Providers**

When considering the provision of services schools should consider the following three options

- provide the service in-house
- local authority provision, where available
- external contractor.

11.6.3 Evaluation of the value for money of each option should be made. The in-house option may appear in some instances to be the cheapest. However, factors such as disruption of current activities, overload of staff, quality and expertise, cost of management and administrative time, and management risk should be considered.

11.6.4 Schools should consider a local authority as a contractor along with all other sources before awarding a contract. As with any existing contractor, schools should consider the quality of service received in the past, quality of service expected in the future, together with the cost compared with that of other providers.

11.6.5 Many local authorities offer a wide range of services at a wide range of service levels. External providers often add additional competition, which allows schools to improve value for money.

#### **11.6.6 Service Contracts**

Contracts are essentially of three types. Schools must consider the costs and benefits of each.

- pay as you use (hourly rate)
- fixed entitlement and
- Insurance (where a supplier covers all circumstances for a fixed price).



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- 11.6.7 Pay as you use (hourly rate) contracts are straightforward but may give the supplier little incentive to control their time as the cost is passed on. If a school needs to use the service more than anticipated, the additional costs will be met by the school. This type of contract allows schools to adjust to changing circumstances by using less or more of the service.
- 11.6.8 Fixed entitlement contracts allow the exact cost to be known in advance. This aids budgeting and planning. However, suppliers may be tempted to inflate prices in anticipation of problems and therefore may be more expensive. The school is offered a fixed entitlement to a specific level of service at a set price e.g. a certain number of days advice on curriculum.
- 11.6.9 Insurance type contracts are most appropriate where usage is difficult to predict in future periods, e.g. legal advice, personnel advice. The school pays a premium to ensure unlimited access to a service if and when certain conditions are met. Insurance type contracts may have a no claims bonus attached.
- 11.6.10 All contracts should be drawn up and be as detailed as possible to eliminate any likelihood of misunderstanding. Key areas to cover are the:
- level of service
  - scope of work
  - frequency and timing
  - calculation of charges
  - criteria for successful delivery of the contract
  - means of redress if this is not achieved
  - any cancellation costs
  - due date for payment.
- 11.6.12 Before the governing body enters into any contract it should consider whether or not to take legal advice. Factors to consider are the size of the contract, the nature and extent of the liabilities to be taken on by the school, the likely cost of obtaining legal advice and whether there are any special conditions to be incorporated in the contract.

### **11.7 Police Checks (CRB)**

In circumstances where the employees of a contractor will come into contact with children, the school should ensure that those employees have been checked by the police before they start work. See Appendix F

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### **11.8 Monitoring of Agreements and Contracts**

It is essential that schools monitor all agreements and contracts closely and on an ongoing basis to ensure satisfactory delivery. Issues to consider are:

- staff involved with the service should be involved in the purchasing and monitoring operation. The role of negotiation and administration could be delegated accordingly. The responsibilities of staff should be clearly defined and be in line with their capabilities and experience
- monitoring should be an ongoing process and all concerns should be raised with the contractor. The school should maintain a written record of communications related to all such concerns
- schools should ensure that the hirer or lessor has arrangements in place for prompt repair of equipment under contract.

### **11.9 Further Advice**

The whole area of contracting is one where schools are advised to take advice if anything is unclear or complex. Advice can be obtained from:

- Schools Financial Advisor - Initial contact for all general enquires on Standing Orders
- The Children's Services, Strategic Resources, Planning and Development Team - able to provide basic guidance on contracts and potential contractors.
- Internal Audit – for advice on propriety, conflicts of interest etc.
- Your legal Services Advisor – for advice on any legal documentation pertaining to contracts.
- The relevant department for advice and general information on contracts, for example the ICT Division for any ICT purchases.

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**THE PAGES THAT FOLLOW ARE BASED ON THE CITY COUNCIL'S STANDING ORDERS FOR CONTRACTS (as amended to suit the school situation) and are indexed as follows:**

### **1 General guidance**

- 1.1 Introduction
- 1.2 Following legislation
- 1.3 Following these Guidelines
- 1.4 Exemptions
- 1.5 Conflict of Interest

### **2 The procedures you should follow**

- 2.1 Estimating the total value of contracts
- 2.2 Rules for estimating the total value of a contract for EU purposes
- 2.3 European procurement procedures
- 2.4 How we award contracts
- 2.5 Standards

### **3 Procedures for contracts of nil value to £50,000 (quotes)**

- 3.1 Contracts between nil value to £500
- 3.2 Contracts between £500 and £10,000
- 3.3 Contracts between £10,000 and £50,000
- 3.4 General Matters relating to quotes

### **4 Procedures for contracts over £50,000 (tenders)**

- 4.1 Budget approval
- 4.2 Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE)
- 4.3 Material cost factors
- 4.4 Tendering procedures
- 4.5 Contractors or suppliers list (select list procedure)
- 4.6 Open procedure with shortlisting (restricted procedure)
- 4.7 Open procedure without shortlisting
- 4.8 Framework arrangements (Call off or standing contracts)
- 4.9 Receiving Tenders
- 4.10 Opening Tenders
- 4.11 Late Tenders
- 4.12 Procedures for checking contractors or suppliers (for all our contracts over £50,000 that are not on the select list)
- 4.13 Records, contract documents and liquidated damages or other default provisions
- 4.14 Conditions in contracts – (for contracts over £50,000)
- 4.15 Accepting Tenders
- 4.16 Starting our contract

### **5 Preparing the select list of contractors and suppliers**

### **6 Progress of contracts over £50,000**

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**These appendices pertain to the City Council's Standing Orders for Contracts**

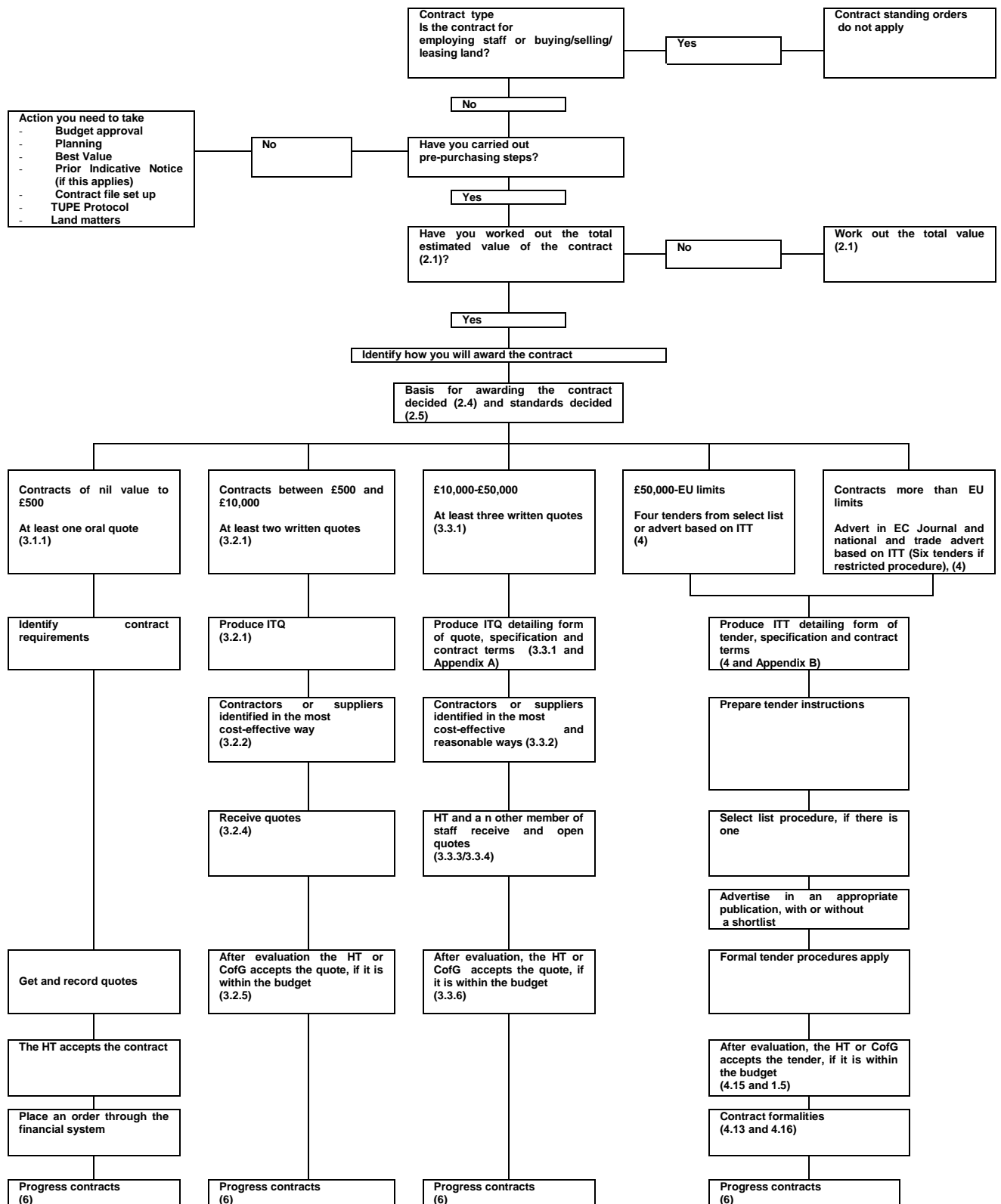
- Appendix A European limits for tendering**
- Appendix B Base for Invitation to Quote (ITQ)**
- Appendix C Base for Invitation to Tender (ITT) and Tendering Certificates**
- Appendix D Code of Tendering under Best Value for contracts over £50,000**
- Appendix E Risk Factors for performance bonds/other security**

**The following Appendices pertain to other areas of this section**

- Appendix F Criminal Records Bureau (CRB) checks**
- Appendix G Principles of Best Value**

# SECTION 11: PURCHASING, TENDER AND CONTRACT ARRANGEMENTS (Scheme Reference 2.10)

## A brief guide to Contract Standing Orders



This table only briefly explains the Contract process. You should still read all these Contract guidance notes fully.

## **1. General Guidance**

### **1.1 Introduction**

#### **1.1.2 Schools should aim to:**

- (a) promote good purchasing practice;
- (b) be responsible for their actions;
- (c) be as competitive as possible to make sure they achieve Best Value and continue to improve; and
- (d) prevent corruption.

**1.1.3** These Contract Guidance notes contain the basic requirements for schools to follow in the procurement process. Other procedures may be appropriate for particular contracts but schools must decide what needs to be done.

### **1.2 Following legislation**

Contract Guidance notes follow legislation in:

- (a) the United Kingdom; and
- (b) the European Union.

### **1.3 Following these Contract Guidance notes**

**1.3.1** It is recommended that every contract a school enters into should follow these guidelines, except in those cases where paragraph **1.4** below applies and then only to the extent as mentioned in paragraph **1.4** below.

### **1.4 Exemptions from Contract Guidelines**

**1.4.1** Even if the circumstances affecting a contract meet the conditions set out in these Guidelines, schools may not be able to exempt it if EU legislation applies. This is because EU legislation overrules UK legislation and these guidelines.

**1.4.2** It is possible to negotiate a contract with one contractor or supplier if the following apply:

- (a) it is in the school's best interests to do so and it can be shown that it meets the duty the school has to achieve Best Value;
- (b) this does not go against EU rules;

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- (c) the Headteacher has provided a report to the Chair of Governors which explains why and approval has been obtained where the contract is over £50k or a written report included on file if the contract is under £50k;
- (d) the contract complies comply with paragraphs 3.1.2 - 3.1.6 (if the contract is of nil value to £500), 3.2.2 - 3.2.6 (if the contract is between £500 and £10k), 3.3.2 - 3.3.8 (if the contract is between £10k to £50k) and 4.1 - 4.3 and 4.8 - 4.16 (if the contract is over £50k) and
- (e) one or more of the following apply:
  - (i) the subject of the contract is only supplied by one specialist firm; and/or
  - (ii) the contract will be placed in line with arrangements with other local authorities, government departments or companies authorised by law to carry out work for supplying gas, electricity or water; and/or
  - (iii) the contract is an extension of an existing contract and a change of contractor or supplier would cause either/or
    - severe technical problems
    - increased costs
    - significant disruption to how you deliver work or services.

1.4.3 If the school is proposing that any of the following types of arrangements are in the school's best interests and they meet Best Value criteria :-

- (a) negotiations (but not those set out in paragraph 1.4.6 above);
- (b) joint working or consortia arrangements with local authorities;
- (c) partnerships (but not those set out in paragraph 1.4.8 below;)
- (d) private finance initiatives;
- (e) trusts; or
- (f) any other forms of new initiatives;

you should seek relevant advice and gain the approval at the beginning of the process from your Chair of Governors.

### **1.5 Conflict of Interest**

1.5.1 The Governing Body should consider their position in arranging contracts and consult the 'Council's Codes of Conduct' for detailed information.

## **2. The procedures to follow**

### **2.1 Estimating the total value of contracts**

- 2.1.1 Schools should estimate the approximate total value of each contract by taking account of how long the contract will last for. This is so that the correct decision will be made on the proper procedures to follow (paragraph 3 for quotes or paragraph 4 for tenders).
- 2.1.2 Schools should not deliberately split work, services, goods or materials into small contracts just to avoid using the tendering procedures.
- 2.1.3 If a job or contract is likely to be over £10,000 or more written evidence should be kept on the contract file of how the job has been estimated.

### **2.2 Rules for estimating the total value of a contract for EU purposes**

- 2.2.1 (a) The total estimated spending will include cases where the same, or similar, goods, services, materials or work are needed throughout the year.
- (b) Schools must not value or package tenders in such a way that could be seen to be avoiding EU legislation.
- (c) Information is available about rules for estimating the total value of contracts and current EU limits from your legal services provider. Under EU law, a 'prior information notice' may need to be published in the Official Journal of the European Community (OJEC) as soon as any contract for work or services are approved.

### **2.3 European procurement procedures**

- 2.3.1 If the estimated value of the contract is likely to be more than European limits which are in Appendix A, EU legislation must be complied with. Information and advice is available about the procurement procedures from your legal services provider.

### **2.4 Awarding Contracts**

- 2.4.1 The evaluation criteria to be used when awarding contracts needs to be considered. It is very important to achieve Best Value in the procurement process. Contracts can be invited on the basis of one of the following but the contractors or suppliers must be told which one you will be using:-
- (a) the most economically advantageous quote or tender where criteria other than price e.g. quality and other relevant factors requires consideration, in the interests of value for money;
- (b) the highest price (if the school is receiving the payment);



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(c) the lowest price (if the school is making the payment);

If the first method is used all the criteria must be included in the Invitation to Quote (ITQ) or Invitation to Tender (ITT), putting the most important one first, e.g.:

- technical excellence;
- price;
- quality of services, work, materials or goods; and
- a commitment to continuous improvement.

The criteria used must be relevant and the reason why they have been used. The criteria should be aimed at achieving Best Value and continuous improvement.

### **2.5 Standards**

The school must make sure that if the European Committee for Standardisation (CEN) has issued a relevant standard, all the goods and materials used or supplied, and all the work done under the contract, must be in line with that standard.

## **3. Procedures for contracts of nil value to £50,000 (quotes)**

Schools should comply with this paragraph (3) when dealing with contracts of nil value to £50k. If the contract is over £50k, paragraph 4 applies.

### **3.1 Contracts between nil value and £500**

#### **Estimating and Inviting Quotes**

3.1.1 If the estimate of the contract is between nil value and £500, at least one quote is required. (This can be an oral quote but a written quote is better).

#### **Selecting Contractors or Suppliers**

3.1.2 The school should identify contractors or suppliers using the most cost effective and reasonable methods e.g. select lists, catalogues such as ESPO, business directories, yellow pages and proven track records.

#### **Receiving Quotes**

3.1.3 Schools can receive a quote(s) direct.

#### **Opening Quotes**

3.1.4 Schools can open a written quote(s) (if obtained).

#### **Accepting the Quote**

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- 3.1.5 (a) Schools should accept the quote that gives Best Value.
- (b) Before the quote is accepted the Headteacher must make sure that the money is in the budget .
- (c) A written quote (if obtained) or details of an oral quote and acceptance of it should be kept on file.
- (d) If more than one quote has been provided, the unsuccessful contractors or suppliers must be advised that they were unsuccessful, at the same time as the successful contractor or supplier is told.

### **General Matters**

- 3.1.6 See paragraph 3.4 below for matters that affect all quotes.

## **3.2 Contracts between £500 and £10,000**

### **Estimating and Inviting Quotes**

- 3.2.1 If the estimated contract is between £500 and £10,000, at least two written quotes are required.

### **Selecting Contractors or Suppliers**

- 3.2.2 Schools should identify contractors or suppliers using the most cost effective and reasonable methods e.g. select lists, catalogues such as ESPO, business directories, yellow pages, proven track records.

### **Receiving Quotes**

- 3.2.3 Schools can receive the quotes direct.

### **Opening Quotes**

- 3.2.4 Schools may open the quotes. Details of each quote must be recorded and kept by the School. Written quotes should be kept on file.

### **Accepting the Quote**

- 3.2.5 (a) Along with the written quotes, the acceptance must be kept on file.
- (b) At the same time as the successful contractors or suppliers are advised they have been accepted, unsuccessful contractors or suppliers must be advised that they were unsuccessful.

### **General Matters**

- 3.2.6 See paragraph 3.4 below for matters that affect all quotes.

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### **3.3 Contracts between £10,000 and £50,000**

#### **Estimating and Inviting Quotes**

- 3.3.1 If the estimated contract is between £10,000 and £50,000, a document should be prepared using Appendix B as your base and at least three written quotes should be obtained. Before going out for quotes, it should be decided how quotes will be evaluated and the same method should be used for all quotes. Evaluation criteria should be included in the document.

The school should tell the contractors or suppliers that their quotes are to be sent in using a plain, sealed envelope, with the word 'Quotation' written on it, followed by the contract that it relates to. The school should advise the contractors that the envelope must not have any name or mark on it that would identify who has sent it and if it does, then it will be rejected.

#### **Selecting contractors or suppliers**

- 3.3.2 The school should identify contractors or suppliers using the most cost effective and reasonable methods e.g. select lists, catalogues such as ESPO, business directories, yellow pages and proven track records.

(a) If the school is going to choose contractors or suppliers from a select list (and not another method of selection), you should use a method to select them that your Chair of Governors has approved.

(c) If the school is choosing contractors or suppliers that are not on the select list, then it must be satisfied that the contractors can meet the requirements of the contract. The school should consider technical experience, professional ability, financial matters, health and safety, equalities, Best Value, human rights, the environment and insurance and speak to any specialist Council officers for guidance. Schools may also want to refer to paragraph 4.12 below for guidance only but in the case of contracts relating to food, you should also follow paragraph 3.4.3 below.

(c) If then school think it is necessary to advertise for contractors or suppliers, you may want to look at the procedures in paragraphs 4.6 and 4.7 below. Although these paragraphs relate to contracts over £50,000, they will provide an idea about the sort of things that should be included in an advertisement.

#### **Receiving Quotes**

- 3.3.3 Quotes should be received in line with the school's procedures approved by the Governing Body. A specific named person should keep the quotes until they are opened.

#### **Opening Quotes**

- 3.3.4 The quotes should be opened by at least two persons

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The Headteacher should keep a record of all the quotes received recorded on an appropriate form

The Headteacher should sign each quote. Everyone present at the opening should also sign the record of quotes before they leave the opening meeting.

### **Evaluating Quotes**

- 3.3.5 Proper records must be kept to support everything that is considered when evaluating these quotes. Quotes should be evaluated in line with the method chosen when they were invited .

### **Accepting**

- 3.3.6 (a) Schools should accept the quote that gives **Best Value**.
- (b) Before the quote is accepted the school must make sure that the money is in the budget
- (c) Along with the written quotes, the acceptance should be kept on file.
- (d) At the same time as the successful contractors or suppliers are advised that they have been accepted, the unsuccessful contractors or suppliers should be advised that they were unsuccessful.

### **Variations**

- 3.3.7 Any difference between the original and actual value of the contracts must be done by an authorised variation, which lists the cost.

### **General Matters**

- 3.3.8 See paragraph 3.4 below for matters that affect all quotes.

## **3.4 General Matters relating to quotes**

The following apply to ALL quotes

### **Repeat Orders**

- 3.4.1 Schools should regularly check and record prices of repeat orders to make sure that the school continues to achieve Best Value.

### **Extending**

- 3.4.2 Existing contracts can be extended but if this is done then schools must ensure that they are still getting Best Value. To extend a contract which was originally under £50k and it does not go over £50k when extended, the Headteacher can accept it. If however, the contract was originally under £50k, and following extension it takes it over £50k, the school must obtain an authorisation from the Chair of Governors.

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### **Food**

- 3.4.3 Where a contract involves food, the school should make sure that the contractor or supplier knows what the policy is on genetically modified food. You must supply them with a copy of the policy. Before finalising any contract, you must get confirmation from the contractor or supplier, in writing, that they will do their best to make sure that any food they supply to you will not be genetically modified.

### **The Euro**

- 3.4.4 If a contract falls within European contract rules the school should seek specialist advice as it may be a requirement that any quote may be required to be submitted, and if successful paid, in Euros.

### **School Policies**

- 3.4.5 The school should include a statement in all invites to quote saying that they will make their own policies (e.g. equalities, environmental, health and safety) available to a contractor or supplier if they request them.

### **Late Quotes**

- 3.4.6 Where the school receive quotes after the deadline for receipt, they are not to be opened until after the successful quote has been accepted. The only reason to open a late quote is to obtain the name and address of the sender in order to tell them that their quote was not considered because it was too late. The school must keep a record of what has been done by entering details in the quote register.

### **Starting the Contract**

- 3.4.7 The school must not allow the contractor or supplier to start the contract until their quote has been accepted by letter or an official order sent .

### **Proper Records**

- 3.4.8 The school must keep proper records to support all that you do

### **Contracts**

- 3.4.9 By the time the contract is in place, the school will need to make sure it covers:-
- the work, goods, materials or services that are required;
  - the price, with a statement of discounts or other deductions;
  - the time within which the contract must be completed; and
  - other relevant matters.

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3.4.10 The contract is to be made up of all the relevant paperwork e.g.:-

- the invitation to quote (ITQ), specification and conditions of the contract;
- the original quote;
- all other correspondence from before and after the contract was awarded;
- the official order or letter of acceptance;
- any certificates and other documents issued.
- 

All the documents and paperwork for each of your contracts must be kept together.

### **4. Procedures for contracts over £50,000 (tenders)**

**This paragraph must be complied with where you are dealing with contracts over £50k.**

#### **4.1 Budget approval**

4.1.1 Before any contract over **£50,000** is awarded, the school must make sure that the money is in the budget. The exceptions to this are where the contract is to be paid for by sources outside of the school

4.1.2 If the contract is paid for by an outside source, the school must make sure that there are appropriate arrangements in place with the outside funder to guarantee that the funding is in place. This is to ensure that the school does not lose any money.

#### **4.2 Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE)**

The school must comply with TUPE regulations where any contract you are letting affects a workforce.

#### **4.3 Material cost factors**

A designated officer, along with the Headteacher is responsible for deciding the material cost factors relevant to each of the contracts. The final material cost factors must be available when tenders are opened and they should be recorded in the tender register.

#### **4.4 Tendering procedures**

##### **Estimating and Inviting Tenders**

4.4.1 So long as the contract does not go over EU limits, there are three ways the school can invite tenders (if the contract goes over the EU limits you need to follow paragraph 2.3 above). These are;

- (a) the contractor / supplier list (select list) (see paragraph 4.5 below)

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- (b) the open procedure with shortlisting (restricted procedure) (see paragraph 4.6 below)
  - (c) the open procedure without shortlisting (see paragraph 4.7 below)
- 4.4.2 An invitation to tender (ITT) will need to be produced for each of the contracts using Appendix C as a base. The contractors or suppliers must be given enough time to prepare and return tenders. At the very minimum this should be two weeks but it should be more depending on how complicated the contract is.
- 4.4.3 If the school has relevant professional codes of practice that provide guidelines for best practice for certain types of the contracts, these should be followed. However, a record must be kept on file of which code of practice has been followed and why.
- 4.5 Contractors or suppliers list (select list procedure)**
  - 4.5.1 Four contractors or suppliers should be invited to tender from the relevant select list and value band, unless paragraph 4.4.3 above is being followed.
  - 4.5.2 Contractors or suppliers should be chosen from the select list using an appropriate method that the Headteacher or Chair of Governors has approved. The chosen contractors or suppliers should be sent an invitation to tender.
  - 4.5.3 If there are **four** or fewer contractors or suppliers on the relevant list for a contract of the category, amount or value that the tender is for, schools should send invitations to tender to all contractors or suppliers on that list.
- 4.6 Open procedure with shortlisting (restricted procedure)**
  - 4.6.1 If there is no contractors or suppliers list and it is likely that a number of contractors or suppliers will wish to tender, the school should prepare a shortlist. This should be done by using a questionnaire that includes criteria approved by the Governing Body.
  - 4.6.2 The school should put an advertisement in at least one local newspaper and, if appropriate, in at least one other suitable publication. The advertisement must include the following information:-
    - (a) what the contract involves;
    - (b) an invite to contractors to register their interest;
    - (c) that a questionnaire is available when potential suppliers register, which they should complete and return with proof of their technical ability, financial position, equalities policy, health and safety policy and environmental policy and any other information for you to draw up a shortlist ;

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- (d) that the school will be drawing up a shortlist and only contractors or suppliers on the shortlist will be invited to tender; and
  - (e) the timescales involved and the school's name and address, so that potential contractors or suppliers can register their interest and return the questionnaire.
- 4.6.3 If the EU legislation applies, any advertisements, timescales and procedures must be in line with paragraphs 2.3 above and 4.6.6 below.
- 4.6.4 After considering and assessing all the responses from those who have expressed an interest, the school should draw up a shortlist of suitably-qualified contractors or suppliers who will then be invited to tender for the contract.
- 4.6.5 If the contract is under EU limits, at least four contractors or suppliers must be invited to tender. (In cases where fewer than four contractors or suppliers apply or are shortlisted, it must be decided whether to invite all of them to tender or whether it would be in the school's best interests to advertise again.)
- 4.6.6 If the contract is over EU limits, six contractors or suppliers must be invited to quote. (In cases where fewer than six contractors or suppliers apply and are shortlisted, all of them must be invited to tender.)
- 4.6.7 You should send the contractors or suppliers you have shortlisted an invitation to tender.
- 4.7 Open procedure without shortlisting**
- Attracting contractors or suppliers**
- 4.7.1 The school should put an advertisement in at least one local newspaper and national newspaper or journal that people who carry out these contracts read. The advertisement should include the following information.
- (a) what the contract involves;
  - (b) an invite to people to register their interest;
  - (c) that an ITT and questionnaire are available when they register which they should complete in full and return for consideration;
  - (d) the latest date and time by which they must return their completed tender, questionnaire and other documents ; and
  - (e) the school's name and address so they can register their interest and obtain the tender and questionnaire.
- 4.7.2 An invitation to tender and questionnaire should be sent to everyone who shows an interest.



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4.7.3 If the EU legislation applies, any advertisements, timescales and procedures must be in line with paragraph 2.3 above.

### **4.8 Framework arrangements (Call-off or standing contracts)**

If a framework is awarded, call-off or standing contract for services, work, materials or goods under procedures set out in paragraphs 4.5, 4.6, or 4.7 above, the school must do so based on the prices, criteria and conditions that are stated in the contract.

### **4.9 Receiving Tenders**

4.9.1 The school must tell contractors or suppliers where to send their tenders to.

4.9.2 **You should not accept** tenders that are received by fax or e-mail.

4.9.3 The school should tell contractors or suppliers who want to send tenders in, that they must send their tender in a plain, sealed envelope with the word 'Tender' written on it, followed by the contract that it relates to and that the envelope must not have any name or mark on it that will identify the contractor or supplier. They should be advised that if they do not do this, their tender will be rejected.

4.9.4 All tender envelopes received must have the time and date recorded on them and be signed by the person receiving them. The receiver must also sign the official receipt, one part of which must be attached to the envelope and the other part must be given to the contractor's or supplier's representative. The receiver should record all tenders received in a book kept for this purpose.

4.9.5 The Tender Officer nominated by the Governors will keep the tenders until the opening meeting.

### **4.10 Opening Tenders**

4.10.1 Normally tenders must be opened by the Headteacher or the Chair of Governors who must open the tenders in front of other relevant officers.

4.10.2 A record should be kept of all the tenders received on a suitable form.

4.10.3 The Headteacher or Chair of Governors who opens the tenders must sign each tender and, together with officers who are present at the opening, must sign the record that is referred to in paragraph 4.10.2 above.

### **4.11 Late Tenders**

4.11.1 If any tenders are received after the deadline, they must not be opened until a tender has been accepted for that particular contract.

4.11.2 Late tenders may only be opened by the Headteacher after the successful tender has been accepted in order to obtain the name and address of the contractor or supplier so you can return it to them. The school should tell

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the contractor or supplier that their tender was not considered because it was received after the deadline.

### **4.12 Procedures for checking contractors or suppliers (for all contracts over £50,000 that are not on the select list). (For the contractors and suppliers list procedures, see paragraph 5 below)**

It is advisable to use a questionnaire to check that contractors or suppliers meet the relevant criteria. Contractors and suppliers should provide the following information:-

#### 4.12.1 proof that they have the financial resources to complete the contract:

- (a) appropriate statements and references from banks;
- (b) the contractor's or supplier's audited statements of accounts for the last three years; and
- (c) a statement of the contractor's or supplier's overall turnover and their turnover for the three previous financial years where appropriate.

If, for any reason, the contractor or supplier, or their referees, cannot provide the information asked for, they may prove that they can complete the contract by providing other documents which the Headteacher or Chair of Governors considers to be acceptable.

#### 4.12.2 proof that the contractor or supplier has the technical knowledge and professional expertise, skills and experience to carry out the contract (including references from the contractor's or supplier's existing or previous clients).

#### 4.12.3 proof that the contractor or supplier has suitable equalities, health and safety and environmental insurance policies.

#### 4.12.4 Any other proof that may be relevant.

### **4.13 Records, contract documents and liquidated damages or other default provisions**

#### **Records**

#### 4.13.1 The school must keep full records to support everything you do during the tendering process including:

- (a) how the school decided which procurement option to choose;
- (b) budget matters;
- (c) TUPE matters (if they apply);
- (d) land matters (if they apply);
- (e) evaluation procedure and criteria;
- (f) material cost factors (if they apply);
- (g) the specification;

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- (h) advertising;
- (i) shortlisting or vetting of contractors or suppliers (if this applies); and
- (j) evaluating and awarding of contracts.

### Acceptance

- 4.13.2 Acceptance of the contract must be in writing backed up by a decision by the Headteacher or the Chair of Governors.

### Contract Documents

- 4.13.3 Every contract must include:

- (a) the work, goods, materials or services required;
- (b) the price, with a statement of discounts or other deductions;
- (c) the time within which the contract must be completed;
- (d) a liquidated damages clause or other default provision where appropriate (any deductions will be in line with paragraph 6.2 below).

- 4.13.4 The contract documents must include:

- (a) the original ITT based on **Appendix C** and other documents that the contractor or supplier has sent;
- (b) all correspondence and notes of meetings / interviews from before and after the tender;
- (c) any certificates that may be issued (for example, variations, notice of new completion dates, practical completion, substantial completion making good defects extensions); and
- (d) any other documents and guarantees that are necessary to the contract e.g TUPE matters, land matters.

### Formal Contracts

- 4.13.5 Every contract between **£50,000** and **£100,000** must be a formal contract authorised by the Governing Body. (The value of a contract is defined as the annual value multiplied by how long the contract is for.)

### Security

- 4.13.6 The school should ensure that there is a certainty that the contractor or supplier can complete the contract by assessing the risks associated with contracts over **£50,000**. In these cases the school should:-

- (a) refer to the guidelines on the relevant risk factors that are set out in Appendix E;
- (b) decide whether or not to ask for security and if so ask for a performance bond or other security, e.g. a parent company guarantee; and
- (c) properly assess the risks.

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### **4.14 Conditions in contracts – (for contracts over £50,000)**

Along with any other conditions that should be included in any contract, the following should be included:-

- (a) Preventing corruption (see **Appendix C**).
- (b) Being able to end the contract because the contractor or supplier has broken their promises in the 'bona fide tendering certificate' and the 'canvassing certificate' (see **Appendix C**).
- (c) Best Value.
- (d) TUPE if it applies
- (e) Equalities.
- (f) Human Rights Act.
- (g) Competition Act.
- (h) Genetically modified food if it applies.
- (i) Health and safety.
- (j) Environmental.
- (k) The Data Protection Act.
- (l) Whistleblowing.
- (m) Emergency Planning
- (n) Third Party Rights
- (o) Dispute Resolution if it applies
- (p) The Euro

### **4.15 Accepting Tenders**

4.15.1 The tender may be accepted as long as:

- (a) the tender is within the contract's budget or if the tender is outside the contract's budget, action has been taken under paragraph 4.1.1 above or appropriate arrangements are in place in line with paragraph 4.1.2 above;

4.15.2 At the same time as the tender is accepted, the unsuccessful tenderers should be written to formally advising them that their tenders were unsuccessful.

### **4.16 Starting the contract**

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No contractor or supplier should start the contract until they have met the following conditions:-

- (a) where it is relevant, a performance bond, parent company guarantee or other security has been received;
- (b) the contractor or supplier has supplied proof that they are insured;
- (c) there are completed formal contract documents in place;
- (d) if it is necessary under the contract, that a Health and Safety plan is in place;
- (e) Where relevant any TUPE matters have been settled; and
- (f) any other relevant matters (e.g. land matters) have been completed or settled.

### **5 Preparing the select list of contractors and suppliers**

- 5.1 If the school decides to keep a select list of contractors and suppliers to invite to tender for contracts to supply work, goods, materials or services, that list must keep to the following rules.
- 5.2 The select list will:
  - (a) be put together and maintained by the relevant person
  - (b) contain the names of all the contractors and suppliers who have been approved by the Governing Body.
- 5.3 The select list should be reviewed at least every three years. At least four weeks before a review, the school should ask every contractor or supplier on the select list whether they want to stay on the select list.
- 5.4 At least four weeks before the select list is reviewed, the school should publish notices inviting people to apply to be included in at least one local newspaper and in at least one national newspaper or journal.
- 5.5 Every contractor or supplier who applies to be included or to stay on the select list must provide proof that they meet your conditions.
- 5.6 The new select list must be approved by the Governing Body.

### **6 Progress of contracts over £50,000**

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- 6.1 Payments to contractors or suppliers for contracts **over £50,000** must only be made on a certificate or other authorised form signed by an authorised officer. It must show:-
- (a) the total amount of the contract;
  - (b) the value of the work or services completed so far;
  - (c) materials not fixed (if this applies);
  - (d) retention money or other deductions (if this applies);
  - (e) payments made so far;
  - (f) the amount that is due; and
  - (g) the amount of value added tax that has to be paid.
- 6.2 If the school is looking to reduce contract payments because of liquidated damages or default provisions, the Chair of Governors must approve the reduction.
- 6.3 If the total value of the contract or its annual sum is likely to be different from the original figure by **10% or £50,000 (whichever is lower)**, the Headteacher must inform the Chair of Governors as soon as possible.
- 6.4 Any difference between the original and actual value of contracts must be covered by an authorised variation order which lists the cost.

## **Appendix A**

### **European limits for tendering**

**At the time the Council's Contract Standing Orders came into effect (April 2004), the following EU thresholds applied :-**

#### **Supplies: Limit - £154,477**

Definition: A public supply contract is a contract for buying or hiring goods, and providing goods.

See the Public Supply Contracts Regulations 1995 (SI 1995/201) for more details.

#### **Services: Limit - £154,477**

Definition: A public services contract is a contract where a contracting authority employs someone to provide services, other than a service concession contract.

See the Public Services Contracts Regulations 1993 (SI 1993/3228) for more details.

#### **Works: Limit - £3,861,932**

Definition: A public works contract is a contract for carrying out civil engineering or building work.

See the Public Works Contracts Regulations 1991 (SI 1991/2680) for more details.

**You are responsible for ensuring you follow the EU procurement rules where you are dealing with contracts and you should always check the latest position. If you are not sure about anything, you can always seek advice from your Legal Services provider.**

## **Appendix B**

### **Base for Invitation to Quote (ITQ)**

**The contract guidance notes require you to prepare an Invitation to Quote (ITQ) using this Appendix as your base document for contracts worth between £10,000 and £50,000**

#### **ITQ**

- 1 The title of the contract.
- 2 Invitation and instructions including:-
  - (a) the deadline you must receive the quotes by;
  - (b) the name and address of the person they should be sent to;
  - (c) returning the quote in a plain, sealed envelope with 'Quotation' written on it, followed by the contract that it relates to (the envelope must not have the name or mark of the contractor or supplier on it); and
  - (d) the period during which the quote can be accepted.
  - (e) Do not forget the statement about your policies which tells contractors/suppliers that you will make your own policies (e.g. equalities, environmental, health and safety) available to them if they request them.
- 3 Form of quote.
- 4 A 'bona fide tendering certificate' and 'certificate on canvassing'
- 5 The conditions under which the contract is to be carried out, for example, liquidated damages or default provisions, payment processes, and insurance requirements, when the contract can be ended and other conditions.
- 6 A detailed specification or brief of the contract, the work that needs to be done, or goods, materials or services needed. It should include health and safety issues, environmental issues, equalities and genetically modified food as necessary.
- 7 The schedule of prices or a summary of prices (or both).
- 8 A health and safety plan, where this applies.
- 9 A request for proof of insurance, where appropriate.
- 10 A request for proof of the contractor's or supplier's technical ability and financial position, including authority to get a reference from their bank.
- 11 A request for any other information you need
- 12 Any deadlines for when the contract needs to be completed.



## **Appendix C**

### **Base for Invitation to Tender (ITT) and Tendering Certificates**

**Paragraph 4 in these Contract Guidance notes requires you to prepare an Invitation to Tender using this Appendix as your base document for contracts over £50,000.**

#### **C.1. ITT**

1. The title of the contract.
2. An Invitation to Tender - providing instructions including:
  - (a) the deadline you must receive tenders by;
  - (b) the name and address of the person who they should be sent to;
  - (c) a statement that says you will reject tenders that are late;
  - (d) returning the tender in a plain, sealed envelope with 'Tender' written on it, followed by the contract that it relates to (the envelope must not have the name or mark of our contractor or supplier on it); and
  - (e) the period during which contractors and suppliers must keep their tenders open.
  - (f) A statement to the effect that you will make your own policies (e.g. equalities, environmental, health and safety) available to any contractor or supplier if they request them.
3. Form of tender.
4. A 'bona fide tendering certificate' and 'canvassing certificate' (see paragraph 4.14 above and paragraph C.3 of this Appendix).
5. A performance bond or parent company guarantee, where appropriate.
6. A list of approved sureties (people who provide performance bonds), where appropriate.
7. TUPE clauses and associated documents, where appropriate (see paragraph 4.2 above).
8. Contract conditions (including conditions set out in paragraph 4.14 above).
9. A detailed specification of the contract including the work, services, goods or materials.
10. A schedule of prices, bills or other pricing document.
11. A health and safety plan, where appropriate.
12. A request for proof of insurance.
13. If the open procedure without shortlisting (see paragraph 4.7 above) is being used include, a request for proof of the contractor's or supplier's technical ability and financial position, including authority to get a reference from their bank, equalities, health and safety and environmental position. If the open procedure without shortlisting (see

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paragraph 4.7 above) is being used include a request for any other information you may need.

14. How you will evaluate the tender.
15. Deadlines for when the contract needs to be completed.
16. All other matters needed to meet all policies and regulations
17. Anything else that is relevant to the contract.

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### **C.2 Preventing corruption**

You may cancel a contract and recover from the contractor or supplier any amount you have lost as a result of cancelling it if the contractor or supplier, or anyone acting for them, has:

- (a) offered or given anyone any gift to try to influence you or anyone else to award the contract;
- (b) treated anyone connected with the contract, or any other contract with you, with more or less favour;
- (c) committed any offence under the Prevention of Corruption Acts 1889 to 1916; or
- (d) given any fee or reward that is an offence under Section 117(3) of the Local Government Act 1972.

### **C.3 Fraudulent tendering**

#### **C.3.1 A 'bona fide tendering certificate'**

All contractors or suppliers must fill in and sign certificates in which they promise that:

- (a) the tender is genuine and competitive;
- (b) they have not fixed or changed the amount of the tender because they have an arrangement with any other person (outside of a consortium if a consortium is bidding); and
- (c) they have not done, and will not do, at any time before the deadline for returning the tender, any of the following.
  - (i) told any person the amount, or approximate amount, of the proposed tender, unless they had to tell them to get an insurance premium or other quote for preparing the tender.
  - (ii) entered into any agreement or arrangement with any other person (outside of the consortium if a consortium is bidding) to prevent tenders being made or as to the amount of another tender or conditions of another tender.
  - (iii) caused or influenced any person to do any of these things.

#### **C3.2 A 'canvassing certificate'**

All contractors or suppliers must fill in and sign certificates in which they promise that they (or anyone on their behalf) have not contacted, and will not contact in the future, any person concerned with awarding this contract.

## **Appendix D**

### **Code of Tendering under Best Value for contracts over £50,000**

This is the code relating to the Council's formal tendering procedures under Contract Standing Orders. This code does not apply to the quotations procedure. You should keep quotes and tenders confidential and keep a proper record of everything you receive.

**(Schools should note this appendix as a standard code and consider adopting the issues dealt with here where appropriate. Some clauses and information will not be relevant, but it is as well to see this document in its entirety.)**

#### **D.1.1 Introduction**

The code aims to make sure that:

- (a) the tender process is open;
- (b) we (and you) will properly evaluate bids; and
- (c) the tendering procedures are fair.

#### **D.2 Interests of officers in contracts**

You must follow Section 117 of the Local Government Act 1972 (see paragraph 1.6 and Appendix A above). If you do not, you may be breaking the law, relevant codes or appropriate standards of behaviour. You may also be prosecuted.

#### **D.3 Tendering procedures - general**

##### **D.3.1 Tendering procedures will generally follow Contract Standing Orders**

D.3.2 The preferred tendering method that the public sector uses is a contractors/suppliers list. We use this method because it makes sure that only:

- (a) contractors or suppliers who are in a strong financial position and who have the technical ability to complete our contracts; and
- (b) contractors or suppliers who have met other requirements, for example health and safety;

are on the contractors/suppliers list and are ready to be invited for tender.

If you use other methods (open procedure with or without shortlisting) regularly, you should think about whether you could achieve **Best Value** if you use a contractors/suppliers list.

D.3.3 If you regularly use the open procedure without shortlisting, you should consider whether this procedure achieves **Best Value**. This is because the contractors or suppliers may not give their best price if there is little hope of them winning the contract. At the same time the contractors or suppliers

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have to pay for preparing many unsuccessful tenders and this leads to generally increased prices .

### D.4 Material cost factors

D.4.1 When you are deciding the material cost factors that are relevant to any individual contracts you should do so in line with paragraph 4.3 above and the policy. If material cost factors apply to any individual contracts, you are responsible for deciding what the material cost factors are (with advice from the Director of Strategic Resources (Head of Finance)). The final material cost factors will be available when the tenders are opened and they will be recorded in the tender register by the Tender Officer.

### D.5 Fraudulent tendering

D.5.1 All contractors or suppliers who tender for contracts must fill in and sign a 'bona fide tendering certificate' and a 'canvassing certificate'. (See paragraphs C.3.1 Appendix C and paragraph 4.14 above).

D.5.2 All tenders will be dealt with in strict confidence but the right is reserved, in appropriate circumstances, to make tender documents available to the Office of Fair Trading and other legal regulators.

### D.6 Procedures before tenders are received

D.6.1 You must make sure that all contractors or suppliers acknowledge that they have received the tender documents and confirm they are going to tender for a contract.

D.6.2 You must ask that all contractors or suppliers to return the ITT or a letter (**using the address label supplied and at the top of the label you should include the title of the contract**) clearly stating that they are not going to tender, if they decide not to put in a tender.

D.6.3 If the ITT needs to be changed, you must write and tell all contractors or suppliers about the changes at the same time. They must acknowledge, in writing, that they have received any amendments. If they do not send you an acknowledgement, you must contact them again as soon as is reasonably possible so that they send you an acknowledgement.

D.6.4 You must keep a record of all the changes during this stage and acknowledgements from contractors or suppliers.

### D.7 Opening tenders

D.7.1 You must tell contractors or suppliers to send their tenders to:

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**The Tender Officer  
Chief Executive's Department  
Town Hall  
Bridge Street  
Peterborough  
PE1 1HG.**

Contract Services must ask contractors or suppliers who want to tender for subcontract work/services for them to send the tenders to the Director of Contract Services. The address is:

**Contract Services Department  
Central Depot  
Maskew Avenue  
Peterborough  
PE1 2AY.**

Other tenders for Contract Services must be sent to the Tender Officer at the address given above.

- D.7.2 **We (you) will not accept** tenders that are received by fax or e-mail.
- D.7.3 The Tender Officer will keep all the tenders received until the particular contract tenders are opened (see paragraph 4.9.1 above).
- D.7.4 You must not reveal any information about the number of tenders to any person other than:
- (a) the Chief Executive;
  - (b) the Solicitor to the Council (including Senior Lawyer (Commercial and Contracts));
  - (c) the Head of Strategic Policy and Review;
  - (d) the Chief Internal Auditor;
  - (e) the Director of Strategic Resources; or
  - (f) their representatives.
- D.7.5 Only those officers who are named on the record for opening and assessing tenders (Annex A of this Appendix) can be present when tenders are opened. The relevant Director or head of service, or chosen representative, can sign the record. If they are absent, the Director of Strategic Resources or the Chief Executive can sign the record. The Tender Officer must have a copy. The record must be available when the tenders are opened. If it is not, the tenders cannot be opened.
- D.7.6 The Tender Officer must set the date, time and place of tender opening and tell those officers referred to in the tender opening section of the record.
- D.7.7 The relevant Director or head of service (or deputy) of the relevant department will normally open the tenders in front of the Tender Officer and other officers that are authorised to be there.

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D.7.8 In exceptional circumstances, the Members may be allowed to go to the tender opening if their names are on the tender record (Annex A of this Appendix). The members must follow the Code of Conduct for Members and this code of tendering. For the purpose of this code, the term 'officer' will, where appropriate, include Members.

D.7.9 No officer of any in-house trading unit who has an interest in the tender, or any officer who advises or helps our in-house trading units to prepare tenders, can go to the tender opening or be involved in the evaluation. This

does not apply to the Director or head of service who is the direct client officer for any tender.

D.7.10 If an in-house trading unit has invited another in-house trading unit and other organisations to tender for the contract, you should take special care to make sure that tenders and related information are kept confidential. This means the in-house trading unit is not to have more or less details than any competitor outside the Council.

D.7.11 Unless paragraph D.8.10 applies, those officers who are present when the tenders are opened must not tell anyone, apart from the authorised evaluation officers who are named on the tender opening and evaluation record, what is in the tenders.

**D.7.12 The names of the officers who are present when the tenders are opened and the name of the officer who will remove them must be written in the tender register. That officer will be responsible for making sure the tenders are stored safely during the evaluation process. Except when they are being assessed, all tender documents will be locked in a Cabinet, cupboard or safe. Only the officers who are evaluating the tenders can remove them.**

### **D.8 Evaluating tenders**

D.8.1 Only the officers who are named on the tender opening and evaluation record can take part in the evaluation process. At least two officers must evaluate the tenders.

D.8.2 You must decide how to evaluate the tenders before you invite them. The evaluation method will be set out in the tender documents. You must use the same standards to evaluate all the tenders.

D.8.3 The officers named on the tender opening and evaluation record will evaluate the tenders. The officers must ask for extra financial, technical and legal advice if they need it. When they do not need to give anyone confidential information, other officers may advise them if they have particular questions. However, if they need to give other officers confidential information about a tender, the names of these other officers must be put on

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the tender opening and evaluation record (Annex A of this Appendix). The Director or head of service must sign the amended record and all the officers on the evaluation panel must receive a copy.

- D.8.4 No officer who is involved with evaluating the tenders must give anyone any information about any tender, except under paragraphs D.7.4, D.8.3 or D.8.10 of this Appendix.
- D.8.5 It may be necessary to discuss a particular tender with an individual contractor or supplier to make sure you understand what they are offering.

These discussions must not add anything to the tender. The tender stays as it was (unless you have to correct any mistakes in the prices).

- D.8.6 If you need to discuss simple mistakes in bids, you must contact the relevant contractor or supplier and get the contractor's or supplier's amendment in writing.
- D.8.7 All detailed discussions about important or complicated points must be recorded. Both officers taking part and the contractor or supplier must sign the record so you can keep a complete record of discussions on file. You are responsible for making sure that everyone involved follows this procedure.
- D.8.8 You are responsible for producing an evaluation report for your Director or head of service about the outcome of the evaluation process and details of the tenders you have evaluated.
- D.8.9 During the evaluation stage, none of the officers or Members, (including anyone with an interest in any of the in-house trading units) must get, or try to get, details about the number of tenders received, where those tenders came from or what is in them. If you are approached by anyone asking for any information, you must immediately report the matter to the Chief Internal Auditor, the Chief Executive, the Solicitor to the Council or one of the Directors, giving the name of the person who asked for the information.
- D.8.10 The Chief Executive, the Solicitor to the Council, the Director of Corporate Services, the Chief Internal Auditor or the Director who organised the invitations to tender (if necessary) must be given or told about details of the tenders when they are opened or evaluated. They may ask other officers to act on the information they have been given.



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### D.9 Negotiation after tenders have been received

- D.9.1 Procedures on negotiation only relate to tenders that are less than the European public procurement limits. For tenders over the European limits, you should get advice from the Solicitor to the Council (Senior Lawyer (Commercial and Contracts)) or the Head of Strategic Policy and Review.
- D.9.2 These procedures do not relate to negotiation for partnerships, private finance initiatives or other schemes under paragraph 1.4.7 above because they will need special procedures to suit them. In these instances, you need to get specialist legal and other professional advice. You should first get advice from the Solicitor to the Council (Senior Lawyer (Commercial and Contracts)) or the Head of Strategic Policy and Review.
- D.9.3 The sort of negotiations applicable under these procedures should normally only take place if you have included the suitable clause allowing negotiations in the tender so that the contractors or suppliers know that this may happen. An appropriate clause for you to use would be as follows.
- “The Council reserves the right, in exceptional circumstances and after the tenders have been opened, to discuss the tender with any tenderer.”
- D.9.4 Even if a suitable clause has been included in the invitation to tender, negotiations should only take place if it is necessary. This is because it may not be in your best interests to have tendering procedures where the contractors or suppliers expect there to be negotiations. This would mean that the contractors or suppliers would prepare their bids expecting to finalise details by negotiating. You may not be able to achieve **Best Value** if you do so.
- D.9.5 Normally, negotiations take place when you think that minor changes should be made to the original specification and to make sure that the contract amount is within the original budget.
- D.9.6 You must not normally use this procedure to significantly change the original specification. This is because all contractors or suppliers must be treated equally and if you significantly change the specification, you may not be treating all the contractors or suppliers the same. If you are going to change the contract a lot, you must normally re-tender it, unless this will cost too much.

### Procedures for negotiation

- D.9.7 You should check to make sure that negotiations are possible under the terms of the tender (see F.9.1). You should get advice from the Solicitor to the Council (Senior Lawyer (Commercial and Contracts)) or the Head of Strategic Policy and Review if you are thinking about negotiating on the tender.
- D.9.8 If negotiations are a possibility, you should discuss the matter with your Director or head of service (or deputy).

## **SECTION 11: PURCHASING, TENDER AND CONTRACT ARRANGEMENTS (Scheme Reference 2.10)**

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- D.9.9 You should make sure that negotiations with contractors or suppliers are confidential. You must not discuss any bids received from other contractors or suppliers.
- D.9.10 Your negotiations must be recorded. You and all other officers taking part and the contractor or supplier must sign the record so that you can keep a complete record of discussions on file and include it in the contract. The contractor or supplier must confirm the final amount of the contract in writing.
- D.9.11 Your meetings on negotiations should, where possible, take place on your premises. There should be at least two officers at any meetings with the contractor or supplier.

### **D.10 Accepting tenders**

- D.10.1 **Tenders will be accepted in line with Contract Standing Orders for contracts** (see paragraphs 1.5, 4.13.2 and 4.15 above)
- D.10.2 You are responsible for producing an evaluation report for your Director or head of service, identifying the outcome of the evaluation process and details of tenders you have evaluated.
- D.10.3 If you are going to work with another organisation in joint tendering procedures, any agreement must include a clause which says that the evaluation report of any joint tendering procedure must be given to your Director or head of service, in the same form as described in paragraph D.10.2 above.
- D.10.4 Reports about tenders will be structured so that the price each of the contractors or suppliers put forward (and quality scores) cannot be identified against their names. The list of prices will be in ascending order (the lowest will be first) and the names of the contractors or suppliers will be in alphabetical order. We (and you) may not publish the names of the contractors or suppliers (except the successful contractor or supplier) in the future.
- D.10.5 Normally, we (and you) will only identify the name of the successful contractor or supplier and their tender prices.
- D.10.6 It is very important that we (and you) give out as little information as possible about the contractors' or suppliers' prices. After you have chosen the tender you want, you will:
- (a) write and tell the successful contractor or supplier as soon as possible;
  - (b) write and tell the unsuccessful contractors or suppliers at the same time as we tell the successful contractor or supplier; and
  - (c) only tell the unsuccessful contractors or suppliers the value of the other tenders you have received, starting with the lowest first. We (and you) will only tell them the name of the successful contractor or supplier.

## **SECTION 11: PURCHASING, TENDER AND CONTRACT ARRANGEMENTS (Scheme Reference 2.10)**

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### **D.11 Getting tenants and Members involved in housing management**

D.11.1 Tenders which by law need other people (e.g tenants, service user or their nominees) to be involved will follow legislation and the code will apply to everyone involved. These other people (and Members) who take part in the selection and evaluation processes will be named on the tender opening and evaluation record. If tenants and other people are involved, all references to officers within this code will also apply to those people and Members, where appropriate.

D.11.2 If leaseholders have the right to be consulted by us about major work under the Landlord and Tenant Act 1985, you (on our behalf) will give them the amounts of the tender but will not give them copies of tenders.

**SECTION 11: PURCHASING, TENDER AND CONTRACT ARRANGEMENTS  
(Scheme Reference 2.10)**

<b>Peterborough City Council</b>		<b>Annex A</b>	
<b>From:</b>	The Director or Head of Service of ..... Lead Contract Officer (as shown below)	<b>To:</b>	Chief Executive  FAO Tender Officer
<b>Our reference:</b>		<b>Document reference:</b>	TENDBVA
<b>Date:</b>	...../...../.....	<b>Copies:</b>	

**Opening tenders and the evaluation record**

Code of conduct - Tendering under Best Value - Paragraphs **D.7.5**, **D.7.8** and **D.8.1**

**contract**

In line with paragraph **D.7.5** of the **Code of Tendering under Best Value**, I confirm that as well as the Lead Contract Officer ....., the following officers are authorised **to open the tender** if necessary:-

Tender Officer	(or representative(s))
Solicitor to the Council	(or representative(s))
Head of Strategic Policy and Review	(or representative(s))
Chief Internal Auditor	(or representative(s))
Director of Corporate Services	(or representative(s))

In line with paragraph **D.8.1**, the following officers are authorised to help, as necessary, **to evaluate the tenders** for this contract.

Name of officer	Department and their position
.....	
.....	
.....	
.....	

**All the officers mentioned above must follow the Code of Tendering. They can only discuss the details of the tenders received with the other officers that are authorised by the code or this memo.** If you want any other officers to be included in the evaluation process, please contact me before they get involved.

I have approved the detailed method of evaluation that you should use on this contract.

**Director or head of service**

## **Appendix E**

### **Risk factors for Performance Bonds / Other Security**

#### **E.1 Risk factors that you must consider when you are deciding whether you need a performance bond (or other form of security)**

**(This list is only a guide and is not a complete list.)**

- E.1.1 How much financial and technical evaluation you will need in your contracting process. You need not ask for a bond if the contractor or supplier is in a strong financial position or if their parent company can guarantee the contract will be completed.
- E.1.2 The financial loss you are likely to suffer if you do not ask for a bond or other security.
- E.1.3 How difficult the contract is. For example, in the case of a straightforward contract, if the original contractor or supplier cannot complete it, it may not be difficult for another contractor or supplier to complete it. On the other hand, if a contract is highly specialised or highly technical, even if the contract is not worth much, it may be very difficult for another contractor or supplier to complete it without you having to pay extra costs.
- E.1.4 How easy it would be to replace the contractor or supplier if they have failed to complete the contract.
- E.1.5 You should assess the value of the contract in relation to the size of the resources you have. As a general rule, you should ask for a bond if the contract is of higher value.
- E.1.6 You must consider how long it will take to complete the contract. Generally, a longer contract may have more risk associated with it than a short contract.

## **Appendix F**

### **Criminal records Bureau (CRB) checks**

- F1 A school is responsible for ensuring that all appropriate matters are in place including CRB checks on contractors' staff where these are relevant to the works or services being carried out with children and vulnerable adults. You need to ensure that prior to any contractors' staff being allowed on site, you have on your file evidence that there is CRB clearance in relation to those staff and that CRB checks are updated at least every three years during progress of the contract.
- F2 Contractors' staff should have CRB clearance BEFORE being permitted to work on the school contracts where CRB checks are necessary. However, there may be exceptional cases where owing to emergency nature of services it may not be possible to get a CRB clearance ahead of the services being required. In these cases, the Headteacher, or the Chair of Governors, must be contacted and the circumstances fully explained them so that a view can be taken as to whether any member of the contractors' staff can be permitted to provide services without a CRB clearance, such permission to the contractor will be on such conditions as the Headteacher or Chair of Governors may specify in the interests of protecting the Council and/or children or vulnerable adults affected.
- F3 Whilst many CRB checks will give a straight clearance, or reveal someone is not suitable to work with children or vulnerable adults by the nature of their convictions, there may be some CRB checks (particularly enhanced CRB checks) where "intelligence" may be provided as part of the check which gives rise to some doubt as to suitability. Examples might be that someone is currently under investigation for a crime or someone has been arrested and questioned about a crime but they were never charged or convicted. These cases can be tricky to determine. Clearly if someone is currently being investigated for a crime that is relevant to children or vulnerable adults, you would not want to have them working on your contract but if the investigation is for something unconnected and of a minor nature, a different view may be taken depending on the circumstances. However, if someone has been arrested or charged but never convicted of an offence whether it involves children or vulnerable adults is a difficult one based on the premise that a person is innocent until proven guilty, he or she could have been quite innocent or on the other hand, the case was dropped for lack of sufficient evidence although there might be a strong inkling that they were the perpetrator. Here, a difficult decision needs to be taken weighing up the risks of allowing them to work on contracts against that persons human rights to work. In such cases, where there is any doubt on a person's suitability, the Headteacher or Chair of Governors are to be contacted and the circumstances (together with whatever investigations you have done into the case to get to the bottom of things) fully explained to them so that a view can be taken as to whether any such contractors' staff member should be refused or allowed to provide services (even if restricted) on the Council's contract. Any such permission to be on such conditions as the Headteacher or Chair of Governors may specify in the interests of protecting the School and/or children or vulnerable adults affected.

**SECTION 11: PURCHASING, TENDER AND CONTRACT ARRANGEMENTS  
(Scheme Reference 2.10)**

**Appendix G**

<b>Principles of Best Value</b>	<b>Interpretation in the school context</b>
<p><b>Compare:</b></p> <p>Comparing one school's way of obtaining a service, including costs, with those of similar schools.</p>	<ul style="list-style-type: none"> <li>• <b>In most Local Authorities school managers have networks where comparisons of service provision may feature routinely in discussions. Schools can use their contacts (either formal or informal) to gather information on other ways of obtaining services, different suppliers, prices etc.</b></li> <li>• The Value for Money Unit collects and publishes comparative data on schools' financial performance available on the teachernet website and many Local Authorities publish detailed school profiles including contextualised school data, both financial and non-financial.</li> </ul> <p>This information allows individual schools to identify other schools with similar characteristics and to engage in benchmarking exercises.</p>
<p><b>Consult:</b></p> <p>Consulting relevant stakeholders to ensure that the service provided is relevant to their needs.</p>	<ul style="list-style-type: none"> <li>• The relevant stakeholders for school services could include: Teaching and support staff; pupils; parents; governors; the local community; professional associations and existing suppliers.</li> <li>• Schools may wish to consult some/all stakeholders when reviewing or considering a service or supplier.</li> </ul> <p>For example Pupils and parents could be consulted about aspects of school meals provision.</p>
<p><b>Compete:</b></p> <p>Testing the market place, including internal providers, to secure the best possible service at the best possible price.</p>	<ul style="list-style-type: none"> <li>• Where a service passes the challenge, i.e. that it is needed, schools need to decide how the service can best be delivered. They will need to compare potential suppliers and decide the most appropriate for the school.</li> <li>• <b>Schools might also wish to consider alternative means of accessing services including the use of a broker or joining or forming a consortium.</b></li> </ul>

## **SECTION 12: DEVOLVED FUNDS (Scheme Reference 2.12)**

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- 12.1 The Local Authority is authorised, and in some cases required, to devolve central funds to schools. These allocations are separate to the schools LMS budget share and are earmarked for specific purposes. The accountability for these budgets remains with the authority, who has the prime responsibility of submitting grant claims, or any other return required and accounting for the expenditure made against the funds provided.
- 12.2 Schools Standards Fund allocations will be made as part of the Local Authority's total funding allocation. Schools will not be required to account separately for spending on the different activities funded through the grant. However schools should have sufficient records that they are in a position to report, on request, their total spending on TSF.
- 12.3 School Standards Grant allocations will be made as part of the Local Authority's total spending. Schools will not be required to report on the spending of this grant.



## SECTION 13: BANKING ARRANGEMENTS (Scheme Reference 3.7)

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### Choice of Bank

The Governing Body should decide whether the school is to exercise its right to have its own bank account. The Governing Body's decision should be recorded in the minutes. It is expected that the bank selected by the Governing Body may request a copy of the minute before opening the account.

- 13.1.1 The Council maintains its banking facilities at Barclays Bank PLC and schools may effectively choose to have an account:
- within the Council's "pool" at Barclays. (In hand balances on the School's account will then attract interest at the Bank's base rate).
  - at Barclays but separate from the Council's "pool".
  - at any one of the institutions listed in Annex F to the Scheme
- 13.1.2 Schools using accounts via the Council's "pool" should be titled "PCC – Name of School". Great care needs to be exercised in agreeing the terms and conditions applicable to the account. Contact the authority's Loans & Insurance Section for guidance.

If schools opt to have an account outside of the Council's "pool", the Director of Strategic Resources (or his representative) will need access to the School's bank account in order to fulfil his statutory responsibilities and the mandate entered into by the School should reflect this.

### 13.2 Choice of Accounts

Schools should consider whether they would benefit from having a deposit and a cheque account. Deposit accounts attract interest when in credit although many banks also offer interest bearing cheque accounts but these may have restrictions on the number of entries flowing through them and the interest received may be lower.

- 13.2.1 Of primary concern are the amount of bank charges that may be incurred and their composition. Many banks offer commission free banking but this may be subject to a low level of activity or maintaining a high credit balance, which will not attract interest.

**The account is not permitted to become overdrawn without the express permission of the Director of Strategic Resources (or his authorised representative).**

### 13.3 Operation of Bank Accounts

Schools may use their local bank accounts to pay suppliers of goods and services and salaries and wages of personnel employed at the school. Payments may be made from the School's bank account by cheque, standing order, direct debit or electronic transfer. Detailed procedures are outlined in the template for Schools' internal financial administration regulations **Appendix 4**

## SECTION 13: BANKING ARRANGEMENTS (Scheme Reference 3.7)

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### 13.4 Basic controls in the operation of the bank account:

These basic guidelines should be embedded in a school's own internal financial & Administration regulations

- A person(s) authorised by the Governors, should sign each cheque issued by the School in permanent ink.
- Cheques above £1,000 in value should be signed by two authorised signatories.
- In order to maintain a separation of duties and responsibilities, no one who has prepared or will issue a cheque may sign it other than as a counter signatory. To clarify, the Finance or Network Manager may countersign large payments and initiate BACS payroll "runs" but should not be sole signatories to smaller value cheques, standing orders and direct debits.
- Each cheque payment should be initiated by a properly authorised cheque requisition or voucher which should be signed by a person, identified in the Governing Body's approved list, other than the individual signing the cheque.
- Staff involved in the payment process should be given a copy of the Governing Body's authorised payment requisition and cheque signatory list and be kept up to date with any revisions.
- It is essential that the School's bank (or the Council's Loans & Insurance Section if the account is held within the "pooled" arrangements) is advised immediately when any cheque signatory leaves the School's employment.
- It is possible to pay for some goods and services by standing order or by direct debit. A standing order is a regular, fixed payment initiated by the person that owes the debt. A direct debit is a regular payment for a fixed or variable amount that is taken from the account of the person that owes the debt by the payee. If either instruction is signed, schools need to check that the School is still receiving the goods or services for which payment is made and that a VAT invoice is obtained and retained for each service for which VAT is charged. It is worth noting that both payment methods have been subject to fraud in the past.
- Before a cheque is issued in replacement of one that has been damaged or has become stale i.e. no longer considered by law as legal tender (more than six months old), the original should be returned to the School, marked cancelled and retained. Where a payee has allegedly lost a cheque, a written "stop" instruction should be placed on this cheque with the bank which must be acknowledged by the bank as having been actioned, before a replacement cheque is issued.
- Schools should ensure that their bank will retain all cheques paid on their accounts for a period of at least two years, and be able to return them to

## SECTION 13: BANKING ARRANGEMENTS (Scheme Reference 3.7)

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the School upon written request within a reasonable time. The bank should capture images of the front and back of cheques drawn on the School's account and hold them on some form of acceptable media for a minimum of seven years from the date of presentation for payment.

- Banks should be asked to provide one copy of a statement of transactions passing through the School's account on a minimum of a monthly basis. Schools should then retain these statements for a minimum of seven years.

### 13.5 Credit & Debit Cards

Schools are permitted to use credit and debit cards for making payments for goods and services. The use of this facility must be limited to making purchases that cannot be secured via the schools normal ordering and payment processes, for example the ordering of goods and services over the internet.

The use of credit cards is not considered to infringe the borrowing restrictions imposed on schools **as long as the balance on the account is cleared in full at the end of each month**. Schools are required to ensure that arrangements are in place to set up a payment by direct debit to clear the total balance of the account due each month in order to satisfy this condition.

**Cards should be kept in a secure place and access limited to approved members of staff.**

**VAT invoices should be obtained**

### 13.6 Borrowing

Governing bodies may borrow money only with the written permission of the Secretary of State.

### 13.7 Security

- Stationery and records relating to the bank account must be kept in secure storage.
- Blank cheques should never be pre-signed.
- Access and authorisation passwords for use on electronic bank systems should not be written down or disclosed to another person.

### 13.8 Electronic Banking

Most banks are able to offer electronic banking to their customers. A direct link to the bank's mainframe computer via a modem is required to enable access to up to date information, search for entries, extract cleared/uncleared balances, initiate payments and transfers, issue transaction instructions and extract reconciliation data.

- 13.8.1 Schools contemplating using such systems should enquire into the levels of security within the system and in its interface with the establishment's own computer.

## **SECTION 13: BANKING ARRANGEMENTS (Scheme Reference 3.7)**

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- 13.8.2 Electronic banking may not be provided “commission free” and charges may be levied per log on, per enquiry, per entry, quarterly / monthly fee or any combination of the foregoing. Schools should also enquire whether there are any initial charges payable to the bank for the software or licence, installation, maintenance, support and training.

## SECTION 14: REPORTING ON EXCESSIVE SURPLUS BALANCES (Scheme Reference 4.2)

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14.1 In order to allow the authority to monitor excessive balances, Governors are required to report to Peterborough City Council on the use schools intend to make of surplus balances within the limits stated in section 4.2 of the Scheme. Please note the balances refer to expenditure related to the schools LMS budget share only.

From the Revenue balances shown either in the year end balance sheet for a school maintaining its own Bank account, or on the final Oracle report for schools using the Authority's central systems, the following may be deducted when calculating surplus balances:-

- amounts for which the school has a prior year commitment to pay from the surplus balance
- unspent Standards Fund grants.
- amounts which the governing body of the school has declared to be assigned for specific purposes permitted by the authority as listed at paragraph 4.3 of the scheme.

The resulting figure will then represent a school's uncommitted balance. If the result of the steps above is a sum greater than 5% of the current year's budget share (secondary schools) or 8% (primary and special schools), then the Authority shall deduct from the current year's budget share an amount equal to the excess.

14.2 Governing Bodies will be required by 1<sup>st</sup> July each year to complete an annual return containing details of all balances held by the school as at the preceding 31 March. This information will be used to assess the maximum balances held by schools each year in line with the regulations stipulated in 4.2, and will be subject to audit.

A copy of the Surplus Balances return is included as **Appendix 10** and will be posted annually on the Intranet.

## **SECTION 15: COLLECTION OF INCOME (Scheme Reference 5.0)**

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- 15.1 Schools maintaining their own accounts are responsible for the collection and banking of all income. Internal procedures for dealing with income should be incorporated in the schools own Internal financial administration/regulation document. They should also be available for inspection by the Local Authority's Auditor in order to ensure that appropriate systems and procedures are in place to ensure the proper stewardship of any income belonging to the City Council.
- 15.2 Those schools using the central systems for banking income should also have an Internal financial administration/regulation document and should continue to follow guidance from the Authority's Income Section.

## **SECTION 16: CHARGING OF SCHOOL BUDGET SHARES (Scheme Reference 6.1)**

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- 16.1 The budget share of a school may be charged by Peterborough City Council without the consent of the Governing Body only in circumstances set out in Section 6.2 of the Scheme for Financial Management of Schools.
- 16.2 Peterborough City Council will consult a school as to the intention of the charge, and will notify a school when it has been done.
- 16.3 The Council is required to put in place an appeals procedure for dealing with disputes arising from any charges made under this provision of the scheme. The arrangements are as follows:
- The Council shall inform the school in writing of the intention to invoke Section 6.2 with details of the charge. The Council shall give the school 21 days to dispute the charge.
  - The school shall, in the first instance, make contact with the relevant Service Manager in order to resolve any dispute in the initial stages.
  - Should either party be unable to resolve the disagreement, then a panel to be convened to hear representations from the School's representatives e.g. Head Teacher and or Chair of Governors and the Manager of the service involved in the disputed charge
- 16.4 The membership of the panel is as follows:
- Representative of the Council's Solicitor
  - Representative from the appropriate Head Teacher Group.
  - An independent Arbitrator. This will be a separate organisation from the Authority. Any charges resulting from the use of the arbitration service will be charged to the party that loses the appeal.
- 16.5 The panel's decision will be final.

## SECTION 17: VALUE ADDED TAX (Scheme Reference 7.1)

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17.1 This section of the Finance Manual deals with the Authority's accounting instructions for Value Added Tax (VAT). It is important that all VAT is recorded correctly, as the Local Authority is able to claim back all the VAT that has been paid on purchases for goods and services. This means that non-bank account schools are only charged the net amount of any VAT invoice and schools operating their own bank account are able to reclaim all eligible VAT via their return to the Local Authority.

### **The Authority's VAT Registration Number is 121 5335 13.**

17.2 Schools can reclaim VAT via the Local Authority only for expenditure related to their LMS budget share. Schools operating their own bank account will reclaim via a monthly VAT return submitted to the Authority whilst non bank account schools will only be charged the net amount of any transaction and VAT will be reclaimed on their behalf by the Authority. Expenditure on projects funded from other sources will not be recoverable unless the funds are donated to the school. Schools in receipt of Voluntary Aided (VA) Funding should ensure that any VAT relating to projects funded from that source is accounted for separately. Schools submitting returns must ensure that VAT incurred outside of these limits is not included in the return submitted to the Authority.

It is also important to ensure that VAT is treated correctly as far as HM Revenue and Customs (the administrators of the tax) are concerned. They are entitled to claim tax where it is eligible, and are likely to investigate thoroughly any anomalies, which may result in considerable additional work for the school under investigation. Any unpaid VAT will be recovered and may also result in the levy of interest and/or a fine that will be a charge on the individual school concerned. This is the reason it is important to avoid any possible conflict by dealing with VAT correctly in the first instance. Schools should note that schools operating their own bank account might be the subject of a VAT Inspection by HM Revenue and Customs.

For those schools using Oracle as their accounting system, coding examples have been given in this section based on a fictitious primary school used in training exercises, the location code for which is E0335.

### **17.3 What is VAT?**

VAT is a form of taxation charged on goods and services at the point of sale. When goods or services that are liable for VAT are sold, the supplier charges the consumer for VAT and then pays the income received over to HM Revenue and Customs.

#### **17.3.1 Types of VAT**

When a school buys goods that are liable for VAT, it has to pay VAT as it is acting as a consumer. This is known as Input Tax.

When a school supplies goods that are liable for VAT, it has to charge its customer the VAT as it is acting as a supplier. This is known as Output Tax.



## SECTION 17: VALUE ADDED TAX (Scheme Reference 7.1)

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It should be noted that there is an exception to this when the school makes or receives a supply to a school within the same VAT registration, i.e. schools do not charge each other VAT.

### 17.4 What goods do not attract VAT?

VAT is not charged on some goods and services, either because they are exempt from the tax, or they are zero-rated. Examples include:

- **Books, booklets** - but the component parts of them - e.g. paper, or printing - are subject to VAT
- **Pamphlets, brochures, leaflets, newspapers, journals, periodicals**
- **Clothing and footwear** - but only for children aged 12 and under. (Customs leaflet 714 contains detailed guidance re clothing and footwear which should be consulted if there is any uncertainty)
- **Protective boots and helmets**
- **Rail, bus or air fares**
- **Hire of coach and driver** - excluding minibuses and taxis with fewer than 12 passenger seats
- **Post Office postal services** - excluding private carriers
- **Financial services** - bank charges, insurance premiums, for example

Any item that is not exempt or zero-rated will attract VAT. As far as Schools are concerned, any VAT charged will normally be at the standard rate - currently 17.5%. The only exception to this is fuel that has its own rate of 5%, and insurance premium tax that is 5% for non life types and 17.5% for warranties and travel.. It is the responsibility of the company providing the goods or services to charge the appropriate rate of VAT.

### 17.5 VAT in the City Council

Although the City Council must pay suppliers for the VAT charged on the goods and services that it buys, it has a special status as a Local Authority and can reclaim this VAT.

For example:

if a school buys an office desk for £400 plus VAT, the tax on the transaction is £70 (£400 x 17.5%). The total amount paid to the supplier by the School is £470. The City Council can then reclaim, from Revenue and Customs, £70 (the input tax). Thus the actual amount of expenditure incurred by the School is just £400.

## SECTION 17: VALUE ADDED TAX (Scheme Reference 7.1)

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It is important that school staff record the VAT incurred correctly so that the Council can reclaim it and the School does not pay VAT unnecessarily. In order to ensure this, schools must be able to distinguish between supplies and services that attract VAT and those that do not, and to account for them correctly.

A school may receive Invoices for goods or services that are subject to VAT, but where VAT is not reclaimable because the supplier is not registered for VAT. **It should not be automatically assumed that, as the goods or services are normally subject to VAT, VAT can be reclaimed. It is essential to check whether or not the supplier is registered for VAT.** For further information see unregistered suppliers.

It is also important that all VAT on income is correctly charged because this must be paid over to the Revenue and Customs by the City Council.

If there is any doubt regarding the treatment of VAT on either income or expenditure, it is the responsibility of the school to seek the appropriate advice.

### 17.6 Treatment of VAT on Supplies and Services Received (input Tax)

#### 17.6.1 Action on receipt of an Invoice:

When an invoice is received from a supplier that includes VAT it must be checked to ensure that it contains the following information:

- The date of supply
- The invoice date if different to the date of supply
- The supplier's VAT registration number
- The suppliers name and address
- Invoice number
- The amount payable, excluding VAT
- The total amount of VAT
- The total payable, including VAT
- The unit price e.g. Hourly Rate
- The customers name and address

Any invoice that fails to give the full details specified above and does not fall into one of the exceptions listed below would, if paid, prevent recovery of VAT. Such an invoice should be returned unpaid to the supplier for amendment.

## SECTION 17: VALUE ADDED TAX (Scheme Reference 7.1)

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There are three exceptions to this rule:

### **Invoices under £250**

Where goods and services total less than £250, retailers are allowed to submit invoices for the total amount and only display the rate of VAT. In these circumstances, the VAT element needs to be calculated separately, as follows:

If the rate of VAT is 17.5% (in other words, the goods are standard-rated), multiply the total amount by 7/47. This is the amount of VAT in the total. For example, if the **total** bill (including VAT) is for £94, the VAT element is  $7/47 \times £94 = £14$ .

If the rate of VAT is 5.0% (in other words, the goods are lower-rated), divide the total amount by 21. This is the amount of VAT in the total. In this case, if the total bill is for £73.50, the VAT element is  $£73.50/21 = £3.50$

Taking the first example of a bill for £94 that includes VAT at 17.5%, the other method of determining the VAT element is to make the calculation in full and take  $17.5/117.5 \times £94 = £14$ .

### **Vending Machines**

If the supplier is VAT registered, the VAT element should be calculated on any bill as in the paragraph relating to "Invoices under £250" above.

### **Unregistered Suppliers**

Suppliers whose taxable turnover is less than the VAT threshold (currently £60,000 per year) do not have to register for VAT, but have the option to do so. Suppliers who only provide goods or services that are exempt from VAT (e.g. financial services) are not able to register for VAT.

Unregistered suppliers cannot charge VAT and therefore do not supply tax invoices. Therefore, no further action needs to be taken on the school's part to account for VAT.

#### **17.6.2 Ongoing Construction Contracts**

A contractor carrying out an on-going contract that provides for periodical payments (for example, stage payments on building work) may account for the VAT collected when payment is received, rather than raise an invoice. The contractor must then issue an authenticated tax receipt that must contain all the particulars required on a tax invoice. This must be received within 28 days of the payment being made otherwise the VAT being reclaimed may be disallowed by the VAT Inspector. The tax receipt must then be retained for three years in order to allow for inspection by HM Revenue and Customs.

#### **17.6.3 How to Code the Coding Slip (Oracle Schools Only)**

When paying a bill that contains VAT, the VAT element must be shown as a separate entry against the VAT code on the coding slip. If this is not done, the VAT is deducted from the School budget.

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If the VAT amount is not shown separately, calculate the amount by the method shown in the section in the paragraph relating to "Invoices under £250" above. Where the invoice contains more than one type of expenditure (e.g. equipment, books, and stationery) ascertain to which goods the VAT applies and calculate the amount for each different type of expenditure.

Code the net amount of the bill to the appropriate account codes.

Code the total VAT amount to the VAT code at the top of the coding slip (code does not need to be entered).

### Example

Calculating the VAT element of an invoice can be more difficult when the VAT is not shown separately, usually because the invoice is less than £250. Provided the supplier is VAT registered (the invoice must show the supplier's VAT Registration Number), VAT can be calculated on items subject to VAT as in this example:

An invoice comprises:

10 library books @ £4.00 each	£40.00
8 reams A4 white copy paper @ £4.58 per ream	£36.64
2 boxes computer disks @ £6.93 per box	<u>£13.86</u>
TOTAL	£90.50

The VAT is calculated on the paper and computer disks only (the books are zero-rated).

7/47 x paper total of £36.64 =	£ 5.46
Plus 7/47 x the disks total of £13.86 =	<u>£ 2.06</u>
TOTAL VAT	£ 7.52

The coding slip should be completed as follows:

2611 E0335	(i.e. account code for books, but for your cost centre)	£40.00	*
2607 E0335	(i.e. account code for paper, but for your cost centre)	£31.18	*
2609 E0335	(i.e. account code for disks, but for your cost centre)	£11.80	*
+ VAT		<u>£ 7.52</u>	
INVOICE TOTAL		£90.50	

(\* NET COST TO SCHOOL = £82.98)

### 17.6.4 Treatment of Discounts

If an invoice gives a discount on condition that payment is made promptly, VAT is payable on the discounted amount, not the gross charge, whether or not advantage is taken of the discount.

#### Example

A 10% discount is offered on the following invoice.

Coleman's Office Equipment		Invoice 000001
Rexel Staples	£13.00	
Bambi Staples	£16.80	
Paper Fastener	£13.80	
Coloured Chalk	<u>£ 8.10</u>	
	£51.70	

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The discounted total is £46.53 (i.e. £51.70 less a discount of £5.17).

The VAT element on the discounted amount, at 17.5%, is £8.14

Therefore, the total bill is:	Goods	£46.53
	VAT	<u>£ 8.14</u>
	Total	£54.67

The position on discounts may not always be clear from invoices and care should be taken to check that the correct amount of VAT has been charged.

### 17.6.5 Petty Cash Purchases

Staff making petty cash purchases should obtain from the retailer a short tax invoice. Revenue and Customs accept that it will not be possible to obtain a proper tax invoice in every case but staff should be encouraged to request a short tax invoice where possible. However a till receipt with a VAT number will suffice, provided that the item purchased is written on the receipt if the detail is not automatically provided from the till roll. 7/47 (for standard-rated items) of the inclusive amount should then be coded to the VAT account.

### 17.6.6 Employee Expenses

The VAT treatment of employee expenses, for example removals, disturbance and subsistence, including hotel accommodation and meals included in an employee's travelling claim, is as follows:

If the employee is reimbursed the actual expenses incurred, then VAT is reclaimable subject to supporting documentation.

Where a telephone account is in the name of an employee, and the employee is reimbursed for the cost of calls made on the behalf of the City Council, then VAT is reclaimable if a copy of the telephone account is supplied with the claim for reimbursement.

### 17.6.7 School Trips

A school may reclaim the VAT incurred on a school trip, providing that **all** of the following conditions apply:

- the trip or visit is **not** booked through a Tour Operator, The Tour Operators' Margin Scheme (TOMS) does not allow Tour Operators to provide a tax invoice. Therefore, a Tour Operator may quote a price "inclusive of VAT" but a school cannot reclaim the VAT element.
- the invoice is paid for from the schools budget,
- if the trip is for an educational purpose, the contributions from pupils do not exceed the cost,
- if the trip is for non-educational purposes, at least 10% of the net cost is paid from the school's budget

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### **17.6.8 Purchases from Private Funds**

The Council cannot recover input VAT on purchases made from private funds. However, where private funds have been donated to the Council, then the Council can recover the VAT. The following procedure must be followed:

The school must place the order and pay the invoice through the school's budget.

The net amount on the invoice is coded to xxxx E0335 (where E0335 represents the school and xxxx represents the most appropriate account code) and the VAT element to the VAT account code. The PTA or school fund must then reimburse the schools' delegated budget the net cost of the purchase at the time the order is placed.

The items purchased are approved by the City Council, as being of a kind which it would ordinarily purchase from its own resources.

Purchases are not used to provide supplies or services to an individual or any other organisation, unless this is permissible under other paragraphs of this section.

### **17.6.9 Purchases connected with Independent Sports Associations**

Where a school purchases sports equipment for dual use with a sports association, using funds donated by the sports association, only 50% of the VAT on the purchases can be reclaimed. In practice, this would mean that for a sports equipment invoice of £117.50, i.e. £100 purchase price and £17.50 VAT, the school would code £100 expenditure to curriculum expenses and £17.50 to the VAT. The cheque from the sports association would need to be for £108.75; coded £100 to curriculum expenses and £8.75 to the VAT income code.

## **17.7 VAT Treatment on Supplies and Services Provided (Output Tax)**

VAT must be added where applicable when providing goods or services to other organisations and individuals. The VAT element on all income collected by the School must be shown separately on all invoices and banking slips. Where the amount banked includes VAT, multiply the total by 7/47 to give the amount of VAT and deduct this from the total, and code the slip accordingly.

### **17.7.1 When Charges are made for Goods and Services**

When an invoice is raised by an school, or any other charge for goods and services is made (for example lettings fees, ticket sales, and income from vending machines), liability for VAT must be determined. This is a legal requirement and HM Revenue and Customs carry out regular checks to ensure that this is being done correctly.

There are two questions to ask to determine whether VAT should be charged.

- Does the type of goods or service attract VAT?

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- Does the person or organisation being charged have to pay VAT?

### “Non-Business” Activities

Items defined as “non-business” are not subject to VAT. These include school fees, school hostels, boarding fees, examination and enrolment fees, sale of milk to pupils, recovery from parents of expenditure on children's bus or train fares. All other items are potentially taxable subject to the comments made in the following paragraphs regarding an school's shops (e.g. Tuck Shops) and school photographs.

### Organisations not paying VAT

Schools do not need to charge VAT to other local authorities when providing *services* that are not provided by the private sector. Supplies of services in competition with private suppliers, e.g. catering, are taxable. Supplies of *goods* to other local authorities are taxable in all circumstances.

#### 17.7.2 Schools Shops

Where the shops are part of the school's official accounts, VAT must be charged on the sale of:

- all sports equipment
- other items of equipment (including musical equipment, calculators, etc)
- stationery (including items such as computer disks)
- clothing (except for children's clothing to fit up to 12 years old). (Customs leaflet 714 refers)

No VAT is due on sales other than clothing or sports equipment, made in class by a teacher at cost price or below, where those items are incidental to the provision of education forming part of the normal curriculum.

If separate bodies run the shops e.g. the PTA or private fund then the following VAT treatment would apply:

If the taxable turnover of the PTA or private fund is less than the VAT threshold (Currently £60,000), then the organisation does not have to register for VAT purposes. This means that VAT can not be added to sales and the PTA or school fund cannot reclaim VAT on the goods it purchases. If the taxable turnover of the PTA or school fund is more than the VAT threshold, then a separate VAT registration is required. In this case VAT may be claimed on goods purchased and VAT must be added to sales. If several private funds exist then taxable turnover will be calculated by adding together the turnover of all the funds.

#### 17.7.3 Concerts and Plays

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Ticket sales for entertainment organised by the school, e.g. concerts, plays, sporting events, must include VAT. The sale of programmes, however, is exempt from VAT providing the programme does not allow admission to the event.

If the event is organised by a separate unregistered body, e.g. the PTA or private fund, then ticket sales are exempt from VAT, but no VAT may be reclaimed on any related expenditure.

### 17.7.4 Secondment of Teachers

Where teachers are seconded to other schools within the LEA then VAT is not applicable. However, secondment to other bodies, e.g. universities, is subject to VAT. The supply of teachers to examination boards is exempt from VAT.

### 17.7.5 Charges made to an Employee for Supplies and Services

Charges made for private telephone calls, private photocopying, and sales of equipment (including second-hand equipment), etc., must include VAT.

### 17.7.6 Telephone Call Boxes

Where the School pays for the rental of the call box only (i.e. British Telecom is the supplier) there is no VAT due on the money collected from the box. VAT due on the rental of the call box is reclaimable in the normal way.

Where the School receives a bill for the total dialled units (i.e. the School is the supplier) then VAT is due on the money collected from the box and must be coded to the VAT account code.

### 17.7.7 Meals provided by the City Council

For secondary, primary, special and nursery schools, there is no VAT on meals provided to children, **but VAT must be added to the sale of meals to staff and visitors.**

### 17.7.8 Tuck Shops

Where tuck shops are a part of the school's official accounts, the sale of catering supplies to pupils is exempt from VAT. Catering supplies are deemed to be traditional meals and prepared snacks, sandwiches, pies, pastries, pizzas, salads, soup, tea, coffee, buns and cakes.

If more than half of the value of the items sold are taxable foods then VAT must be added to the sale of the taxable foods. Taxable foods are deemed to be ice cream, ice-lollies and similar frozen products; chocolates, sweets and similar confectionery; chocolate biscuits and similar products, salted and roasted nuts.

If an outlet is run by an independent operator, the PTA or unofficial private fund, then sales of catering foods and taxable foods must include VAT when the taxable turnover of such bodies is more than £60,000 (the VAT threshold for 2005/06)



### 17.7.9 Vending Machines

If over half of the sales from machines situated in canteens, cafeterias, snack bars, tuck shops and similar outlets is deemed “catering” as above, then VAT need not be charged on the taxable foods sold to pupils from the vending machine. Otherwise, VAT must be charged on the taxable foods sold from the vending machine. The sale of both catering and taxable foods from such machines to staff and visitors need not include VAT if the above criterion is met and sales to visitors and staff cannot easily be identified.

For machines situated in areas other than those mentioned above, VAT must be added to all sales of taxable foods to pupils and to the sale of both catering and taxable foods to staff and visitors. In this case an estimate of VAT due on sales should be made and an appropriate amount of VAT coded separately.

### 17.7.10 Lettings

The hire of the school premises for meetings, conferences, etc is exempt from VAT. If a charge for equipment hire or use of kitchens/caretaking/cleaning or kitchen assistants is separately shown on the invoice, VAT must be added to this charge.

However, if the hire charge is a single inclusive amount, no VAT is due. Supplies of catering should always be shown separately and VAT added to the amount.

The hire of schools sports facilities for sport or physical recreation to a non-Local Authority user is chargeable at the standard rate of VAT unless **all** the following conditions apply:

- the hirer is a club or association
- the facilities are granted for a series of ten or more periods with intervals between each period of not less than one day and not more than fourteen days
- each period is in respect of the same activity carried out at the same place
- the agreement is confirmed in writing
- the hirer has exclusive use of the facilities
- If a session is subsequently cancelled and a refund is requested, VAT would then be applicable to all the remaining sessions.

### 17.7.11 VAT on School Photographs

The commission received by the school from the sale of school photographs can be taxable. The VAT treatment is complex as it depends on whether the income belongs to the school fund or the Council. If the income belongs to the Council we are required to account for output tax. If the income belongs to the school fund we are not so required.

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Most photographers supply a “self billing” invoice (in effect simulating a school sending them the invoice) when remitting this discount or commission to the school, the invoice must be retained by the school. Where the money belongs to the Local Authority, the VAT element coded separately when the money is banked. Normally the payment will be in the name of the school, so is paid into the school fund in the first instance.

This commission provides a valuable source of income to the private funds for many schools. There are three ways in which this commission can be treated:

The whole of the commission is transferred to the official funds, with the net income being coded to xxxx E0335. Where the school wishes to retain the net commission within the School fund, then the full amount of the photographer's cheque should be paid into the school fund. If the photographer's cheque is payable to the City Council it must be paid into the official funds as described in the first bullet point above. If the school wants the net amount of the commission in their private fund, a Pro-forma Invoice must be used, payable to the private fund account. A copy of the self-billing invoice should be attached to the Pro-forma.

### **17.8 Further Advice**

Further advice on VAT can be obtained from your Financial Advisor or from the City Councils VAT Advisor (telephone 742005)

## SECTION 18: CONSTRUCTION INDUSTRY TAX SCHEME (Scheme Reference 7.2)

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**This scheme is subject to revision in Spring 2007. Information from HM Customs and Revenue may result in the issue of an update to this section in Spring 2007**

### 18.1 Outline of the Scheme

18.1.1 This is a national scheme, which uses all construction work that is carried out for the Council. The scheme applies to all schools, but there are differences for Category A (schools using their own systems for accounting) and Category B schools (those schools using Peterborough City Council Oracle for their accounts) that are set out below.

18.1.2 Firms and individual trades that carry out construction work are called “sub-contractors” in the Inland Revenue Scheme, although you might more naturally think of them as ‘contractors’. All of these sub-contractors **must have a certificate issued by the Inland Revenue before any payment can be made to them.**

18.1.3 “Construction work” is defined in the Income and Corporation Taxes Act 1988, and the current Inland Revenue guidance is set out in the attached Annex 1. It covers most maintenance work including decoration.

18.1.4 There are three types of certification:

Certificate Type	Type of Contractor
<b>CIS4</b>	Generally held by smaller firms and single trades. Tax must be deducted from any payments made to anyone holding this certificate.
<b>CIS5</b>	Generally held by major firms with turnover of at least £3 million. No tax deductions are made but the amounts paid to each firm must be recorded and notified to the Inland Revenue.
<b>CIS6</b>	Held by other firms. No tax deductions are made. The sub-contractor must send a certificate each month to the Council or school showing the amount received, and this has to be checked.

### 18.2 Responsibilities of Schools - All Schools

18.2.1 Much of the operation of the Construction Industry Scheme falls on the Council rather than the school, because it is the Council that makes the payments to the sub-contractors.

18.2.2 Schools must ensure that any firm or sole trader carrying out construction work at the school holds a valid certificate. If work is ordered through Property Services, they will check this. If you order work directly then you must check, taking the following steps:

(a) Call the contact line shown below and ask if the firm has presented its certificate to the Council. A list of firms with valid certificates can be provided.

(b) If the firm has not presented its certificate you should arrange to see it or tell the firm to present it to Bayard Place.

(c) If you see the certificate you should photocopy it, sign that you have seen it, keep a copy of this and send a copy to the Payments Section at

## SECTION 18: CONSTRUCTION INDUSTRY TAX SCHEME (Scheme Reference 7.2)

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Bayard Place. This can then be added to the list and will mean that the firm can carry out work for any school on City Council property.

(d) Do not place an order for work until you know that a valid certificate has been presented.

### 18.3 Category B schools - Non-bank account

18.3.1 No other responsibilities under the scheme provided that all payments for construction work are made by the City Council.

18.3.2 **You should not therefore make any payments for construction work from your imprest or extended imprest account.**

### 18.4 Category A Schools - Bank Account

(a) Schools making payments to sub-contractors

18.4.1 If your school makes any payments for construction work you will have to operate the scheme fully. The Inland Revenue regards the Council as a "multiple contractor". Under this arrangement your school will receive a separate reference number, forms and vouchers together with guidance notes on how to operate the scheme [currently booklet IR14/15 (CIS)].

18.4.2 In brief you will have to carry out the requirements for all schools set out in 16.2 above, plus:

- Deducting tax from payments made to holders of CIS4 certificates
- Making monthly returns in respect of payments made to holders of all types of certificate,
- Including paying over any tax deducted
- Making annual returns for payments made under each type of certificate

18.4.3 It is not compulsory for you to advise the Council if you have inspected the certificate for a firm that is not in the Council's list. However, this is strongly recommended, as it will avoid the need for the firm to present the certificate again if it does work for another school or Council building.

18.4.4 You may have a local builder who you wish to carry out work for your school, and this builder does not have a certificate. In this case you should advise the builder to seek registration. This should not be a difficult process. "To obtain Registration Cards [Certificate CIS4] they need only complete a form, supply a photograph, and attend an identity check" (Inland Revenue).

18.4.5 Remember that if the bill for the work is being paid by the Council (for example, if Corporate Services have arranged it on your behalf), then the tax deduction vouchers and forms will be dealt with by the Council, not by the school. The school's payment is to the Council not to the sub-contractor.

## SECTION 18: CONSTRUCTION INDUSTRY TAX SCHEME (Scheme Reference 7.2)

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### (b) Schools that make no payments directly to sub-contractors

18.4.6 It is possible for a school to ensure that the Council makes all of its payments for construction work. This may be particularly useful if a school has most of its construction work done through Property Services with just a handful of other direct payments. In such cases you may feel that it is not worth being registered separately. The procedure for dealing with these payments is summarised in Annex 2. This procedure is available for any Category A school, but it only works if **all** construction payments are dealt with in this way.

### 18.5 Contact Points

18.5.1 For queries about the scheme, including whether a firm has presented a valid certificate, call Jill Reinis on 742037 or Pat Hutchison on 742038.

18.5.2 The definition of 'construction work' is not always clear from the Guidance Note (Annex 1). In such cases:

<b>Type of School</b>	<b>Contacts</b>
Category B Schools	{ Jill Reinis (01733 742037), or
Category A Schools – All Payments via PCC (16.4.6 above)	{ Pat Hutchinson (01733 742038)
Category A Schools – Operating the scheme locally	Inland Revenue contact supplied in information pack.

## SECTION 18: CONSTRUCTION INDUSTRY TAX SCHEME (Scheme Reference 7.2)

### ANNEX 1

#### The scope of construction operations

Remember that private householders are not 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 he will have to operate the Scheme on payments made to you.

The list gives some guidance on which types of construction work are within the scheme and which are not. If a contract includes some work which is within and some outside the scheme then all payments made under that contract will be caught by the scheme. The list is not exhaustive - if you are unsure whether work is within the scope of the legislation, contact your Tax Office.

OPERATIONS INCLUDED	OPERATIONS EXCLUDED
<b>PLANNING</b> None.	
<b>SITE PREPARATION</b> Demolition of, for example, building structures, tree-felling.  Preparation of site and site clearance, earth moving on site, excavation, tunnelling and boring.	Delivery of materials.  Transport of spoil from site.
<b>CONSTRUCTION</b> Preparation, 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 forming part of the land. For example: - storage tanks - silos - pylons - cranes or derricks - Pumps.  Installation of systems of fire protection designed to protect the fabric of the building (such as sprinkler systems, fireproof cladding) rather than a fire warning (alarm) system.	Manufacture or off-site 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.  Installation of fire alarms, security systems specifically including burglar alarms, closed-circuit television as part of a security system, and public address systems.

**SECTION 18: CONSTRUCTION INDUSTRY TAX SCHEME (Scheme Reference 7.2)**

<b>OPERATIONS INCLUDED</b>	<b>OPERATIONS EXCLUDED</b>
<b>CONSTRUCTION CONTINUED</b>	
<p>Installation of pre-fabricated components or equipment under 'supply and fix' arrangements.</p> <p>Installation of power lines, pipelines, gas mains, sewers, drainage, cable television and telecommunications distribution systems.</p> <p>Installation of public services.</p> <p>Installation of closed-circuit television for purposes other than security (such as traffic management).</p> <p>Transport of materials on site.</p> <p>Construction of site facilities.</p> <p>Construction, repair and resurfacing of roads and bridges. Including white lining.</p> <p>Provision of temporary and permanent roadways and other access works such as drives.</p> <p>Erection or dismantling of scaffolding, falsework and formwork.</p>	<p>The installation or replacement of telecommunication or computer wiring through pre-existing ducting in buildings.</p> <p>Transport of materials from site to site on the public highway.</p> <p>Manufacture and delivery of pre-fabricated site facilities.</p> <p>Running of site facilities such as canteens, hostels, offices, toilets and medical centres.</p> <p>Delivery of road-making materials.</p> <p>The hire of scaffolding equipment (without labour).</p>
<p>Plant hire with operator for use on site.</p> <p>Internal Cleaning of buildings and structures carried out in the course of, or on completion of, their construction, alteration, extension, repair or restoration.</p> <p>Work done on installations (such as rigs, pipelines, construction platforms) maintained or intended to be established for under-water exploration for, or exploitation of, minerals Where the work is on land or in the UK territorial waters (up to the 1 2 mile limit).</p>	<p>Delivery, repair or maintenance of construction plant or hire equipment without an operator. For example, concrete mixers, pumps and skips.</p> <p>Assembly of temporary stages and exhibition stands, including lighting.</p> <p>External cleaning (other than painting or decorating) of buildings and structures.</p> <p>Drilling for, or extraction of, oil or natural gas.</p> <p>Extraction of minerals, boring or construction of underground works for this purpose.</p>
<b>OPERATIONS INCLUDED</b>	<b>OPERATIONS EXCLUDED</b>

**SECTION 18: CONSTRUCTION INDUSTRY TAX SCHEME (Scheme Reference 7.2)**

<p>Installation of systems of heating, lighting, air conditioning, ventilation, power supply and distribution, drainage, sanitation, water supply and distribution, and fire protection works.</p> <p>Installation of lifts, plant, or machinery needed by the specification of a building under construction or alteration.</p> <p>Installation and repair of industrial plant.</p>	<p>Manufacture, delivery, repair or maintenance of these items.</p> <p>Servicing, repair or maintenance of these items.</p>
<b>FINISHING OPERATIONS</b>	
<p>Site restoration and landscaping.</p> <p>Installation, structural repair and painting of lamp standards, traffic lights, parking meters and street furniture.</p>	<p>Tree planting and felling in the ordinary course of forestry or estate management.</p> <p>Manufacture and delivery of lamp standards. Routine maintenance such as cleaning and general replacement.</p>
<p>The construction of concrete and marble floors and the fitting of flooring (but not carpets), including linoleum, where required by the specification of a building under construction, alteration or repair.</p> <p>The fitting of mesh to buildings for protection from damage by pigeons.</p> <p>The fitting of eye bolts, whether internal or external.</p> <p>Installation of</p> <ul style="list-style-type: none"> <li>- double glazing</li> <li>- computer and instrumentation systems</li> <li>- thermal insulation materials</li> <li>- heating and ventilation systems</li> <li>- doors and rolling grills including the work of locksmiths</li> <li>- kitchens and bathrooms</li> <li>- shop fittings, including refrigeration units and fixed furniture (except seating)</li> </ul> <p>Painting and decorating the internal or external surfaces of any building or structure.</p>	<p>Manufacture off-site and delivery of flooring materials.</p> <p>Manufacture and delivery of</p> <ul style="list-style-type: none"> <li>- glazing materials</li> <li>- computer and instrumentation systems</li> <li>- thermal insulation materials</li> <li>- heating and ventilation systems</li> <li>- doors and rolling grills</li> <li>- painting or decorating materials</li> </ul> <p>Manufacture, delivery and installation of seating, blinds and shutters.</p> <p>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).</p> <p>Manufacture and installation of solar, blackout or anti-shatter film.</p> <p>Sign-writing and erecting, installation and repair of signboards and advertisements.</p>





## SECTION 19: INSURANCE (Scheme Reference 10.1)

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### 19.1 Introduction

Under the Scheme for Financial Management of Schools the City Council will continue to procure and administer insurance cover for Peterborough's schools although schools may choose to make their own insurance arrangements. Schools are required to demonstrate that the policies held by them cover at least the minimum insurance requirements.

If any governing body chooses to arrange its own insurance cover separately from Peterborough City Council, the Local Authority will require the school to be able to demonstrate that the policy cover arranged by the school is at least equal to the relevant minimum cover prescribed by the LA in the Scheme for Financial Management of Schools. In order to comply with this obligation the school should supply to the LA, within seven days of request, copies of insurance policies, endorsements, cover notes, premium receipts and other documents necessary to evidence that such policies are fully maintained and have been continuously in force.

It is for each governing body to determine the actual risk that might reasonably be expected to arise at the school in question and arrange suitable insurance policy indemnities, as it deems appropriate. The Local Authority reserves the right to inform the governing body if, in its opinion, the insurance arrangements made by the school do not meet the minimum requirements set down in the Scheme for Financial Management of Schools. In these circumstances the governing body should procure such additional insurance cover notified by the LA, in writing, within 30 days of the date of notification. In the event that the governing body fails to obtain the required insurance cover the LA may obtain insurance indemnities on behalf of the school and the LA and shall deduct the cost of the insurance from the school's budget distribution as a first charge.

19.2 Where the LEA arranges insurance on behalf of a school the policies are held in the joint names of Peterborough City Council and the Governing Body. Details on the cover provided to schools using Peterborough City Council's Insurance Services are provided directly to each school. All insurances arranged by Peterborough City Council meet all the minimum requirements detailed in section 19.4 below.

19.3 For more information on any insurance issue please contact the Loans and Insurance Section, Strategic Resources Department ☎ (01733) 742053.

19.4 It is for each governing body to consider precisely what insurance cover is appropriate for its school's needs. However, the LA has determined that schools should maintain minimum levels of insurance as set out below:

19.4.1 The governing body shall at all times maintain in force policies of insurance to the satisfaction of the Local Authority. The policies must indemnify Governors, Trustees, the Local Authority, any person under a contract of service or apprenticeship and work experience & similar schemes, voluntary workers, persons co-opted, seconded or assisting the Governing Body or Staff at the school.

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19.4.2 The governing body shall as a minimum obtain insurance cover with reputable insurers or underwriters approved by the Local Authority as follows:

- a) buildings and contents of the school to the full reinstatement / replacement value against catastrophic damage and attritional losses by comprehensive perils and consequential losses arising from damage sustained.
- b) employers' and public liability in the sum of £20 million any one incident.
- c) as required by statute for any vehicle being used by the school in respect of the school's business or with the governors' permission.

19.4.3 The Local Authority has investigated which insurers or underwriters may offer cover and services to schools and has formulated the following approved list. All of the companies and underwriters rated by the Standard & Poors Credit Rating Agency at B- and above and those mentioned below specifically are deemed as approved suppliers.

ACE Europe.  
AIG Europe (UK) Ltd.  
Allianz Cornhill including Allianz Cornhill Engineering  
Aspen Insurance  
AXA Global Insurance PLC.  
Brit Insurance Group  
Chaucer Motor Policies  
Chubb Insurance Co of Europe.  
D. A. Constable Insurance  
DAS Legal Expenses Insurance Co Ltd.  
Ensign Motor Policies at Lloyd's  
Ecclesiastical Insurance Group.  
Groupama GAN / GAN Insurance Co Ltd.  
Haughton Engineering Group.  
Lloyd's Underwriters.  
Munich Reinsurance Company  
Norwich Union PLC.  
Pool Re.  
QBE Insurance  
Royal & SunAlliance Insurance Group PLC.  
St Paul International Insurance Co Ltd.  
Zurich Insurance / Zurich Municipal.

19.4.4 The Local Authority is willing to consider including other insurers and underwriters on its approved list. If schools wish to nominate alternative insurance carriers, details should be sent to the Director of Children's Services in order that their suitability may be assessed before a school enters into any contract.