

GUIDE TO

FINANCIAL PROCEDURES

IN MAINTAINED SCHOOLS

Additional and detailed guidance on specific matters and protocols e.g. financial year end closedown procedures, budget guidance, surplus balances reporting, VAT accounting, CFR coding, as well as reporting templates for schools, are available on the [Bradford Schools Online](https://bso.bradford.gov.uk/Schools/Home.aspx) website. The [latest news and updates](https://bso.bradford.gov.uk/Schools/CMSPage.aspx?mid=1780) and [guidance](https://bso.bradford.gov.uk/Schools/CMSPage.aspx?mid=192) pages are good reference point for schools. Schools should regularly access these pages.

The DfE’s checklist guidance on the [Schools Financial Value Standard](https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs) is also a good wider reference point for maintained schools to use to assess their processes and procedures against minimum and best practice. As are the [DfE’s Schools Resource Management](https://www.gov.uk/government/collections/schools-financial-health-and-efficiency) webpages.

This guide should be read in conjunction with the information provided on Bradford Schools Online as well as the City of Bradford’s Scheme for Financing Schools, which can be downloaded [here](https://bso.bradford.gov.uk/Schools/CMSPage.aspx?mid=191).

The Financial Regulations for Maintained Schools, referred to throughout this guide, can be found at the back of this document (Appendix 1).

The Schools Contract Standing Orders, referred to throughout this guide, can be found at the back of this document (Appendix 2).

Additional guidance on the financial management of extended activities can also be found at the back of this document (Appendix 3).

**Guide to Financial Procedures in Maintained Schools**

**1 Financial Monitoring Requirements**

**2 Financial Management & Administration**

**3 Cash & Banking Arrangements**

**4 Financial Systems**

**5 Strategic & Financial Planning**

**6 VAT & Other Taxation**

**Appendix 1**

Financial Regulations for Maintained Schools

**Appendix 2**

Schools Contract Standing Orders

**Appendix 3**

Additional Guidance on Managing Out of School Activities

**FINANCIAL SUPPORT SERVICES**

The following main financial support services are provided free of charge for the benefit of all Local Authority maintained schools:

* Monthly cash advances into school bank accounts and monthly reimbursement of VAT costs incurred by schools.
* The provision of ledger reports on a monthly basis.
* Guidance on year-end closedown procedures (on consolidating schools’ records within the Local Authority’s year-end accounts in accordance with statutory requirements).
* Completion of annual “Section 251” Budget and Outturn (CFR) reporting. These are statutory returns required by the Department of Education (DfE).
* Processing and approving applications for deficit budgets and for the carry over of ‘excess’ surplus revenue balances.
* Induction training covering all major aspects of financial management for newly appointed headteachers and school financial managers.
* Assistance with resolving items, which have been incorrectly coded by the Local Authority to the school’s ledger cost centre (as seen on the monthly ledger schedules).
* Monitoring schools’ financial performance against the Governing Body approved budget and engaging in discussions with the schools where outturn projections are showing significant variances against budget.
* Provision of this Guide to Financial Procedures in Schools and regular updates of other financial procedures documents and guidance.
* Provision of Bradford-specific maintained schools financial benchmarking information to support schools in budget review and setting.
* Provision of a Light Touch Financial Monitoring (LTFM) scorecard on a termly basis.
* Signposting on Bradford Schools Online of important announcements on, and changes, in school funding and financial management.

**Summary to each section ‘must and should’**

**Section 1**

**FINANCIAL MONITORING REQUIREMENTS**

* The school **must** submit budget and monitoring reports to the Local Authority in the format and by the set dates as prescribed in the Scheme for Financing Schools.
* The Governing Body **must** comply with the requirements placed by the Authority’s supplementary protocols that are also defined in the Scheme: the Financial Classification of Maintained Schools, the Light Touch Financial Monitoring Scorecard, the Deficit Budget Protocol and the Surplus Balances Protocol, as well as any specific additional requirements that may be placed on individual schools school by the issue of a Notice of Concern.
* All financial reports to the Local Authority **must** be presented in Consistent Financial Reporting (CFR) format and on an accruals basis. \*
* Earmarked and ring-fenced funds **must** be spent on the purposes for which they are given. Schools **must** comply with specific reporting requirements for specific funds e.g. Pupil Premium Grant and PE and Sports Premium.
* The Governing Body (including in its committees) **must** receive clear, concise monitoring reports of the school’s budget position at least 3 times a year (typically at the end of quarter 1, quarter 2 and quarter 3). Within the Schools Financial Value Standard, the DfE recommends that the governing body (including in its committees) receive monitoring reports at least 6 times a year.
* The Governing Body **should** undertake a regular and systematic review of actual performance against budget. As a minimum, the Governing Body **should** compare annually the school’s year-end outturn with the school’s budget and monitoring reports for that year in order to review the accuracy of budgeting and monitoring and to learn from this going forward.
* The Governing Body **should** develop a financial information reporting (budget management) system that is more detailed than the Consistent Financial Reporting (CFR) summary-level headings required to be reported to the Local Authority.

\* The Local Government financial year runs from 1 April to 31 March. Through the course of the financial year, the Local Authority’s accounts are kept on a receipts and payments basis i.e. on a cash basis. At the year-end, the Local Authority is legally required to produce revenue accounts and a balance sheet. In order to do this, the Authority has to convert the accounts to an income and expenditure (accruals) basis. This is achieved by taking into account what the Authority owes to creditors (liabilities) and what debtors owe to the Authority (assets). As required by the provisions within the Scheme for Financing Schools, all schools maintained by the Local Authority i.e. community, voluntary aided and controlled, foundation, trust, community special or foundation special schools must comply with the Local Authority’s requirements for the preparation of year end accounts.

**Summary to each section ‘must and should’**

**Section 2**

**Financial Management & Administration**

**FINANCIAL PLANNING**

* The Governing Body **should** establish a formal budget process and timetable to ensure that all budget options, opportunities and risks are considered and assessed regularly.

**ORGANISATION**

* The Governing Body **should** ensure that there is a clear organisational structure and clear definition of the relative responsibilities of the Governing Body and school staff in financial management. Lines of reporting should also be clear.

**RESPONSIBILITIES**

* The Governing Body **must** complete the Schools Financial Value Standard (SFVS) on an annual basis and should keep a record of the evidence it has used to assess its response and of the process through which the Governing Body has determined its responses.
* The Governing Body **must** comply with the additional requirements established following the DfE’s [transparency reforms](https://bso.bradford.gov.uk/content/school-financial-procedures). This includes the management, recording and reporting of Related Party Transactions. This also includes the publication on the school’s website of a link to the school’s page on the national benchmarking website and of information regarding the number of employees paid more than £100,000 a year.
* The Governing Body **must** reply within 2 weeks to any Local Authority audit report received giving their response to the report’s recommendations.
* The Governing Body **should** ensure that there are no matters outstanding from audit reports or from previous considerations of weaknesses (including identified within the SFVS).
* The Governing Body **should** consider the extent to which it wishes to delegate its powers to the Headteacher and should keep a record of its Scheme of Delegation. This scheme should be reviewed at least on an annual basis.
* The Governing Body **should** issue clear written instructions to staff on their financial responsibilities.

**PERSONNEL**

* The Governing Body **should** regularly consider the financial expertise of the Headteacher and other school staff and what training is needed to support them.
* The Governing Body **should** regularly review the level of financial skill of its members and whether this is adequate to fulfil its role of challenge and support in the fields of budget management and value for money.
* The Governing Body **should** consider contingency arrangements that would be put in place were specialist finance staff absent.
* The Governing Body **should** consider the use of external professional support services where these will demonstrably secure value for money as well as provide an effective approach to a project, activity or solution.

**BUSINESS ETHICS**

* The Governing Body **must** establish a register, which lists for each member of the Governing Body and the Headteacher:

(i) Any business interests they or any members of their immediate family have.

(ii) Details of any other educational establishments that they govern.

(iii) Any relationships between school staff and members of the Governing Body.

* The Governing Body **must**:

1. Ensure that the register is kept up to date with notification of changes and through annual review of entries.
2. Make the register available for inspection by governors, staff and parents, and the authority.
3. Publish the register, for example, on a publicly accessible website.

* The school **must** publish details of the structure and responsibilities of the Governing Body and its committees.
* The school **must** abide by the Public Accountability Requirements as stated in the Financial Regulations for Maintained Schools.
* The school **must** ensure that there are adequate arrangements in place to manage related party transactions.

**SEGREGATION OF DUTIES**

* As far as possible, the Governing Body **should** ensure that different persons carry out the placing of orders, receiving of goods and certification of payment for them.

**AUTHORISATION & SUPERVISION**

* Authorisation limits for signing orders and certifying payments **should** be set and documented.

**DOCUMENTATION**

* The school **must** ensure that all prime financial records kept in school are retained for the minimum period required by law.
* The Governing Body **should** document all aspects of its financial arrangements. The school should have written procedures for purchasing goods and services. These procedures **must** comply with the Authority’s Schools Contract Standing Orders.

**REVIEW**

* The Governing Body **must** complete the Schools Financial Value Standard on an annual basis. This includes the completion of the dashboard element of the self-assessment tool. The Governing Body should act on its SFVS conclusions.
* The Governing Body **should** undertake a regular and systematic review of actual performance against budget.
* The Governing Body **should** undertake a regular and systematic review of the extent of the school’s compliance with the statutory requirements set out in the Scheme for Financing Schools, the Financial Regulations for Maintained Schools and the Schools Contract Standing orders, as well as the best practice guidance presented in this Guide.
* The Governing Body **should** ensure that the school seeks economy, efficiency and effectiveness in utilising its resources, and maximises value for money, including in its purchasing of goods and services.

**Summary to each section ‘must and should’**

**Section 3**

**CASH AND BANKING ARRANGEMENTS**

* The Governing Body **must** only hold School bank accounts with the banks, and on the terms, permitted by the Scheme for Financing Schools.
* The School **must** nominate 3-5 people to be authorised signatories. 2 of these must be the Headteacher and Deputy Headteacher. Authorised signatories must either be an employee of the Local Authority or of the School.
* Cheques **must** be signed by 2 authorised signatories.
* The school **must** complete a bank reconciliation return at least each quarter (unless required by the Local Authority to provide these monthly) and submit these to the Local Authority by the prescribed dates.
* The school’s enabling account **must not** be overdrawn and must not have an overdraft facility.
* Authorised signatories **should not** have access to blank cheques or prepare cheques for signature.
* Credit card use **must** be controlled. Credit cards must not be used to facilitate unauthorised and / or inappropriate purchases. The balance held on credit cards must be paid off each month.
* The school **must** maintain adequate records relating to standing orders, direct debits and BACS payments.
* The school **must** prepare cash flow forecasts and monitor cash balances.
* The school **should** make use of normal credit terms.
* A school using internet banking **must** ensure that the same level of control is in place as with ‘conventional’ banking.

**Summary to each section ‘must and should’**

**Section 4**

**FINANCIAL SYSTEMS**

**ACCOUNTING SYSTEMS**

* The Governing Body **must** ensure that the school operates an accounting system that is adequate and properly run and delivers accurate reports, including the annual Consistent Financial Reporting return.
* The Governing Body **must** ensure that all voluntary or private funds are managed separately from Local Authority funds and are subject to annual audit. Audited statements must be submitted annually to the Authority.
* The Governing Body **must** ensure that they comply with the procedures set out in the Financial Regulations for Maintained Schools for the establishment and management of school companies.
* The Governing Body **must** ensure that all specific and additional requirements for financial year end, that are set on the school by the Local Authority, are adhered to.
* The Governing Body **must** ensure that they comply with the expectations set out in Appendix 3 to this Guide concerning the management of extended schools / community focused funds.
* The Governing Body **must** ensure that adequate arrangements are in place to guard against fraud and theft by staff, contractors and suppliers.
* The Governing Body **must** ensure that all school staff are aware of the school’s whistleblowing arrangements.

**PURCHASING**

* The Governing Body **must** abide by the Local Authority’s Financial Regulations for Maintained Schools and Schools Contract Standing Orders in all purchasing, tendering and contracting matters.
* The Governing Body must comply with the borrowing restrictions set out in the Scheme for Financing Schools.
* Before a Governing Body tenders for services currently provided internally by the school, by the Council or by a third party provider, it **must** obtain legal and financial advice in writing to ensure appropriate decisions are made and adequate safeguards are in place and must comply with the other requirements set out in the Financial Regulations for Maintained Schools.
* All orders **must** be on official order forms.
* The Governing Body **must** maintain a list of staff authorised to sign orders.
* Staff **must** evidence checks carried out on invoice before payment.
* The Governing Body **should** set a policy on returned goods.
* The Governing Body **should** review service level agreements, for performance and value for money, on a regular basis.
* The school **should** compare its non-staff expenditure against the [DfE recommended national deals](https://www.gov.uk/guidance/buying-for-schools) to ensure the school is achieving best value for money.
* The school **should** make use of normal credit terms.

**PAYROLL**

* Deductions for Tax, National Insurance and Superannuation **must** be made in accordance with current legislation and paid over by the due dates.
* Payments to workers **must** comply with IR35 Regulations.
* Staff **must** receive their pay on the due contractual dates.
* Control **should** be exercised through segregation of duties between payroll preparation, review and final approval of payment.
* School wishing to change their option to full budget share may only do so from the beginning of the financial year and **must** notify the Local Authority by 1 January.
* The Governing Body **must** make pay decisions in accordance with a pay policy reflecting clear performance criteria.
* The Governing Body **must** employ professional independent advice as part of the pay decision process in relation to the Headteacher.

**ASSETS**

* The school **must** maintain an inventory in compliance with the Financial Regulations for Maintained Schools.
* School property **should** be visibly marked as the property of the school and a physical check carried out each year.
* The Governing Body **should** have a policy for the disposal of assets.
* The Governing Body **should** have a policy on the loan of assets.
* The Governing Body **should** maintain its premises and other assets to an adequate standard to avoid future urgent need for replacement.
* The Governing Body **should** have an appropriate business continuity or disaster recovery plan.

**INCOME**

* The Governing Body **should** review charging policies annually.
* Income **should** be paid directly to the bank as soon as possible.
* All cash transactions **must** be properly documented and receipted, including transfers between staff.
* The Governing Body **should** establish a procedure for invoicing, collection and write off of any irrecoverable debt. Debt write off procedures **must** comply with the Financial Regulations for Maintained Schools.

**INSURANCE**

* The Governing Body **must** regularly review policies to ensure insurance cover is adequate.
* The school **should** ensure claims are made where appropriate.

**Summary to each section ‘must and should’**

**Section 5**

**STRATEGIC & FINANCIAL PLANNING**

* The Governing Body **must** set a well-informed and balanced budget each year. This should be informed by a medium / longer term school strategic plan.
* The Governing Body **must** make a forward protection of budget, including both revenue and capital funds, for at least 3 years, using the best information available about future funding, pupil numbers and pressures.
* The school **must** complete a deficit application as required by the Scheme for Financing Schools.
* The school **must** notify the Local Authority if there are any variations to the approved deficit budget.
* The Governing Body **must** benchmark its income and expenditure, including the school’s staffing and leadership structures, annually against similar schools, and investigate further where any categories appear to be out of line.
* School **should** link their strategic plans to their budgetary process to ensure that there is a clear and demonstrable link between the school’s budgeting and its plan for raising standards and attainment i.e. the school should adopt curriculum-led financing planning.
* The School **should** regularly review its staffing structure, including its leadership structure. This review should include benchmarking with other schools.
* The Governing Body **should** have a clear plan for using the money it plans to hold in balances (revenue and capital) at the end of each year.
* The Governing Body **should** consider regularly how the school could achieve greater value for money, including though collaboration with other schools.
* School staff **should** give the governing body the opportunity to challenge the school’s plans for replacing contracts for goods and services that are due for renewal or expiry.
* Schools **should regularly** check and use the financial / resource management tools and advice provided by the DfE on the [DfE’s Schools Resource Management](https://www.gov.uk/government/collections/schools-financial-health-and-efficiency) webpages.

**Summary to each section ‘must and should’**

**Section 6**

**VAT AND OTHER TAXATION**

* The school **must** comply with all VAT and other taxation calculation and recording requirements. Schools are responsible for the accuracy own records.
* The school **should** make use of the guidance by the Local Authority on taxation and should regularly check Bradford Schools Online for updates to this.

Section 1

**Financial Monitoring Requirements**

**1.1 Introduction**

**1.2 Budget Monitoring Returns**

1.2.1 Timetable of Requirements

1.2.2 Newly Operational Schools

1.2.3 Completion of Returns

1.2.4 Three Year Budgets

1.2.5 Application of Accruals Accounting to Schools

1.2.6 Accruals Accounting compared with Commitment Accounting

1.2.7 Year End Procedures

1.2.8 Earmarked and Ring-Fenced Funds

**Table A**

Timetable for Submission of Financial Monitoring Returns

**Appendix A**

Basic Cashflow Forecast Template

**Financial Monitoring Requirements**

**1.1 Introduction**

Local authorities are required to adopt a monitoring role towards their schools. This section sets out the Authority's approach to discharging this requirement. It provides guidance about the financial monitoring returns required by the Authority from all maintained schools in Bradford.

The financial relationship between the Local Authority and maintained schools in Bradford is set out in our Scheme for Financing Schools, introduced in sections 1 and 2. Section 2 of the Scheme outlines the reporting requirements placed on schools. The key provisions relating to budget / budget monitoring are:

*2.3 Submission of budget plans*

*Schools must submit to the Local Authority, an annual budget approved by the Governing Board by 15 May each year. The desirable format for the submission of the budget plan should, as far as possible, take account of the Consistent Financial Reporting framework. Schools must also submit draft "3 year" budgets detailing their provisional budget plan for the following 2 financial years, in a format prescribed by the Local Authority, by 30 June. Schools are required to take full account of estimated deficits and surpluses, at the previous 31 March, in this budget plan.*

*The Local Authority will provide to schools all the income and expenditure data it holds which is necessary to facilitate efficient planning by schools, and supply schools with an annual statement showing when this information will be available at times through the year.*

*2.3.1 Submission of Financial Forecasts*

*The authority may require schools to submit a financial forecast covering each year of a multi-year period.*

*2.1.2 Provision of financial information and reports*

*Schools are required to provide to the Director of Children’s Services or his/her nominee, quarterly monitoring reports and bank account reports, in formats determined by the Local Authority and in accordance with the following timetable:*

***Quarter One***

* *Budget monitor report with projected year end out-turn forecast*
* *Bank account receipts and payments for the period April - June with bank account reconciliation as at 30 June*

*by 31 July*

***Quarter Two***

* *Budget monitor report with projected year end out-turn forecast*
* *Bank account receipts and payments for the period July - September with bank account reconciliation as at 30 September*

*by 31 October*

***Quarter Three***

* *Budget monitor report with projected year end out-turn forecast*
* *Bank account receipts and payments for the period October - December with bank account reconciliation as at 31 December*

*by 31 January*

***Quarter Four***

* *Budget out-turn report with actual income and expenditure (i.e. including accruals)*
* *Bank account income and expenditure for the period January - March with bank account reconciliation as at 31st March*

*by 30 April \**

*(\* date set annually in the Authority’s year end closure guidance)*

**VAT returns**  *Monthly*

*However, the above timetable can vary if the Authority notifies the schools in writing, that in its view the school’s financial position requires more frequent submission e.g. the school is in its first year of operation or the school is due to close.*

*The restriction to a minimum 3 month interval does not apply to schools which are part of an on-line financial accounting system operated by the Local Authority.*

In summary, maintained schools are required to provide the Local Authority with income and expenditure monitoring reports a minimum of three times each year, and a year-end outturn report, all of these in formats determined by the Local Authority and in accordance with the timetable set out in the Scheme for Financing Schools*.* The Local Authority requires schools identified through the Financial Classification of Schools protocol to submit monitoring reports more regularly, normally monthly. In addition, the Local Authority may seek up-to-date information about current budget and actual expenditure levels at any time and may make other reasonable ad – hoc information requests.

Schools should therefore, establish procedures to ensure that accurate returns can be prepared and submitted to the Local Authority on a regular and timely basis.

A school’s own internal financial information requirements e.g. for reporting to Senior Leadership Team or governors, will be detailed, reflecting the many possible sub-headings, departments and cost centres between which funds may be allocated. Schools are however, required to submit information to the Local Authority and to the DfE in Consistent Financial Reporting (CFR) format.

The Local Authority reviews financial monitoring returns submitted by schools to ensure their financial viability and the proper use of public funds, within the framework of self-managing schools.

Monitoring submissions must be signed and dated by a representative of the school, which may be the Headteacher, Deputy Headteacher or equivalent, the school bursar, and any governor, including the Chair, but not an external bursar.

**1.2 Quarterly Budget Monitoring Returns**

**1.2.1** **Timetable of Requirements**

All maintained schools are required to submit financial monitoring returns to the Local Authority according to the timetable presented in the introduction to this section*.*

This monitoring information is required in addition to the information provided via the Bank Reconciliation returns, which are also submitted during the year by each school and which are used to update the Local Authority’s ledger.

Under certain circumstances schools, such as those categorised under the Financial Classification of Schools protocol for high levels of support or those that may be scheduled for closure, will be required to provide monthly monitoring reportsto the Local Authority. Such schools will be informed of this requirement.

**1.2.2 Newly Operational Schools**

The Local Authority will inform newly operational schools of any particular financial monitoring requirements.

**1.2.3** **Completion of Returns**

Copies of the standard budget and financial monitoring templates for schools to use are available on Bradford Schools Online (BSO) and are signposted through the latest news and updates page*.* Information on the allocation of income and expenditure to CFR codes is also provided within the [guidance](https://bso.bradford.gov.uk/Schools/CMSPage.aspx?mid=192) sections of the BSO website***.***

Budget monitoring forecasts should be completed on a consistent basis throughout the year. They should include all transactions and balances relating to the delegated budget managed by the school.

The final year end income and expenditure outturn statement is equivalent to a school's unaudited annual financial statement.

Monitoring Cash Flow Forecast - ***Appendix A***

A financial monitoring cash flow forecast should be completed on a cash accounting basis. This basis records only the movement of cash. Cash flow returns should include all cash balances related to the delegated budget from the Local Authority. Both current and deposit account balances, and any cash held at the school relating to public funds, should be included. Please see ***Section 3.4 Cashflow Management***.

Cash balances can fluctuate significantly. For a small minority of schools, these fluctuations may cause a short-term cash shortage mid-month although cash balances at the month-end may be in surplus. This could be the case where a significant number of payments are made by direct debit early in the month before Local Authority income is received. It is important therefore, that schools monitor their actual cash balances on a daily basis. Schools are requested to inform the Local Authority at the earliest indication of any potential short-term cash flow problems so that both the school and the Authority can ensure that the school does not become overdrawn at the bank.

**1.2.4 Three Year Budgets**

The Local Authority promotes, encourages and facilitates schools to plan financially beyond the current year.

Following the provisions within the [Scheme for Financing Schools](http://bso.bradford.gov.uk/Schools/CMSPage.aspx?mid=191), maintained schools are required to submit to the Local Authority by the 15 May a copy of their budget for the current financial year, which has been approved by the school’s Governing Body. The Scheme also requires schools to submit Predicted Budgets for the following two financial years by 30 June at the latest. Schools that are working towards conversion to academy status during the financial year, where conversion is planned to take place at a date after 30 June, are still required to submit Predicted Budgets.

The Local Authority provides a template for maintained schools to use to submit their budgets. This template is available on the Bradford Schools Online website.

The Local Authority also provides, separately each year, detailed guidance for schools to consider is setting their budget forecasts. This guidance is also available on Bradford Schools Online.

**1.2.5** **Application of Accruals Accounting to Schools**

Budget monitoring returns must be completed by schools on an accruals basis of accounting. The accruals basis is consistent with Generally Accepted Accounting Practice (GAAP), the principles of which are applied to all organisations adopting best accounting practice.

Accruals accounting requires that:

• Income is recognised at the point when it is due to (i.e. receivable by) the school, regardless of whether or not any cash associated with the transaction has actually been received and

• Expenditure is recognised at the point when the relevant goods and services are supplied, regardless of whether or not an invoice has been received or payment has actually been made.

Examples of this principle are shown below:

**Example one: Accruals Accounting Compared to Cash Accounting**

*A school's electricity bill for the period ended 28 February amounts to £3,000. The bill is received in March and paid in full in April. What is the effect on the annual Income and Expenditure Account for the year ending March?*

Since the bill relates to the period ending 28 February, the £3,000 cost must be recognised entirely within the year to March, regardless of not being paid until after the end of the year. Although cash was spent after the year, the supply was made in the year. Therefore, the liability will be recognised in the year by showing the amount owed to the electricity supplier as a creditor. At the financial year end this would be listed on the schedule of liabilities and the electricity expense will be included in the Income and Expenditure Account. The transaction would be recognised in the cash flow in April when the payment is made.

**Example two: Recognising Costs Prepaid**

*A school's annual maintenance contract for the year ended 31 January amounts to £12,000. The bill is received in February and paid in full in March. What is the effect on the Income and Expenditure Account for the financial year?*

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

Only £2,000 will be recognised in the Income and Expenditure Account, even though £12,000 has been paid. Therefore £10,000 of the bill will be set aside (prepaid) in the Balance Sheet, to the following financial year.

**1.2.6** **Accruals Accounting compared to Commitment Accounting**

Commitment accounting is based upon the principle of recording expenditure when the commitment is made i.e. when an order is placed. It is particularly relevant with “controllable” budgets such as repairs and maintenance and education equipment, since at all times the balance of budget available for further orders can be identified.

For example, if an item of equipment is ordered on 5 February but not delivered until 5 March, it is included as committed expenditure from 5 February, but only included as accrued expenditure from 5 March. The date of payment of the invoice does not affect this position.

**1.2.7** **Year End Procedures**

A school’s financial year end totals, which are consolidated into the Local Authority’s overall accounts, are based upon the accruals approach. During the year, both the school’s and the Local Authority’s accounts are kept on a receipts and payments basis i.e. on a cash basis. At the year end, accounts are converted to income and expenditure. This is achieved by taking into account what we owe creditors (liabilities) and what debtors owe us (assets). Further information on year end close down procedures and timetables are given to schools each year via publication on Bradford Schools Online.

**1.2.8 Earmarked or Ring-fenced Funds**

Earmarked or ring-fenced funds may be devolved to schools. These should be accounted for separately from the school’s delegated budget share. Guidance, including the purposes for which the funds may be used, will be provided by the Local Authority for each type of funding. Where a school does not fully spend earmarked or ring-fenced funds, the Local Authority will ask for the unspent balance to be returned.

Table A

**Timetable for Submission of Budget and Financial Monitoring Returns**

**Submission Financial Return**

**Date**

By 15 May Approved Budget for the current year

By 30 June 3 Year Budget Forecast

By 31 July Quarter 1 Budget Monitor

By 31 October Quarter 2 Budget Monitor

By 31 January Quarter 3 Budget Monitor*.*

Financial Year End reporting dates are set out separately in the Authority’s specific guidance.

**Appendix A**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **School** |  |  |  | **Cost Centre** | |  |  |  | **Annual Cash Flow** | | |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| ***year*** | April | May | June | July/Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar |  |
|  |  | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |  |
| 1. Opening Cash & Bank Bal |  |  |  |  |  |  |  |  |  |  |  |  |
| **Receipts Due:** |  |  |  |  |  |  |  |  |  |  |  |  |
| 2. Monthly Advances |  |  |  |  |  |  |  |  |  |  |  |  |
| 3.VAT Reimbursement |  |  |  |  |  |  |  |  |  |  |  |  |
| 4. Lettings |  |  |  |  |  |  |  |  |  |  |  |  |
| 5. Misc Income/Donations |  |  |  |  |  |  |  |  |  |  |  |  |
| 6. Grants/Projects |  |  |  |  |  |  |  |  |  |  |  |  |
| 7. Other Income (eg Care Club/Visits) |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **8. Total Funds Available (1 to 7)** |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Payments Due From Bank Acc** |  |  |  |  |  |  |  |  |  |  |  |  |
| 9. Payroll |  |  |  |  |  |  |  |  |  |  |  |  |
| 10. Supply Staff |  |  |  |  |  |  |  |  |  |  |  |  |
| 11 Development & Training |  |  |  |  |  |  |  |  |  |  |  |  |
| 12. Repairs & Maintenance |  |  |  |  |  |  |  |  |  |  |  |  |
| 13 Cleaning Contract |  |  |  |  |  |  |  |  |  |  |  |  |
| 14. Grounds Maintenance |  |  |  |  |  |  |  |  |  |  |  |  |
| 15. Water & Sewage |  |  |  |  |  |  |  |  |  |  |  |  |
| 16. Energy |  |  |  |  |  |  |  |  |  |  |  |  |
| 17 Rates |  |  |  |  |  |  |  |  |  |  |  |  |
| 18. Other occupation costs |  |  |  |  |  |  |  |  |  |  |  |  |
| 19. Learning Resources |  |  |  |  |  |  |  |  |  |  |  |  |
| 20. ICT resources |  |  |  |  |  |  |  |  |  |  |  |  |
| 21. Admin supplies |  |  |  |  |  |  |  |  |  |  |  |  |
| 22. Insurance premiums |  |  |  |  |  |  |  |  |  |  |  |  |
| 23. Special facilities |  |  |  |  |  |  |  |  |  |  |  |  |
| 24. Catering |  |  |  |  |  |  |  |  |  |  |  |  |
| 25. Professional Services |  |  |  |  |  |  |  |  |  |  |  | Appendix A(5) |
| 26. Direct Revenue Financing (RCCO) |  |  |  |  |  |  |  |  |  |  |  |
| 27. Grant Expenditure |  |  |  |  |  |  |  |  |  |  |  |
| 28. Other Expenditure (eg visits) |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **29. Total Payments (8 to 28)** |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Bal C/Fwd To Next Month (8 minus 29)** |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| Signed |  |  |  |  |  | Date |  |  |  |  |  |  |

Section 2

**Financial Management and Organisation**

**2.1 Introduction**

**2.2 Financial Objectives**

**2.3 Financial Planning**

2.3.1 Approach to Budgeting

2.3.2 Setting a Budget

**2.4 Financial Controls**

**2.5 Organisation**

2.5.1 Organisation Structure

2.5.2 Allocation of Budgets to Budget Managers

2.5.3 Reporting and Decision Making

**2.6 Responsibilities**

2.6.1 General

2.6.2 The Governing Body

2.6.3 The Finance Committee

2.6.4 The Headteacher

2.6.5 The Bursar/Finance Manager

2.6.6 Internal Audit

2.6.7 Other Staff

2.6.8 Formal Allocation of Responsibilities

**2.7 Personnel**

2.7.1 General

2.7.2 Financial Expertise

2.7.3 Training

**2.8 Business Ethics**

2.8.1 General

2.8.2 Register of Business Interests

2.8.3 Whistleblowing

2.8.4 Goods and Services for Private Use

**2.9 Segregation of Duties**

2.9.1 Principles of Segregation

2.9.2 Segregation in Practice

2.9.3 Role of Governing Body

**2.10 Authorisation and Supervision**

2.10.1 General

2.10.2 Delegation of Budgets

2.10.3 Post Authorisation Amendments

2.10.4 Authorisation by the Local Authority or Secretary of State

2.10.5 Authorisation Limits

2.10.6 Payroll Authorisation

**2.11 Documentation**

2.11.1 General

2.11.2 School Financial Procedures Manual

2.11.3 Computer-held Data

2.11.4 Retention of Records

**2.12 Review**

2.12.1 Principles of Review

2.12.2 Internal Reviews

2.12.3 Reports to Governors

2.12.4 Reports to Budget Managers

**2.13 Best Value**

**Appendix A**

Budget Responsibility record

**Appendix B**

Notification of the Appointment of a Chair of Governors

**Appendix C**

Pro-forma Register of Business Interests

**Appendix D**

Retention of Records to be held in School

**Financial Management and Organisation**

**2.1 Introduction**

These guidelines illustrate the procedures normally associated with sound financial management and administration within a school. The guidelines are not intended to be comprehensive, nor to prescribe particular systems of financial management. They do not override the Financial Regulations for Maintained Schools. They do, however, reflect a framework for the development of a sound system of financial management.

In practice, systems of financial management will vary according to the size, organisation and particular needs of each school. Nevertheless, sound management arrangements encompassing their school's assets, income, expenditure and use of resources, need to be developed by all governing bodies.

**2.2 Financial Objectives**

Comprehensive financial management consists of two main functions, financial planning and financial control, in order to achieve the financial objectives of the school.

Certain general financial objectives are defined in the Financial Regulations For Maintained Schools. These include:

1. to establish proper financial management arrangements and accounting procedures and maintain a sound system of internal controls, including safeguards against fraud.
2. to ensure the delegated budget is used for the purposes intended.
3. to ensure that the financial returns required under the terms of the Scheme for Financing Schools are made to the Local Authority.

The specific financial objectives of each school will incorporate all areas of influence affecting the operation of the school, including the school development plan. The resulting objectives should reflect the school's intentions towards the provision of the curriculum, including the provision and deployment of staff and educational equipment and the development and maintenance of the school site. The financial objectives should be prepared on a medium term basis to cover at least a three year period. These specific financial objectives may include such items as extending the provision of library facilities, the development of ICT provision or an improvement in the pupil/teacher ratio.

Due to the uncertainty of certain aspects of future financial plans, such as the income from lettings, donations etc. the financial objectives will need to reflect those uncertainties and allow for variations to be implemented and reflected in the financial plans as the variations occur.

**2.3 Financial Planning**

**2.3.1** **Approach to Budgeting**

In a delegated budget system, a financial plan should be prepared within the bounds of the financial and educational objectives. The budget should enable the responsibility for separate activities and functions to be delegated to appropriate persons. The delegation of budgetary responsibility should normally follow the management structure.

To provide a sound basis for budget preparation, the school should establish formal processes and timetables to ensure that all relevant financial and non-financial factors are considered and that information is available on a timely basis.

To aid budget preparation, the school should maintain both financial and non-financial (e.g. pupil and staff numbers) information. The information should be prepared consistently.

In budgeting, the governing body should bear in mind that:

1. final income figures may be either higher or lower than earlier figures.
2. appropriate action may need to be taken during the year to deal with variations between actual and budgeted income and expenditure.

The budget should therefore, be based on a hierarchy of assumptions and priorities, to facilitate changes of plans in reaction to changes in circumstances.

Due to the uncertainty of financial projections, and the probability that changes will be required to budgets during the year, it is good practice to include a contingency in the budget. The contingency can more readily be controlled where it is shown as a single explicit figure, usually in the form of an estimated surplus carry forward balance, rather than being spread across a number of budgets. The level of this contingency should be kept to a minimum and can be determined by reference to known possible elements, such as teachers' pay awards, and by experience gained over previous years. This experience will be gained from the process of reviewing actual expenditure against budget on a regular basis.

**2.3.2** **Setting a Budget**

The process of setting the school’s budget will involve the balancing of expenditure against income. The initial estimates may require re-allocation of income or alterations in expenditure in order to obtain a budget, which is either balanced or has a surplus carry forward balance that is not excessive.

Within this context, the principal steps involved in budgeting are

1. to ensure everyone involved in the process is aware of the assumptions, constraints and targets, which have been determined by reference to the school's financial objectives.
2. to estimate the costs of each element in the overall plan over at least a three year period.
3. to estimate future delegated budgets. Uncertainty, about future pupil numbers, and formula funding changes, is inevitable and assumptions need to be made about the future level of funding the school will receive based on the various factors which could influence it.
4. comparison of net expenditure and funding to identify the potential surplus or shortfall in funding required to meet the financial objectives in the school’s strategic plan.
5. identification of savings in expenditure in order to prepare a budget, which delivers the strategic plan if a shortfall is identified.
6. revision of the strategic plan once priorities have been identified to enable the preparation of a budget with reduced expenditure to match the expected budget.
7. allocation of any surplus identified to areas of need highlighted in the strategic plan.
8. to present the budget to the governing body for approval.
9. to inform those members of staff with financial responsibilities what their budgets are, together with any constraints imposed.
10. to inform all school staff of the financial aims of the school.

The steps involved in arriving at a final approved budget may have required a number of draft budgets to be developed, and discarded or amended, as part of the process.

**2.4 Financial Controls**

All effective financial management systems require a number of different types of controls, which govern the income, expenditure, assets and liabilities of the school. Controls are required in order to deliver the general financial objectives defined in ***Section 2.2.*** The key controls are:

1. Organisation
2. Responsibilities
3. Personnel
4. Business Ethics
5. Segregation of Duties
6. Authorisation and Supervision
7. Documentation
8. Review

Further advice on these controls is given in ***Sections******2.5-2.12****.*

**2.5 Organisation**

**2.5.1** **Organisation Structure**

The school should have a clearly defined organisational structure with identified lines of reporting for all operations. In order to carry out its responsibilities, the governing body may delegate decision-making powers to committees. It is considered best practice for the governing body to delegate the majority of its financial responsibilities to a finance committee.

The finance committee would then become responsible for ensuring that the school sets financial objectives, prepares a financial plan and initiates and maintains the necessary systems of internal controls.

The Headteacher will be responsible for the strategic financial management of the school, as described in ***Section 2.6.4***.

In addition, schools will usually need to appoint staff to work with the Headteacher on the school's financial management on a day-to-day basis. These staff may be appointed specifically for a financial role or may be a member of the staff who takes on a part-time role in financial administration. Further support may be purchased externally (e.g. a Bursar).

**2.5.2** **Allocation of Budgets to Budget Managers**

Dependent on the size of the school and the complexity of the budgetary system required, there will be a need to create cost centres in order to allocate budgets to budget managers. The responsibilities of each budget manager should be clearly defined and documented, including any spending thresholds that may be set. Please see***Appendix A.***

Key elements of the role are:

1. Authorisation of orders and confirmation of goods received within levels of delegated authority.
2. Monitoring and controlling expenditure against budget levels.
3. Identifying and reporting significant variances, as soon as possible.
4. Ensuring full compliance with the school’s financial procedures.

The budget manager will then become responsible for controlling expenditure within the relevant budget heading. The budget headings (CFR headings) on which schools have to report to the Local Authority are detailed in the budget and monitoring reporting templates that are provided by the Authority and are available on Bradford Schools Online. Schools may wish to break down their budgets in more detail. For example, dependent on the size and type of school, the educational supplies budget would be divided between subject or year co-ordinators.

The budget managers may divide their budgets between a number of budget holders, who will be responsible for all expenditure incurred against their budget. The budget holders would then be answerable to the budget manager who would monitor expenditure incurred by each budget holder.

In considering additional and more detailed budget headings, it is important that the budget responsibility aligns with the school’s management structure.

**2.5.3** **Reporting and Decision Making**

Prompt, accurate and up-to-date financial information should be readily available at the appropriate levels within the organisation. To achieve this, the school will require clearly defined and properly used channels of reporting to the finance committee and governing body.

These arrangements should encourage regular interaction between the school's financial and non-financial operations and activities. There should be prompt exchange of information to support decision-making on a sound and timely basis. Management will be more effective if management responsibilities and financial responsibilities are aligned.

**2.6 Responsibilities**

**2.6.1** **General**

The responsibilities of the governing body and school staff should be clearly defined and allocated.

**2.6.2** **The Governing Body**

The Scheme for Financing Schools makes clear the governing body's responsibility for:

1. Planning and conducting its affairs to remain solvent.
2. Establishing proper financial management arrangements, accounting procedures and maintaining a sound system of internal controls.
3. Ensuring that funding from the Local Authority and any other sources is used only in accordance with its conditions.
4. Providing such information as the Local Authority may reasonably require to satisfy the Local Authority that the financial management and organisation of the governing body are such as to enable it to fulfil the obligations specified for it.
5. Completing the Schools Financial Value Standard on an annual basis.

The DfE has published a [handbook and competency framework](https://www.gov.uk/government/publications/governance-handbook), which sets out responsibilities more fully.

**2.6.3** **The Finance Committee**

The finance committee is non-statutory. The governing body is able to determine its individual requirements and to delegate its financial responsibilities to one or more committees if desired.

In schools where a finance committee is established, the governing body will define terms of reference for the committee and the extent of its delegated authority. The finance committee minutes should be reported to the governing body.

Committees created by the governing body can include members who are not governors. This may enable some schools with limited financial expertise on the governing body to invite suitably qualified individuals to serve on committees.

The requirement for meetings may vary between schools and throughout the year due to financial matters requiring the committee's attention, such as capital projects or the setting of the annual budget. In any event, the finance committee should meet at least termly.

Terms of reference for the finance committee would typically include:

1. The recommendation of the annual budget to the governing body including the delegation of the budget responsibilities to budget managers.
2. The regular monitoring of actual income and expenditure against each budget and revised forecast for the year.
3. The awarding of contracts by tender up to a specified limit.
4. Reviewing reports by Internal Audit as to the effectiveness of the financial procedures and controls.
5. Oversight and review of the school’s Schools Financial Value Standard assessment.
6. Monitoring of Pupil Premium Grant and other earmarked or ring-fenced funds.
7. Monitoring of the financial performance of e.g. before and after school clubs.
8. Oversight of voluntary or private accounts, including the annual audit of such.

**2.6.4 The Headteacher**

The Scheme for Financing Schools sets out how the governing body should consider the extent to which it wishes to delegate its powers to the Headteacher. This is known as a ‘Scheme of Delegation’. Where such delegation is agreed, the decision (and any revisions to this) should be recorded annually in the minutes of the governing body. Powers, which the governing body may want to consider delegating include:

1. The management of the school's financial position at a strategic and operational level.
2. The management of effective systems of internal control.
3. The management of other financial issues.

The Headteacher has overall executive responsibility for the school's activities, of which financial activities are clearly a part. The Headteacher is therefore, considered by the Local Authority to be the person with overall responsibility to the governing body for the financial management of the school. The Headteacher should ensure that the governing body is provided with financial advice, that proper and adequate financial systems and controls are in place and that accounts are prepared and maintained as required by the governing body or by the Local Authority. In practice, the Headteacher will often delegate much of the financial management to a Business or Finance Manager, whilst retaining ultimate responsibility.

**2.6.5** **The Business or Finance Manager**

The ‘Business’ or ‘Finance’ Manager is a generic description for a specific responsibility, which may be discharged by a specific individual in that post, other members of the school staff and/or a service bought from an external provider. The arrangements will vary according to the size and circumstances of individual schools, and dependant on whether the school employs its own staff or purchases a service from another provider. The Finance Manager is responsible for providing financial advice to the Headteacher. Where schools employ their own Finance Manager, they may have delegated financial responsibilities e.g. for the premises, central services and other costs budgets and as such should form part of the management structure of the school.

It is essential that the governing body ensures that the Finance Manager is suitably qualified, has sufficient resources to carry out the function and should not be subject to time constraints, which may affect their ability to discharge their financial responsibilities effectively.

**2.6.6 Internal Audit**

All maintained schools are subject to the internal audit arrangements of the Authority as stated within the Scheme for Financing Schools and the Financial Regulations for Maintained Schools.

The internal audit of schools is undertaken by the Authority’s Internal Audit Team. This service is funded by the Authority and its capacity is deployed by the Authority. Any additional audit work commissioned by the governing body from either the Authority or another provider must be funded from the school’s delegated budget.

The Authority’s primary audit process for schools assesses the extent to which financial risks within the school are adequately controlled against a programme of key procedures and controls expected to be in operation, in accordance with Regulations, procedural guidance and best practice advice.

Each school will be informed in advance of a planned audit visit, usually towards the end of the half term prior to the half term in which the audit is to take place. Initial contact will be made with the Headteacher, who at this time will be asked to provide by an agreed date some preliminary information including the provision of certain copy financial records and prints. This allows the auditor to be aware of the financial arrangements operating at the school and to undertake some initial evaluation of the adequacy of the systems and controls in operation prior to visiting the school. The auditor will also write to the school’s Chair of Governors at this time to advise them that an audit is to take place and giving a brief outline of the process.

Either at the time of the initial contact or following receipt of the preliminary information, specific arrangements will then be agreed with the Headteacher and or Bursar/Administrator for the dates that the auditor will actually visit the school. The auditor will try to ensure that the minimum of disruption is caused at a school, wherever possible ensuring that visits are agreed for a time suitable to the school, work is completed on consecutive days and the visit does not coincide with those of other monitoring groups. Audits will normally be undertaken by one auditor and may take up to three days, depending upon the type of audit and size of the school.

At the start of the audit work at the school, the auditor will usually need to hold some initial discussions with the Headteacher and/or Bursar/Administrator to answer any queries and explain the actual work to be undertaken. The work will involve observation and testing of procedures and records, and discussions with staff at the school. When the audit work at the school is completed, opportunity will be given at this stage for the Headteacher and/or the Bursar/Administrator to discuss and comment on audit findings with the auditor.

Normally within two to three weeks of the audit visit, a draft audit report will be prepared and sent to the Headteacher. This draft report will give an overall opinion of the standards of financial control operating at the school and the extent to which risks are mitigated, together with the detailed findings of the audit. The report will identify both the areas, which are operating satisfactorily, as well as any areas of concern. In the case of areas of concern, appropriate recommendations will be made. The Headteacher will be requested to confirm that the findings of the report are factually accurate and to provide a management response to any recommendations given. If either the auditor or the Headteacher feel it appropriate, a post audit meeting will be arranged to discuss issues raised within the draft report.

If clarifications are required on any of the issues raised in the audit report, or serious concerns are expressed, the auditor can be invited by the governing body to attend an appropriate meeting.

Following confirmation of the accuracy of the findings, and receipt of a management response to each recommendation, a final report incorporating the responses will be issued to the Headteacher and Chair of Governors together with other recipients from Children’s Services and Finance as determined by the Strategic Director for Children’s Services and the Director of Finance.

A “client feedback form” will also be included within the final report to the Headteacher, which seeks their view of the audit. Feedback is used to improve the audit process. Internal Audit will always address any “poor” feedback given, and will be keen to discuss this with any school that feels that this category of feedback is necessary.

Whilst the emphasis of this section is about audit of a school’s delegated financial activities, it should be noted that, from time to time, audit work may be undertaken at a school in relation to Local Authority strategic or other support activities.

A known or suspected irregularity should be reported to the Internal Audit Team at any time as required under the Financial Regulations for Maintained Schools. Following any report, a course of action will be agreed with the Headteacher or governing body. This may require investigation to be undertaken by the Internal Audit Team.

**2.6.7** **Other Staff**

All members of staff are responsible for the security of school property, for avoiding loss or damage, for ensuring economy, efficiency and effectiveness in the use of resources and for complying with the school's financial procedures.

**2.6.8** **Formal Allocation of Responsibilities**

The governing body should issue clear directions to the Headteacher, Bursar/Finance Manager and any additional financial staff on their respective responsibilities for financial affairs. This is essential for sound financial controls and should take the form of written directions. Failure to formally allocate responsibilities can create a vacuum in important financial areas.

**2.7 Personnel**

**2.7.1** **General**

The appointment of staff should be made with due regard to the qualifications and capabilities commensurate with their duties and responsibilities. Inevitably, the proper functioning of any system depends on the competence and integrity of those operating it. The qualifications, experience and personal qualities of those involved with financial arrangements are important features of a control system.

Consequently, the governing body should establish procedures to ensure that:

1. Personnel are competent, suitably qualified and trained to perform at a level commensurate with their responsibilities.
2. Clear statements of criteria for personnel selection and formal job descriptions are maintained.
3. The finance staffing levels are adequate.
4. There are effective arrangements to deal with the absence of key financial personnel.

**2.7.2** **Financial Expertise**

The governing body should consider carefully what sort of financial expertise it needs to have in place to support the role of the Headteacher and the financial and administrative team. This could involve refreshing and updating the skills of existing staff, employing additional staff on a part-time basis, or buying in skills.

When considering the need for external financial expertise, the school can consider the financial support packages offered by independent providers. Governing bodies should note that internalauditors will only provide such advice if it does not compromise their independence.

Where a school has governors with relevant financial expertise, their skills may be useful in highlighting the areas, which require special attention, and in checking that the support the school has acquired is adequate and is providing good value for money. Where governors are not available with this expertise, the periodic internal audit review will provide this.

In view of the financial responsibilities of the governing body, it is particularly important that the governors consider very carefully the development of their own financial expertise in order to carry out effectively their financial responsibilities as set out in the Scheme for Financing Schools.

**2.7.3 Training**

Particularly for those with financial responsibilities, the governing body should keep under review any training needs and opportunities. Training is available through a number of organisations both in relation to general financial principles and procedures and more specifically in relation to the accounting requirements of schools.

The Local Authority offers training for school staff on financial and other operational responsibilities, including financial inductions for new Heads and Finance Managers, finance courses for governors, guidance on year-end closedown of accounts and VAT.

**2.8 Business Ethics**

**2.8.1** **General**

It is important that the governors and staff not only act impartially, but are also seen to act impartially. Public accountability requirements are written into the Financial Regulations for Maintained Schools.

In October 1996, the Nolan Committee published a report on standards in public life as applicable to local public spending bodies. The report identified seven principles, which should be applied in public life. These are: selflessness, integrity, objectivity, accountability, openness, honesty and leadership. One important means by which a self-governing school may demonstrate that it is applying these principles is by maintaining a Register of Business Interests.

Any member of school staff must disclose to the governing body and the Headteacher any interest that he or she may have, including that of relatives and friends, in any purchasing decision (or staffing appointment) in which they may be involved. Staff who face such a conflict of interest should not participate in the decision with whom to place the contract in the appointment of staff. The Schools Financial Value Standard sets out expectations around the management of related party transactions. The principle is not that such transactions should never happen, but that effective procedures should be in place to ensure that open and transparent procurement procedures are followed, and any potential conflicts of interest are adequately and appropriately managed. The school should be aware of and have a record of any related party transactions that have been arrived at through proper procedures and should append this list to the checklist, using the [template for recording related party transactions](https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs).

A related party transaction may, in some cases, provide the best deal and the best value for money for the school. But to avoid any appearance of impropriety, the school should keep a record of any related party transaction and append it to [the checklist](https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs). Contracts and agreements that are live in the year that the SFVS is being completed for need to be reported. These should continue to be reported until the year in which the contract ceases, at which point they can be removed from the list. Historic related party transactions are not to be reported.

**2.8.2 Register of Business Interests**

The governing body and school staff have a responsibility to avoid any conflict between their business and personal interests and affairs and the interests of the school. A register of business interests must be maintained for both governors and staff and it is a requirement that this register is published.

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

A basic pro-forma Register of Business Interests is included at ***Appendix B***.

The governing body must comply with the publication requirements set by the Department for Education. The governing body must establish a register, which lists for each member of the governing body and the Headteacher giving full names, date of appointment, who appointed them (in line with the Instrument of Government) term of office and date stepped down. In addition:

(i) Any business interests they or any members of their immediate family have.

(ii) Details of any other educational establishments that they govern.

(iii) Any relationships between school staff and members of the governing body.

The governing body must then also:

1. Ensure that the register is kept up to date with notification of changes and thorough annual review of entries.
2. Make the register available for inspection by governors, staff and parents, and the authority
3. Publish the register, for example, on a publicly accessible website.

The school must publish details of the structure and responsibilities of the governing body and its committees.

**2.8.3** **Whistleblowing**

The Nolan report included recommendations on the difficult issue of establishing clear mechanisms for dealing confidentially with allegations of malpractice. This is known as *whistleblowing*.

The Authority has in place a confidential Reporting Code. This provides for individuals, who prefer to raise concerns in a confidential way that avoids any public disclosure, to do so without fear of victimisation, subsequent discrimination or disadvantage. The Code sets out clearly the process to be followed, including the safeguards, how to raise a concern, how the Authority will respond and how the matter can be taken further.

A member of school staff or governor at a school wishing to report concerns they may have about financial management or financial propriety at the school should follow the Authority’s Code.

The reporting of financial irregularities to the Authority's Corporate Fraud Unit under Financial Regulations for Maintained Schools remains a responsibility of all members of school staff, governors and governing bodies. If an individual prefers to do so, financial irregularities may be reported under the Confidential Reporting Code in a confidential way that avoids public disclosure of their identity.

The governing body must record information about these responsibilities and procedures in appropriate information provided to all staff and governors

The Authority's Confidential Reporting (Whistleblowing) Code can be found on the [Council’s website](https://www.bradford.gov.uk/your-council/about-bradford-council/whistleblowing-policy/).

**2.8.4** **Goods and Services for Private Use**

The school should avoid practices such as obtaining goods and services, which may include an element of private use for governors or staff. Governors and staff should also avoid accepting hospitality, entertainment, or other services from existing or prospective suppliers.

**2.9 Segregation of Duties**

**2.9.1** **Principles of Segregation**

Duties should be properly segregated between individuals. One of the prime means of control is the separation of those responsibilities or duties, which would, if combined, enable one individual to record and process a complete transaction. Segregation of duties reduces the risk of error or intentional manipulation through checks built into the routine.

Functions, which should be separated include those of:

1. Authorisation (the authorisation of a transaction such as a purchase order or a payment).
2. Execution (the placing of an order, receiving of goods and services or charging and receipt of a fee).
3. Custody (the holding of the goods or services).
4. Recording (the completion of the accounting records).
5. In the case of a computerised accounting system, systems development and operation (the determination of operating procedures and the carrying out of those procedures).

**2.9.2 Segregation in Practice**

The segregation of duties will need to be addressed in relation to the staff available and their levels of responsibility in the financial organisation of the school. It will not be possible in many schools to allocate all the functions in paragraph 2.9.1 to different staff. In most cases, a satisfactory division of duties can be obtained by separating the functions between two or three staff.

The internal auditors will review segregation of duties as part of their audit procedures and will advise schools accordingly if alterations to the financial systems are required.

The segregation of duties can be simplified if it is possible to centralise the execution and recording functions to be carried out by a person with no authority to authorise transactions. The person authorising a transaction can therefore, never execute or record the transaction and if payments are authorised by a third person there should be adequate segregation of duties. Arrangements will vary depending on the size and staffing arrangements in individual schools.

**2.9.3** **Role of Governing Body**

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

**2.10 Authorisation and Supervision**

**2.10.1 General**

Levels of authorisation and supervision of transactions must be specified. All transactions will require authorisation or approval by an appropriate person. The organisational and financial structure of the school, combined with the job specifications for all staff involved in the financial procedures of the school, will determine the types and limits of authorisations required for each transaction.

**2.10.2** **Delegation of Budgets**

In a delegated budgetary system each budget manager is responsible for expenditure allocated to their budgets. The budget manager should therefore, either divide budgets between budget holders, and monitor expenditure as it is incurred, or authorise any direct expenditure against their budget prior to an order being placed.

Where a budget manager divides the budget between individual budget holders, it will be the budget holder who authorises each order. Normally a transaction limit will be set, above which authorisation would be required from the budget manager. Similarly, if the limits for authorisation by the budget manager are exceeded, the Headteacher, finance committee or governing body may need to authorise a transaction. Further details about authorisation limits are in ***Section 2.10.5****.*

.

In addition to authorising transactions, budget managers and budget holders will need to supervise staff to whom they have delegated authority. This supervision may be shared where a school employs a Finance Manager, in order to ensure transactions are carried out in accordance with the school's financial procedures and that they have been correctly authorised. The Finance Manager will also normally supervise the production of reports and the reconciliation of bank and supplier accounts in addition to any delegated budgets under his or her control.

**2.10.3** **Post Authorisation Amendments**

An important element of control within the authorisation of transactions is that the document, which is authorised, is complete and not subject to alteration. In the case of purchase orders, where precise final values are not known at the time the order is placed, this may not be feasible. Such transactions, requiring post authorisation amendments, should be avoided if possible. However, if unavoidable, the final values should be reviewed by the person responsible for the authorisation. In the case of cheque or other payments, signatures must never be obtained in advance of completing the cheque or other payable order.

**2.10.4** **Authorisation by the Local Authority**

Certain income and expenditure items require authorisation by the Local Authority as set out in the Local Authority’s Scheme for Financing Schools and Financial Regulations for Maintained Schools.The governing body must implement procedures to ensure the appropriate authorisation is obtained. The Headteacher would normally communicate with the Local Authority regarding these items.

**2.10.5** **Authorisation Limits**

The limits for the authorisation of transactions by each person or committee should be determined by the school by reference to the type of transaction, the size and the organisation of the school. Authorisation limits should be documented and communicated to all budget holders.

**2.10.6 Payroll Authorisation**

Alterations to payroll must be authorised by someone other than the person preparing the alteration and not by the person the alteration relates to. Payroll alterations will normally be authorised by the Headteacher, with any alterations to the Headteacher’s pay being authorised by the governing body or its appropriate committee.

**2.11 Documentation**

**2.11.1** **General**

All aspects of the school’s financial arrangements should be subject to full and proper documentation. Documentation helps to ensure a degree of formality and structure, which is essential in financial management procedures. It can aid continuity in the absence of key staff or during any changes of staff. It will also reduce the chance of error, assist in proper and timely accounting and reporting and ensure all items are accounted for.

Documentation should cover areas such as:

* Accounting systems detailing the documents involved and the records to be produced e.g. for recording the placing of an order through to raising the payment to the supplier. These systems should include the procedures necessary to produce the returns required by the Local Authority.
* Key financial decisions of the governing body and any committees in the form of reports and minutes of meetings.
* Computer systems - in many cases the accounting package will include an operating manual, which should include sufficient information, although it is often useful to prepare *in-house* instructions for regular tasks.
* Operating procedures, which will provide the timetable and detailed job instructions for producing the financial records and information at the appropriate time in order to meet the overall financial objectives.
* Security of personnel and payroll data, clarifying the procedures to be followed to ensure only authorised staff have access to this information. The procedures for changes to the payroll should include details of the persons who may authorise the changes. This should be communicated to the payroll provider or internal payroll staff.
* Security systems relating to the storage of information and the recovery procedures to be followed in the event of the loss of such information including back up procedures for computer based systems.
* Individual duties and responsibilities including job specifications and levels of authority in relation to each person's position having regard to the segregation of duties.
* Authorisation limits as discussed in ***Section 2.10.5****.*

**2.11.2** **School** **Financial Procedures Manual**

Schools have found it helpful to document procedures as they are evolving, thereby developing a useful and workable set of instructions, which can be combined to form the school’s own Financial Procedures Manual.

Documentation of systems, procedures, duties and responsibilities should be accessible at all times to form a definitive guide on best practice and to be referenced as necessary in order to maintain standards. Copies of documentation should also be kept in a secure location.

**2.11.3** **Computer-held Data**

To avoid financial data being lost, schools should take regular copies andbackup data held on computerised systems. Data should be copied onto a disk or other removable medium as appropriate to the system in use, and the copies stored in a secure, preferably fire proof container.

Copies should be taken at intervals determined by the time taken to produce the backup and the time it would take to re-enter information lost since the last backup should this situation arise. Daily is normally considered reasonable. The timetable for making backups should be included in the school’s own Financial Procedures Manual.

The backups should not be recorded on the same disk each time as this results in only one copy being available. In order to provide more protection from loss of data it is advisable to use at least three different disks in rotation and to store them in different locations. At least one copy should be stored off-site with the person storing it being made aware of any responsibilities under the Data Protection Act.

A hard copy of the nominal ledgers and audit trails should also be printed regularly and stored separately from the accounting system, preferably in a fire proof container. Monthly prints would normally be considered acceptable.

**2.11.4 Retention of Records**

The minimum length of time that financial records must be retained at school is given in ***Appendix C.***

**2.12 Review**

**2.12.1** **Principles of Review**

An important part of any financial management system is the review of the information produced. This review has two main elements of control:

1. Information is being produced and financial records are being adequately maintained.
2. Actual performance is monitored against the expected performance or budget.

Information extracted from the school's financial system enables the school to control all resources and expenditure. This may be used to support:

1. Planning and budgeting.
2. Evaluation of actual results against budget.
3. Monitoring and decision making.

**2.12.2** **Internal Reviews**

Reviews should be regular and systematic and will normally be carried out by the Finance Manager. He or she will carry out the initial reviews of actual performance against budget in order to identify variances from the budget and any other queries. The Finance Manager should then obtain explanations of the variances from the budget holders in order to consolidate the information for presentation to the Headteacher and governing body.

**2.12.3** **Reports to Governors**

Review information should be presented to the governing body (finance committee) as required, termly as a minimum, with explanations of variances. The committee will then be in a position to review the overall financial position of the school.

All governors must receive financial reports at least termly. These reports should as a minimum include totals of income and expenditure, with information on major issues, such as the projected surplus or position of capital projects.

The finance committee should also prepare reports of relevant financial issues for the full governing body. The governing body should ensure, through its monitoring and review arrangements, that the school seeks economy, efficiency and effectiveness in using resources and achieves good value for money.

**2.12.4** **Reports to Budget Managers**

Budget managers and budget holders will require more detailed reports on a regular basis to enable them to monitor actual expenditure against their budgets. The Headteacher should also receive summaries of these reports in order to retain an overall knowledge of the financial position of the school. Monthly reports will usually be adequate for this purpose. All sources of income, types of expenditure, assets and liabilities must be included in the preparation of actual results and the comparisons to budgets.

The review process provides valuable information to improve planning and budgeting. This should enable schools to produce more accurate projections.

**Appendix A**

**Responsibility for Cost Centres and Spending Thresholds**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Cost**  **Centre** | **Member of Staff**  **Responsible** | **Budget Covered** | **Value**  **£** | **Threshold**  **%** |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

**Appendix B**

**Notification of the Appointment of the Chair of Governors**

School Name

School Number

Name of new Chair of Governors (Capitals please)

Date of Appointment

Signature of new Chair of Governors

**Signed by the Clerk to the Governing Body**

Name (Capitals please)

Signature Date

This form should be used to notify the Local Authority of the appointment of a new Chair of governors within one calendar month of the date of appointment. **Please attach a copy of the governing body minute of the appointment**.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

In a small number of cases, the Local Authority may need to contact the Chair of Governors at home. This will not be used for general communication, where the current arrangements will apply.

Home Address of Chair of Governors

........................................................... Telephone number day .................................

...........................................................

........................................................... evening ..........................

...........................................................

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Please return this form to

School Governor Service

**Appendix C**

**Pro-forma Register of Business Interests**

**Name of Governor or Member of Staff**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name of Business** | **Nature of Business** | **Nature of Interest** | **Date of Appointment or Acquisition** | **Date of**  **Cessation**  **of Interest** | **Date of Entry** |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

I certify that I have declared all beneficial interests, which I or any person closely connected with me have with businesses or other organisations which may have dealings with the school.

Signed ............................................................. Date ……………………….

**Appendix D**

**RETENTION OF RECORDS TO BE HELD AT SCHOOLS**

The following is a list of documents/records to be held at the school. It is stressed that these items represent the minimum documentation to be retained. The retention periods are listed in the right hand column.

**TYPE OF RECORD RETENTION PERIOD**

(The period is the current year plus the following number of complete financial years)

**A CASH INCOME RECORDS**

Receipt books 6

Till rolls 6

Sales records 6

Ticket and receipt control records 3

Daily cash sheets/ reconciliation sheets 6

Paying-in voucher 6

Shorts and overs records 3

Bank statements 6

Banking arrangements 3

All cash books 6

**B CREDIT INCOME RECORDS**

Copy income accounts 6

Authorities for debts written off 6

Any other prime records 6

**C OTHER INCOME RECORDS**

Legal agreements 3

Scales of charges 3

Lettings records 3

Registers of attendance 3

Free meals registers 6

School meals records 6

Tuck shop records and reconciliations 6

Postal remittance books 3

Refund forms 3

**D EXPENDITURE RECORDS**

Goods requisition documents 3

Official orders and copy orders 6

Goods received notes/Delivery notes 3

Inventory additions/deletion documents 3

Inventory register Indefinite

Payment records [invoices, etc.] 6

Petty cash records 6 Postage records 3

Car allowance log-sheets 3

Cheque books/statements/returned cheques 6

Credit note records 6

Lists of authorised signatories - requisitions 3

- orders 3

- invoices 3

- cheques 3

- acquisition of assets 3

- disposal of assets 3

**E STAFF / PERSONNEL RECORDS**

Prime payroll documentation [e.g. authorised

disbursement documentation] 3

Payroll input data [e.g. computer input forms] 3

Employee personnel files Indefinite

Salary / personnel cards Indefinite

Attachment of Earning records Indefinite

Approvals for special leave 3

Sickness records 3

Disciplinary papers 3

Copy timesheets 3

Flexi-sheets/Signing-in books 3

Copy Medical-in-Confidence forms 3

Copy absence returns 3

Annual leave records 3

Sick notes 3

Attendance records 3

**F CONTRACT RECORDS**

All records / correspondence relating to

contracts under seal 12

All records / correspondence relating to

contracts not under seal 6

**G ACCOUNTING RECORDS**

Budget working papers 3

Financial reports 3

Bank reconciliation statements 6

Any other primary accounting record 3

Section 3

**Cash and Banking Arrangements**

**3.1 Bank Accounts**

3.1.1 Selection of Banking Arrangements

3.1.2 Choice of Accounts

3.1.3 Opening of Accounts

3.1.3a Internet Banking

3.1.4 Administration and use of Accounts

3.1.5 Bank Interest and Charges

3.1.6 Security of Cheques

3.1.7 Cheque Preparation and Signature

3.1.8 Charge Card Withdrawals

3.1.9 Personal Credit Cards

3.1.10 Direct Debit Mandates

3.1.11 Income Procedures

3.1.12 Income from Delegation Budget Shares

3.1.13 Cash and Bank Reconciliations

3.1.14 Bank Reconciliation Returns to the Local Authority

**3.2 Petty Cash**

3.2.1 Introduction

3.2.2 Deposit

3.2.3 Payments and Withdrawals

3.2.4 Administration

3.2.5 Physical Security

**3.3 Investments**

3.3.1 General

**3.4 Cash Flow Management**

3.4.1 Introduction

3.4.2 Cash Flow Forecasts

3.4.3 Standard Profile

3.4.4 Monthly Profile

3.4.5 Other Income

3.4.6 Salaries Expenditure

3.4.7 Other Expenditure

3.4.8 Code of Payment

**3.5 Borrowing**

3.5.1 General

3.5.2 Leasing and Hire Purchase

**Appendix A**

Petty Cash Reconciliation form

**Appendix B**

Code of Payments

**3.1 Bank Accounts**

**3.1.1 Selection of Banking Arrangements**

The facility to open a local bank account is available to all Bradford Local Authority schools.

Banking restrictions are set out in the Scheme for Financing Schools. Restrictions are in place on the banks that schools are permitted to hold ‘enabling account’ funds with, as well as length of periods for investments.

Schools are permitted only to hold school budget funds with Barclays, HSBC, Lloyds TSB and RBS (Nat West). Schools that, at 1 October 2012, did not hold school budget funds with RBS (Nat West) are not permitted to hold school budget funds with this bank.

In investing school budgets funds e.g. in deposit accounts, the maximum permitted period of investment is 1 year.

Schools should consider aspects such as cost (bank charges), type of accounts available, interest, information provided to the school and the cost of this provision when selecting their bank. Schools may wish to consider services such as Bankers Automatic Clearing System (BACS) payments and on-line computer banking including balance updates and automatic transfer of funds to interest accounts.

**3.1.2 Choice of Accounts**

Banks offer a choice of accounts for businesses. These will include:

**Cheque and Deposit Accounts**

Funds are initially paid into the deposit account. Transfers to the cheque account would be made to pay the school's bills. In these kinds of accounts it is normal that only the deposit account would bear interest and any remaining balance in the cheque account would not accumulate any interest. This kind of arrangement is often known as a *sweep* account, where funds from one account are *swept* into the other to maximise interest in one account and ensure solvency in the other.

**Interest Bearing Cheque Accounts**

Budget share and other income would be paid directly into and from this account. Interest is paid on cleared balances i.e. balances, which the school could withdraw instantly. This would negate the need to *sweep* funds from one account to another to cover expenditure. This type of account may have a lower rate of interest than a deposit account, in some cases significantly lower and may not be the best option especially if schools have larger balances held on reserve.

**Notice Accounts**

These are normally higher interest accounts where a notice period for withdrawal of the funds would be required. The school would suffer a loss of interest should the funds be required and withdrawn early. Typically, these earn higher interest because of the withdrawal notice period, and may require a minimum value of deposit to achieve higher rates of interest (some accounts offer higher rates of interest on higher balances). If schools are aware that there are amounts of cash which will not be required on a day to day basis, (e.g. reserves being accumulated for a capital project), use may be made of these higher interest bearing accounts. This will allow schools to maximise the possible return on investment whilst ensuring that the school does not suffer cash flow difficulties as a result of tying up funds for specific periods of time.

**3.1.3** **Opening of Accounts**

Schools are responsible for setting up their own local bank account and negotiating terms with the bank. The opening of all accounts should be authorised by the governing body, which should set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The operation of systems such as BACS, and other means of electronic transfer of funds, should also be subject to the same level of control. The bank should be advised that the account must not become overdrawn since schools are prohibited from borrowing under the Scheme for Financing Schools

Due to the tax status of the Authority, interest to the school should be paid gross without deduction of tax. If interest is received net, a tax deduction certificate should be obtained and sent to the Director of Corporate Services at Britannia House, who will obtain a reimbursement of the tax for the school.

The following details of the account(s) are to be submitted by the school to the Local Authority:

* Bank name
* Account name
* Account number
* Branch name and sort code
* Names of all authorised signatories and their position within the school (Head, Deputy, Governor etc.) together with specimen signatures

**3.1.3a Internet Banking**

Internet banking is a very useful way of knowing exactly what a school’s bank balance is at any point in time. Having the facility to ‘view only’ enables a school to monitor which transactions have, and have not, hit the bank account. It is crucial that the same level of control is maintained with internet banking as with conventional banking.

**Authority to Use Internet Banking**

Authorisation for the use of internet banking must be given by the governing body.

This authorisation should include:

* detailing the banking facilities that may be used (i.e. viewing and printing account information, transfers between school accounts, creating and amending standing orders or making payments).
* listing the members of staff authorised to use internet banking together with any restrictions on the facilities they can use.
* stating any value limits for transactions imposed in total or on individuals.

The number of staff authorised to carry out internet banking should be kept to a minimum, but should allow for cover in the event of absences. Staff able to authorise transfers, standing orders and payments, should also be authorised signatories within the current mandate. A copy of the governing body’s authorisation should be retained.

**Setting up Internet Bank Accounts**

The types of account, control and security features available will vary from bank to bank. Schools should discuss what options are available with its bank. Wherever possible access to the account should be set up to reflect the governing body’s requirements, so that staff are only able to access the facilities for which they are authorised and limits cannot be exceeded. The ‘system administrator’ for the account should not be one of the authorised users.

In addition, when setting up the account, the following control and security features should be considered:

* Access Control: All banks will offer some form of access control in the form of smart cards, pins or user ID’s and passwords. These should always be unique to the individual and should not be shared between staff. Ensure when staff leave passwords are changed, access is stopped and the new staff details are registered with the bank.
* Transaction Control: These are the controls, which, if offered, should be used to ensure that the level of access mirrors the governing body’s requirements. Controls on offer may include value limits on user transactions, value limits on total transactions, requiring dual authorisation on transactions, authorisation limits and ‘creator’ and ‘authorisor’ roles. If the bank provides the option of dual authorisation for transactions then this should be adopted.
* Additional Security: To guard against unauthorised access, the bank may also offer additional features, such as auto logout after a given activity time.
* Audit Trail: Internet banking should be able to provide an adequate audit trail identifying transactions to users.

**Operation of Internet Bank Accounts**

With internet banking, there should be the same level of financial control as there would be with traditional forms of banking. There should continue to be clear segregation of duties to prevent any single person from being able to control substantial resources or obtain unauthorised access to information. There should be authorised approval for movements and payments from bank accounts. Schools must retain a copy of the bank statement as supporting evidence of reconciliations.

Any payments made via internet banking should be supported by an invoice, which has been checked and authorised for payment in the same way as any other form of payment.

Any bank transactions made via the internet should be entered into SIMS (or the school’s equivalent system) as soon as possible, to ensure that the school’s records are up to date and to facilitate the reconciliation process.

The Bank Reconciliation should be undertaken by someone other than the main user of the internet account. However it is appreciated that in many schools this may be difficult to achieve. If this division of duties cannot be accommodated, then it is recommended that a senior member of staff who is not a main user of internet banking reviews the bank statements. This control would be particularly significant where a bank was unable to set up restrictions on user access to reflect governing body requirements and/or offer dual authorisation for transactions.

**3.1.4 Administration and use of Accounts**

Cheques must be signed by two authorised signatories. Authorised signatories must see all supporting documentation before signing the cheque.

Schools must nominate at least 3 and at most 5 people to be authorised signatories, of which 2 will be the Headteacher and Deputy Headteacher. Authorised signatories must either be an employee of the Local Authority or of the school.

A monthly bank statement must be obtained detailing transactions up to and including the last working day of each month.

A copy of the bank statement for each account showing the month end balance must be submitted to the Local Authority with each Bank Reconciliation.

Schools must reconcile their local cheque account records and other local records to the bank statement each month.

VAT paid by schools will be repaid by the Local Authority into the school’s bank account by BACS together with the school’s monthly instalment of budget share. The repayment of VAT will be based on the net amount of VAT shown on the school’s system generated monthly claim. Payment will be made to the school the following month.

All income generated from Local Authority activities must be deposited in the account.

All documentation relating to payments from the account(s) must be retained in school.

HMRC requires that invoices be retained for the current financial year and six previous financial years.

Schools may authorise standing orders and direct debits to be made from their accounts.

Any cheque, which requires cancellation must be clearly marked “cancelled” and retained for inspection by audit.

The school will be responsible for any penalties or amounts payable to HMRC that are incurred by the Authority as a result of the school failing to comply with statutory requirements.

**3.1.5 Bank Interest and Charges**

Schools will be liable for all charges relating to their bank accounts.

Schools may keep any interest credited to their accounts by their banks and use it to enhance their formula funding allocation. This interest must be accounted for in the account for which it is paid and not placed in any non-public fund account such as school funds etc.

**3.1.6 Security of Cheques**

Cheque books must be kept in a safe or locked cabinet when not in use. Access to cheques should be strictly controlled. No more than two keys should be held independently by staff and these must be taken away from the premises when closed.

Under exceptional circumstances, a Headteacher may authorise an employee to take cheque books home overnight or at weekend if it is considered necessary for security. This practice should be discouraged, however, and every effort made to hold cheques securely on the premises.

Cheques must never be pre-signed. All cheques should be crossed “account payee only”.

Authorised signatories should not have access to blank cheques or prepare cheques for signature.

A control record should be maintained, detailing the cheque number sequence of all cheque books received and the date the cheque book was received.

**3.1.7** **Cheque preparation and signature**

When an invoice is received, it should be checked against the order and the record of goods received to ensure the invoice is correct. The calculations on the invoice must also be checked to ensure they are accurate.

Cheques for payment should be written out and presented to signatories along with the supporting documentation. There is a need to separate as far as possible the duties of ordering, receiving goods, checking invoices and signing cheques.

Please note that this control does not prevent a school representative on the panel of cheque signatories from also being an authorising officer. The key point is that he or she should not sign a cheque relating to goods or services for which he or she has also authorised the expenditure. It does not affect the ability to sign cheques for expenditure authorised by others or to authorise expenditure where others sign the related cheque.

When cheques are signed, the signatories should write “Paid” on the invoice and initial it to avoid duplicate payment.

**3.1.8** **Charge Card Withdrawals**

Many banks, financial institutions and retail stores produce cards, which can be used for purchasing. The use of these cards is not considered to infringe the borrowing restrictions imposed on schools so long as the balance on the account is cleared in full at the end of each month. It should be possible to arrange for payment by direct debit, which would satisfy this condition.

The governing body should authorise any cards to be used, having considered the potential risk over and above that of the purchase order system and appropriate controls over usage. They should approve the written instructions on the scope and use of the cards. The following procedures should be helpful when considering the use of these cards:

1. The card should not be used for any form of personal transaction.
2. A list of authorised users and any restrictions on the use of the card (spending limits, types of purchase etc.) should be maintained.
3. A member of staff, who is not a card signatory, should be appointed to control the use of the cards and a signing-out procedure implemented for the issue of cards to authorised staff.
4. Documentary proof of any goods purchased with the charge or credit card, including details of the nature and cost of those goods, should be returned to the person responsible for recording charge card transactions as soon after each purchase as is reasonably practical,
5. Transactions should be reconciled to statements by someone other than a card signatory and the statement signed as evidence of the checks performed.
6. All expenditure should be recorded in the Bank Reconciliation return when the statement is paid, including any VAT, on the appropriate codes.

**3.1.9** **Personal Credit Cards**

Personal credit cards should only be used when other facilities available are not appropriate e.g. petty cash, cash advance. Staff may pay for purchases using their own personal credit cards and receive reimbursement once their credit statement has been received. Such reimbursement should only be made on production of:

1. A paid credit card statement detailing the appropriate expenditure.
2. A substantive receipt or invoice.

**3.1.10** **Direct Debit Mandates**

There should be robust controls over all ways in which funds may be drawn from accounts, including such operations as standing orders, direct debit mandates, BACS payments and salary payments.

As with any other form of payment, direct debit payments must be checked and certified by nominated staff. It is recommended that a control sheet be maintained, for each supplier, which lists and certifies each individual payment that is identified and recorded on the bank statement. For further information on salary payments please see ***Section 4.4.***

**3.1.11 Income procedures**

School income, either cash or cheque, should be kept in a secure place until it is deposited into the school bank account as soon as practicably possible. It is recommended that income is not held for more than a week before banking and that large sums are banked on the day of receipt. The level of insurance cover for individual and locked cabinets will be a key factor in determining how much cash is held on school premises.

A receipt must be issued for all income over the specified limit. Copies of receipts must be retained for audit and accounting purposes, for further information see ***Section 4.6***.

It is essential that non-public money (e.g. school funds, PTA funds) is kept separate from Authority money. Schools must establish systems to ensure that this happens.

Income should be recorded immediately on receipt in receipt number sequence in the school’s local record of income and expenditure.

The local record of income must be checked against the bank statement each month as part of the reconciliation process.

Income must always be coded to the appropriate financial code on the monthly Bank Reconciliation return, and shown on the return for the month in which it is received.

**3.1.12 Income from Delegated Budget Shares**

Funds will be transferred into a nominated account by credit transfer through the BACS system.

Details of the frequency of instalments, proportions of budget share payable at each instalment, instalment dates and interest clawback arrangements are provided in the Scheme for Financing Schools.

The total amount to be advanced to the school in the year will be either:

(i) The school’s total budget share, where school has opted to have all their budget share payable into their local bank account, net of any payments to be made centrally by the Local Authority e.g. de-delegated funds and business rates.

(ii) The school’s locally determined non-staffing budget, as set by the governing body, net of any payments to be made centrally by the Local Authority e.g. de-delegated funds and business rates.

Where a school has opted for only the locally determined non-staffing budget to be paid into their bank account, initial cash advances, for April to May, will be calculated using the school’s quarter 3 budget monitoring return from the previous year. Following submission of the governing body’s approved budget, advances are re-calculated in June. Advances are then further re-calculated in December following submission of the school’s quarter 2 budget monitoring return.

Where a school forecasts a deficit budget balance , no cash financing for the level of deficit will normally be provided by the Local Authority until the school’s deficit application and repayment plan is approved. The procedure for application, consideration, approval and financing of deficit budget applications is given in the Scheme for Financing Schools and the supplementary Deficit Budget Protocol.

At the end of each financial year, the Local Authority compares the school’s local bank balance with its carry forward budget balance. Where adjustments are required, either payment by the Local Authority to the school where the school’s carry forward budget balance is greater than its bank balance, or payment by the school to the Local Authority where the school’s bank balance is greater than its carry forward budget balance, will be made as soon as possible in the new financial year. This process is known as the ‘Bank Adjustment’.

**3.1.13 Cash and Bank Reconciliation**

The school must reconcile each month its local record of ‘Enabling Account’ income and expenditure to the bank statement and petty cash balance. The following procedure should be followed.

Cash Reconciliation

1. At the end of the last working day of each month, petty cash should be counted. This should be counted independently of the cash holder. See also ***Section 3.2.4****.*
2. The amount held should be checked against the balance stated on the petty cash record. This is the figure for “Cash in Hand”, which is to be entered into the Bank Reconciliation reporting template provided by the Authority.

1. Any discrepancies, between the actual cash and the petty cash record, should be investigated and resolved immediately.

Bank Reconciliation

1. The school should note the bank balance on the last working day of the month as it appears on the bank statement. This is the figure for the “Closing Bank Balance”, which is to be entered into the Bank Reconciliation reporting template provided by the Authority.
2. The school should check each transaction on the bank statement (cleared cheques, standing orders, direct debits, deposits etc.) against transactions recorded on the school’s financial system.
3. The school should adjust the school’s financial system to take account of any items appearing on the bank statement that are not recorded on the system e.g. bank charges, standing orders, interest credits etc.
4. The school should then reconcile the bank balance on the last working day of the month to the school’s amended financial record. The school should list, from the system generated ‘un-reconciled transactions’ report, the bank transactions that are on the school’s financial system but are not included in the balance on the bank statement. The un-reconciled transactions figures are to be entered into the Bank Reconciliation reporting template provided by the Authority.
5. The school should then list, from the system generated ‘un-cleared transactions’ report, the items that are on the bank statement but are not on the financial system. The un-cleared transactions figures are to be entered into the Bank Reconciliation reporting template provided by the Authority. The school should then deduct the total of un-cleared transactions from the “Closing Bank Balance”. The resulting figure should equal the closing balance from the school’s financial system. Any differences must be resolved immediately.

**3.1.14 Bank Reconciliation Returns to the Local Authority**

The Authority provides a Bank Reconciliation template for schools to use. This is available on Bradford Schools Online.

It is good practice for schools to complete a Bank Reconciliation return and submit this to the Authority on a monthly basis. The Authority would encourage all schools to do this throughout the year, but especially in quarter 4 in the lead up to financial year-end.

As a minimum however, a Bank Reconciliation return must be completed and submitted quarterly.

For wider reference, VAT submittals must be submitted to the Authority by the 10th day of each month. VAT is then reimbursed to the school based on the net VAT claimed figure recorded on the VAT report.

**Petty Cash**

**3.2.1 Introduction**

The main elements of a cash system are

1. Deposits
2. Payments and withdrawals
3. Administration
4. Physical security.

A maximum cash balance of £250 is suggested. In smaller schools, or schools preferring to restrict petty cash transactions, the cash balance should be lower and a limit set in relation to the expected expenditure (4 to 6 times the average weekly payments).

**3.2.2** **Deposits**

The only deposits to petty cash should be from cheques cashed specifically for this purpose. The receipt should be recorded in the petty cash system with the date, amount and a reference, normally the cheque number relating to the payment, also recorded. All other cash receipts for whatever reason should be paid directly into the bank.

**3.2.3 Payments and Withdrawals**

Petty cash should be held on an imprest system with reimbursement against properly authorised vouchers in accordance with the system of delegated authority approved by governors.

In the interests of security, petty cash payments should be under £30 in value. The precise limit should be approved by governors. Higher value payments should be made by cheque from the local bank account.

**3.2.4** **Administration**

All transactions should be entered into the petty cash record on a regular basis and monthly reconciliations undertaken to ensure that the imprest system remains in balance.

There should be independent checks on petty cash holdings and records. This should be carried out without notice with reconciliations reviewed by an independent person who is not involved in recording petty cash transactions.

**3.2.5 Physical Security**

Petty cash should normally be held in a lockable cash box. Schools should ensure that their insurance cover is compatible with the amounts of cash held in the school on a regular basis and must secure the cash in a safe where this is required under their insurance policy.

Access to cash, cash records and forms should be restricted to authorised personnel. Secure safes and containers should be provided for cash, records and valuables. Where, for example, school meal income is secured on behalf of a catering company, the liability any loss of cash should be agreed in writing. Cash passed between people must be signed for.

**3.3 Investments**

**3.3.1** **General**

Investments should be made only in accordance with written procedures approved by the governing body and within the restrictions set by the Scheme for Financing Schools.

Schools are permitted only to hold school budget funds with Barclays, HSBC, Lloyds TSB and RBS (Nat West). Schools that, at 1 October 2012, did not hold school budget funds with RBS (Nat West) are not permitted to hold school budget funds with this bank.

In investing school budgets funds e.g. in deposit accounts, the maximum permitted period of investment is 1 year as set out in the Scheme for Financing Schools.

All investments should be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

The school must make a return to the Local Authority on 31 March each year detailing the institutions used and amounts involved.

In accordance with the Financial Regulations for Maintained Schools, governing bodies are not permitted to entering into or negotiate loans, or overdrafts. Regarding leases schools must comply with borrowing refer to Scheme for Financing Schools.

From 1 April 2024, a new international financial reporting standard (IFRS 16 leases) has been introduced for maintained schools, which will change the way that local authorities recognise in their accounts leases entered into by their maintained schools. IFRS 16 leases has ended the distinction between operating and finance leases for accounting purposes. Currently maintained schools are permitted to enter into operating leases without Secretary of State consent. Finance leases require Secretary of State consent (because these are a form of borrowing). Under the Education Act 2002, all leases will from 1 April 2024 be classed as borrowing and will require the Secretary of State's consent. However, the DfE has set out that governing bodies will not need to make a specific request for consent where a lease falls under the general consent granted by the Secretary of State for Education. The types of assets that are granted general consent are now listed in DfE's ‘The IFRS16 Maintained Schools Finance Lease Class Consent 2024’ document. Any leased assets that are not included in the document will need to be submitted to the Secretary of State for consent. This may include leases relating to land and buildings.

**3.4 Cash Flow Management**

**3.4.1** **Introduction**

Schools should prepare cash flow forecasts to ensure that they will have sufficient funds available to pay for their operations from day to day, month to month, and year to year.

**3.4.2** **Cash Flow Forecasts**

Schools should make use of all the information available to them to profile their cash requirements in order to maximise the investment potential of any cash surplus. If significant cash balances can be foreseen, steps should be taken to invest the extra funds e.g. by transferring funds to a high interest bank account.

The governing body should regularly monitor actual results against forecasted cash flow to inform future forecasts .

**3.4.3** **Standard Profile**

The profiling of delegated budgets is a valuable tool in the management of cash flow. The Local Authority provides advances to schools on the basis of a standard profile, which is set out in the monthly advances schedules available to schools on the Bradford Schools Online website.

The governing body should formulate its own profiles of cash requirements. If it becomes clear that the standard profile is significantly different from the school's forecasts, and that this will cause difficulties at the school, there is facility within the Scheme for Financing Schools for variations to the standard profile.

Schools should be aware that payment in advance of the standard profile of amounts and/or dates results in a loss of bank interest to the Authority. This loss of interest may be charged to the individual school.

**3.4.4** **Monthly Profile**

As delegated budgets and spending plans become clear, it should be possible to profile budgeted income on a month on month basis.

A useful forecasting technique in identifying spending patterns is to make use of previous years' financial information. By measuring one year against another, schools can determine spending patterns. This can be done on an annual basis to determine total spending or on a month by month basis to ascertain more accurately the spending pattern within the year (e.g. weighting the fuel bills to the winter months).

**3.4.5** **Other Income**

Schools should attempt to determine the nature of any other income and the possible patterns of its receipt. Identification of income sources may assist in determining the profiling of receipts. The nature of expected income will also assist in the formulation of budget forecasts.

**3.4.6** **Salaries Expenditure (for full budget share schools)**

Salaries account for a high proportion of the school's total annual expenditure. Salary costs can be forecasted with a higher degree of certainty because actual staff numbers and salary rates are more predictable. The main variables to consider will be pay awards, new recruits for the new academic year, supply, overtime and the costs of other temporary staff. This higher degree of certainty will allow schools to better estimate the timing of cash requirements.

Schools should be aware that other staff costs (such as tax, payments of National Insurance contributions and payments to pension providers) may have different payment dates from the salary payments themselves, although a payroll provider may require one payment of gross salaries inclusive of all on-costs. Schools should make certain that they understand the cash implications of their payroll commitments. Further consideration is given to payroll arrangements in ***Section 4.4*** .

**3.4.7** **Other Expenditure**

In forecasting their month by month cash profile, a school should consider the effects of periodic peaks and troughs in spending in areas other than salaries, in particular on utilities, educational supplies and services, and other supplies and services.

1. Utilities are normally paid on a quarterly basis, (although this can be changed to a monthly basis by contacting the supplier if the school considers it more appropriate) and costs for heating and lighting will be weighted more to the winter months.
2. Educational supplies and services are often required earlier in the academic year and therefore, arrangements should be made to cater for this profile
3. Similarly other supplies and services, such as catering, do not accrue evenly throughout the year (e.g. there will be no requirement for catering whilst the school is closed through the summer and costs will be lower during other holiday periods).

**3.4.8** **Code of Payment**

Schools should make use of then normal credit terms offered by suppliers. Often a period of 30 days is given before payment is required. Making use of normal credit terms is considered good practice and is not regarded as borrowing. It may be possible for schools to negotiate longer credit terms with some suppliers. However, deferred payment terms, particularly if there is a charge implicit in the agreement, may constitute borrowing. If in doubt, schools should contact the Authority for advice. Discounts may be offered for prompt payment. Schools should be aware of the possible benefits of any early payment discount and should take advantage where this provide better value for money.

Late payments to creditors may be an indicator of solvency problems and/or poor cash management. In keeping with the Nolan principles of openness and accountability, schools should aim to comply with the *CBI Better Payment Practice Code, see* [*www.payontime.co.uk*](http://www.payontime.co.uk)*.* The principles of the CBI Better Payment Practice Codeare set out at ***Appendix B***. Schools are recommended to introduce a payment code.

The Late Payment of Commercial Debts (Interest) Act 1998 applies to contracts between a local authority (including schools) and a small business supplier (one with 50 or fewer employees). The Act provides for interest to be chargeable by the small business supplier in the event of late payment. Any interest cost incurred will normally be met by the school.

**3.5 Borrowing**

**3.5.1 General**

The Scheme for Financing Schools precludes any borrowing by schools maintained by the Local Authority, without the written permission of the Secretary of State, unless for certain schemes pre-approved by the Secretary of State (currently only Salix loans).

This requirement does not extend to monies lent to its schools by the Authority.

Schools with local bank accounts must notify their bank in writing of these provisions and the consequence that their bank accounts must not become overdrawn or give rise to overdraft charges. Schools must therefore, ensure that sufficient funds are available to meet larger volume transactions such as BACS payment runs, which are normally subject to a separate contractual arrangement from that governing the operation of the school’s bank accounts.

**3.5.2 Leasing**

In order to comply with the 1993 Code of Practice on Local Authority Accounting, schools are required to notify the Local Authority of any leases they have. These usually apply to items such as photocopiers and computers. From 1 April 2024, a new international financial reporting standard (IFRS 16 leases) has been introduced, which will change the way that local authorities recognise in their accounts leases entered into by their maintained schools.

IFRS 16 leases has ended the distinction between operating and finance leases for accounting purposes. Under the Education Act 2002, all leases will be classed as borrowing and will require the Secretary of State for Education’s consent.

Governing bodies do not need to make a specific request for consent where a lease falls under the general consent granted by the Secretary of State for Education. The types of assets granted general consent is listed in ‘The IFRS16 Maintained Schools Finance Lease Class Consent 2024’ document [here](https://www.gov.uk/government/publications/leasing-for-maintained-schools).

Any leased assets not included in the above will need to be submitted to the Secretary of State for Education for consent. These may include leases relating to land and buildings, [further guidance on land disposals](https://www.gov.uk/guidance/submit-a-school-land-transaction-proposal) is available [here](https://www.gov.uk/guidance/submit-a-school-land-transaction-proposal).

Schools must receive and retain written legal advice from a professional advisor (financial or legal) or the Council’s Legal Department prior to signing a lease agreement to ensure that it is a lease. Advice from the leasing company on the nature of the lease is not sufficient.

**APPENDIX A**

**PETTY CASH**

Month ………………………20……

|  |  |
| --- | --- |
| OPENING PETTY CASH BALANCE | : |
| ADD CHEQUES DRQWN FOR CASH | : |
| LESS PETTY CASH EXPENDITURE | : |
| CLOSING PETTY CASH BALANCE | : |

**Completed by: Signature ………………………………….**

**Date: ………………………………………**

**Checked by: Signature ………………………………….**

**Date: ………………………………………**

|  |  |
| --- | --- |
| **£50** |  |
| **£20** |  |
| **£10** |  |
| **£5** |  |
| **£2 coins** |  |
| **£1 coins** |  |
| **Silver** |  |
| **Bronze** |  |

**Date: ………………………………………**

**APPENDIX B**

**CODE OF PAYMENTS**

**General Principles**

Payments to suppliers should be made in accordance with the terms and conditions of supply, taking into account any worthwhile discounts offered for prompt payment. Schools with local bank accounts should aim to comply with the CBI *Better Payment Practice Code*, the main principles of which are given below.

Payments shall normally be made against original invoices, not photocopies, delivery notes, statements, faxes or reminders provided by suppliers. In the event of the original being lost, a copy must be obtained from the supplier, and must be clearly marked as such. There may be instances where payments have to be made without an invoice having been received e.g. some payments must accompany an order. In such cases, all documents should be attached to the order form as supporting information.

A number of schools adopt the policy of regularly reporting payment performance to the governing body's finance committee and this is recommended good practice.

**CBI Better Payment Practice Code**

Responsible bodies should:

1. Have a clear, consistent policy that it pays bills in accordance with contract terms.
2. Ensure that the finance and purchasing departments are aware of this policy and adhere to it.
3. Agree payment terms at the outset of a deal and adhere to them.
4. Not extend or alter payment terms without prior agreement.
5. Provide suppliers with clear guidance on payment procedures.
6. Ensure there is a system for dealing quickly with complaints and disputes and advise suppliers without delay when invoices, or parts of invoices are contested.

**Disclosure**

In common with other public sector bodies the school should:

1. Set out their payment policies and state whether they have observed the principles of the CBI Code.

1. Publicise their arrangements for handling complaints about failure to pay on time.

Schools are encouraged to publish details of their payment performance providing that such disclosure does not cause disproportionate administrative work. For example, measures of performance could be calculated as:

(a)

Number 20xx/xx 20xy/yy

Total invoices paid \* \* \*

Total invoices paid within target \* \* \*

% of invoices paid within target   \*%   \*%   \*%

(b)

20xx/xx 20xy/yy

Creditor days x days y days

Unless the school's systems facilitate collection of data for option (a) above, a more simple measure is to calculate creditor days. Creditor days are usually calculated as:

Year end creditors (excluding payroll creditors) X 365

Total purchases for the year (excluding payroll)

**Draft Recommended Note**

[NAME] school aims to pay its trade creditors in accordance with the CBI Better Payment Practice Code. The target is to pay trade creditors within 30 days of receipt of goods or services or a valid invoice (whichever is the later) unless other payments terms have been agreed with the supplier.

*Include a paragraph on the school's complaints procedure.*

Publication of a performance measure is encouraged.

Section 4

**Financial Systems**

**4.1 Introduction**

**4.2 Accounting System**

* + 1. General
    2. Computerised Systems
    3. School Funds
    4. Other Funds

**4.3 Purchasing**

4.3.1 General Principles

4.3.2 Budgeting

4.3.3 Value For Money

4.3.4 Assessment

4.3.5 Identification of Potential Suppliers

4.3.6 Ordering

4.3.7 Receipt of Goods or Services

4.3.8 Processing Purchase Invoices

4.3.9 Purchasing Consortia

4.3.10 Issues for Negotiation

* + 1. Leasing and Rental of Equipment
    2. EU Regulations
    3. Purchasing Controls
    4. School Tendering Policy
    5. Service Levels
    6. Monitoring of Agreements and Contracts

**4.4 Payroll**

4.4.1 General

4.4.2 Staff Appointments and Changes

4.4.3 Payroll Administration

4.4.4 Payments

**4.5 Assets**

4.5.1 General

4.5.2 Purchase of Assets

4.5.3 Inventory

4.5.4 Security of Assets

4.5.5 Disposal of Assets

4.5.6 Loan of assets

**4.6 Income**

4.6.1 General

4.6.2 Sources of Income

4.6.3 Administration of Receipts

4.6.4 Debtors

4.6.5 Allocation of Income

4.6.6 Provision of Educational Services

**4.7 Insurance**

4.7.1 General

4.7.2 A basic package

4.7.3 Managing risk

4.7.4 Long term agreements

**Appendix A**

Audit of School Fund Checklist

**Appendix B**

Model School Ordering Procedures

**Appendix C**

List of staff authorised to sign orders

**Appendix D**

Council’s standard terms and conditions on orders

**Appendix E**

Example of a certification stamp

**Appendix F**

Brief Summary of EU provisions

**Appendix G**

G(I) Contents of inventory

G(ii) Model form

**Appendix H**

Disposal of asset of no value form

**Appendix I**

I(i) Model school loan form

I(ii) Conditions of loan

**Appendix J**

Model school income procedures

**Appendix K**

Model school debtor policy

**Appendix L**

Request for write off

**Appendix M**

School Model Insurance Package

Section 4

**4.1 Secure and Effective Systems**

**4.1.1** **Introduction**

The school needs effective procedures to ensure that all transactions are accurately recorded, reported and monitored against plans and budgets. The major areas for which procedures are required are:

1. Accounting System
2. Purchasing
3. Insurance
4. Payroll
5. Assets
6. Income
7. Debtors
8. Bank Accounts
9. Cash holdings
10. Investments

Further details on these systems are given in ***sections 4.2 – 4.6 and section 3.***

**4.2 Accounting System**

**4.2.1 General**

Whether the accounting system used is manual or computerised, it must record all transactions so that source documents can be traced. This is commonly called the audit trail. It must also be capable of producing management information for use by the governors and budget holders, in addition to providing the figures from which the monitoring returns to the Local Authority are prepared.

**4.2.2 Computerised Systems**

If a computerised system is implemented, then it is essential that any new system is fully tested prior to placing reliance on it and before any existing system is discontinued. External consultants, the Local Authority and other schools may be able to advise on the suitability of particular accounting packages.

Irrespective of the accounting system operated by the school, the relevant procedures should be documented as a basis for ensuring compliance with procedures. Computerised systems will need additional management controls to ensure the integrity and confidentiality of information. A systems manager will normally be required to take responsibility for the operation of the system, including the maintenance of both the hardware and software and regular backup.

* + 1. **School Funds**

The Scheme for Financing School requires the governing body to ensure that any voluntary or private funds for which it is responsible are:

* Managed separately from the delegated funds of the Local Authority.
* Subject to suitable standards of propriety.
* Subject to the preparation of a statement of annual accounts.
* Subject to annual audit.

The year-end accounts must be audited, usually by 2 independent people, and presented to the governing body. Recommended basic checks to be undertaken by the school auditors, to satisfy themselves that the accounts are a true reflection of the transactions of the fund, are detailed in **Appendix A.**

An audit certificate, orcopy of the audited accounts, is also required to be submitted to the Local Authority.

**4.2.4 Other Funds**

A school may need to administer funds provided by organisations other than the Local Authority. These funds must be administered in accordance with the requirements specified by the relevant organisations. Control procedures must be in place to ensure these requirements are complied with and any necessary reports or certificates are produced.

A school may also hold funds on behalf of other schools and / or may have its funds held by another. Under these circumstances, each school must ensure that its income and expenditure is accounted for correctly in accordance with the Local Authority’s requirements.

Copies of all agreement relating to funds held on behalf of / provided by other organisations must be retained, together with any reports provided to those organisations. These funds, and expenditure against them, form part of the school's financial operations and must therefore, be approached on a basis consistent with the wider financial reporting of the school.

**4.3 Purchasing**

**4.3.1 General Principles**

Schools will place orders for the purchase of goods and services, which will be paid for with public funds. Therefore, schools not only need to maintain the integrity of public funds they must also be seen to do so. This entails three distinct aspects:

1. Probity - to demonstrate that all parties are dealt with on a fair and equitable basis and that there is no private gain, favouritism or corruption involved in the contractual relationships of the school.
2. Accountability - the school is publicly accountable for its expenditure and the conduct of its affairs.
3. Value for money - to demonstrate economy, efficiency and effectiveness in the use of public funds.

**4.3.2** **Budgeting**

Purchasing is inextricably linked to the budgeting process. Schools must have in place mechanisms to monitor levels of commitments against budgets and consideration must always be given to whether there will be adequate funds available to pay for an order before that order is authorised and placed. This is particularly relevant in relation to the tender purchase process, where the financial sums involved are higher and any difficulties are likely to impact upon the school's financial position more significantly. Consideration should also be given to the provision of a contingency sum within the overall project budget.

**4.3.3** **Value For Money**

There are three main elements to value for money (VFM) - economy, efficiency and effectiveness - although the boundaries are often not clear cut.

1. Economy is minimising the costs of resources used within schools, having regard to the appropriate quality.
2. Efficiency is the relationship between output, in terms of goods, services or other results and input, and the resources used to produce them
3. Effectiveness is the extent to which objectives have been achieved and the relationship between the intended results and actual results of an activity.

The school must always have regard to value for money considerations. This may not always result in purchase of the cheapest goods or service. Consideration must be given to other factors such as quality, suitability, delivery date, credit terms, reliability of supplier and the financial position of a supplier.

**4.3.4** **Assessment**

Prior to placing an order, the school should follow procedures relevant to the type and value of the purchase. In all cases the school must ensure value for money is obtained. For low value orders, this may involve ordering from suppliers by reference to catalogue price lists and obtaining authorisation from the relevant member of staff. Larger orders, contracts and capital projects will require a procedure for obtaining and approving tenders. Tendering is discussed in more detail in ***section 4.3.14***.

The governing body must establish a tendering policy. This will entail agreeing:

1. The minimum value of goods and services for which tendering must be sought.
2. The required levels of delegated authority.
3. When such authority and approval is necessary.

The Schools Contract Standing Ordersset out tendering, contracting and ordering requirements, which the school must adhere to in establishing its own policies. Arrangements will vary depending on the size and circumstances of the individual school. A model ordering procedure is given at ***Appendix B*.**

A careful analysis and comparison of all possible options is essential to make sure value for money is obtained. This includes comparison against the [DfE recommended national deals](https://www.gov.uk/guidance/buying-for-schools). The school must also retain all documentation supporting tender decisions, particularly where it is decided to accept other than the lowest tenders. It must ensure that no work commences until formal letters of approval are issued.

In order to ensure value for money is obtained over the medium / longer term, the school should review and re-negotiate all contracts at regular intervals.

The school must maintain clear policies on returned goods, partial payments, settlement of disputes, taking of cash discounts, etc. Schools should always consider redress for dissatisfaction in any contract. Such issues should always be raised in writing. Further guidance is given in **S*ection 4.3.7****.*

**4.3.5** **Identification of Potential Suppliers**

The following sources may be useful:

1. Business directories.
2. Trade journals.
3. Visits from sales reps/mailshots.
4. Suppliers' catalogues .
5. Information from other schools.
6. General internet / websites.
7. DfE [Deals for Schools](https://www.gov.uk/guidance/buying-for-schools) website.

**Approved list of Suppliers**

The school may wish to maintain a list of approved major and regular suppliers, which should be reviewed at least annually by appropriate persons who are independent of the ordering function. This could be a sub-committee of the governing body if deemed appropriate. This will ensure that orders are only placed with suppliers who have a proven capacity to provide quality, quantity, timely delivery at a competitive price and also comply with the governors’ responsibilities in this regard as stated in the Financial Regulations for Maintained Schools. Volume discounts and credit terms should be taken into account both when placing orders and when making payment. Schools should take account of the CBI *Better Payment Practice Code* (the main principles of which are re-produced in ***section 3, Appendix B***).

There may be benefits from building relationships with suppliers. This can manifest itself in hidden advantages such as “soft” service, for example advice and after sales service beyond the normal contractual relationship. There are strong incentives for suppliers to look after customers and schools should bear this in mind.

**4.3.6** **Ordering**

Orders should be made in writing and placed at the time and on the basis agreed with the supplier. It should be exceptional for orders to be made verbally and these orders must be subsequently confirmed in writing. There may be occasions when standing orders are placed and goods or services are drawn against the original order. In these circumstances the items drawn must be recorded against the original order and records maintained to monitor when that order is completed.

All orders must be on an official form and include the Council’s standard terms and conditions, with the exception of formal written contracts.

Order forms should be pre-numbered where possible. Access to order forms should be controlled to ensure that blank forms are restricted to authorised staff only. For schools using computer-generated orders, access to their computer system must be controlled.

Orders must be signed by the person requesting the order (either directly or through a supporting requisition form) and then approved by signature by an authorised person, within the limits of their authority and their budget. A list of school staff authorised to sign orders must be maintained together with any limits imposed. A sample form is given at ***Appendix C***.

Where value and/or delivery dates are critical these should be stated on the order. All copies of spoiled orders should be marked as such and retained for completeness.

Orders and requests for quotations should be clear and as specific as possible to avoid any misunderstanding. The following are relevant considerations:

1. Detailed specification of requirements.
2. Quantity.
3. Delivery date and address - the address should always be the school's address except in exceptional circumstances where specific authorisation is given.
4. Terms and conditions - schools must have the Council’s terms and conditions pre-printed onto orders as acceptance of the order by the supplier can imply acceptance of the purchasing organisation's terms and conditions ***(see Appendix D)****.*
5. Quotation reference, authorisation and date (if an order) or method to transmit quotation e.g. telephone or letter (if a quotation).

For larger purchases, a formal tendering procedure should be followed. Advice on tendering is given in ***section 4.3.14.***

**4.3.7** **Receipt of Goods or Services**

All goods and services should be checked on receipt, against the copy order, for quality and quantity. This check should be recorded (signed for) on the copy order. The carrier/supplier should be notified promptly of any shortages or rejected items. For contracts and capital projects, this may involve recording the receipt of goods or services over a long period of time against one order. In these circumstances separate systems should be initiated to ensure that the receipt of all goods and services is recorded and that the documentation is stored in an appropriate format. The employment of appropriately qualified consultants will generally be required for the procurement and management of building works.

The school should maintain clear policies on returned goods. A goods returned book should be maintained in order to document the return to the supplier. This will include a description of the goods and reason for the return. A procedure will be required to ensure that replacements or credits are received for all returns.

**4.3.8** **Processing Purchase Invoices**

Invoices for payment should be matched with a note of the receipt of goods or work carried out. The invoice should be checked and marked off for accuracy of quantity, price and calculation against the original order. All these checks should be recorded on the invoice - a rubber stamp grid is ideal – see ***Appendix E.*** Payment should only be made in respect of items that are properly due and invoiced. The checking and approval of invoices should be carried out only by authorised members of school staff.

Segregation of duties should be adequately maintained with reference to staff available. Segregation between incurring expenditure and authorising payments is essential. The segregation of duties relating to the ordering and receipt of goods, and between the receipt of goods and authorisation of payments, is highly desirable. In applying segregation of duties, cheques should not be signed by the person who was responsible for authorising the purchase order. Cheques must be signed in accordance with the bank mandate. In schools, where staff numbers are limited, compensating controls may have to be introduced to supplement the segregation of duties. Further guidance on segregation of duties is given in ***section 2.***

An essential part of any purchasing system is the facility, which enables commitments and creditors to be identified. Commitments are where orders have been placed for which goods or services have not been received. Creditors are where goods and services have been received but payment has not been made. This facility need not be especially sophisticated but it is necessary to aid budgetary control.

Policies and procedures for making partial payments, taking of cash discounts and the settlement of disputed items should be established to ensure the school obtains all savings due and all outstanding items are resolved in an appropriate manner.

The Scheme for Financing Schools requires the governing body to have regard to value for money considerations. The governing body must therefore, satisfy itself that the payment arrangements are such as will ensure that bills are being paid promptly when they fall due with discounts for prompt payment where appropriate. For schools with local bank accounts it is recommended that the *Code of Payments* included at ***Section 3 Appendix B***  is adopted. To avoid the possibility of goods and services not being received payment should not normally be made before receipt of goods. If such payments are required, schools must consider the degree of risk before approving the payment.

**4.3.9** **Purchasing Consortia**

A purchasing consortium is where a number of schools act together to purchase goods or services for their own use or for use by the consortia members. Schools should give consideration, where practical, to establishing such consortia. This mechanism can provide each school with greater bargaining power and the ability to negotiate more favourable terms and conditions e.g. volume discounts through the ability to purchase greater quantities.

Arrangements may become complex and schools need to ensure that costs, in terms of administrative time, do not outweigh the benefits. Schools also need to retain sufficient control within arrangements to ensure that their needs are met.

Schools may be able to establish consortia to provide services for other schools. This may be relevant where specialist staff are employed by a school.

**4.3.10** **Issues for Negotiation**

Further savings may be achieved by examination of the following areas:

1. A breakdown of the composition of the price. There may be items in a contract/agreement that are not essential for the school's needs and could be excluded.
2. Quantity discounts. Schools should enquire as to the quantities necessary to obtain discounts and consider making a larger order and/or a call-off contract, particularly if the goods or services are used on an on-going basis. A school should balance the potential benefits against the loss of potential interest earned on cash balances expended and the risks of holding stock, such as pilferage, obsolescence and damage.
3. Moving delivery dates to suit suppliers' production schedules and off peak periods. Consideration should be given to the costs of holding stock as outlined above.
4. Variations in payment and credit terms. Schools should, however, be conscious of the dangers of making payment in advance of receipt of all or part of the goods or service. Firstly, if a firm were to go bankrupt, the school would rank as an unsecured creditor, effectively the last in line to be paid. Secondly, if the goods or service is unsatisfactory, reclaiming payments may prove difficult and costly.
5. Initially asking for less than the actual requirement as a negotiating tool with sales staff to obtain more favourable terms. This approach may be detrimental to a school attempting to build a relationship with a supplier resulting for example in the loss of soft service or preferential treatment.

**4.3.11** **Leasing and Rental of Equipment**

The option of renting a piece of equipment can be a worthwhile consideration, particularly if the need is short term or the equipment may become obsolete quickly. Short term rental may cost a fraction of the purchase price.

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

Other factors to consider are:

* The costs of repair and insurance are usually the responsibility of the hiring company. This of course should be checked and be specifically stated in the hire contract.
* Equipment that does not live up to expectation or is used less frequently than anticipated can be returned. Indeed, equipment can be rented to ascertain whether usage would make purchase or further rental cost effective.
* Contracts can be terminated in times of financial constraint as a cost saving measure.
* The full purchase price is not payable and instalments spread the cost thus improving cash flow.
* Rental can be the most cost effective way of procuring equipment that is used infrequently.
* Long term rental may ultimately be more expensive than outright purchase.

From 1 April 2024, a new international financial reporting standard (IFRS 16 leases) has been introduced for maintained schools, which will change the way that local authorities recognise in their accounts leases entered into by their maintained schools. IFRS 16 leases has ended the distinction between operating and finance leases for accounting purposes. Currently maintained schools are permitted to enter into operating leases without Secretary of State consent. Finance leases require Secretary of State consent (because these are a form of borrowing). Under the Education Act 2002, all leases will from 1 April 2024 be classed as borrowing and will require the Secretary of State's consent.

However, the DfE has set out that governing bodies will not need to make a specific request for consent where a lease falls under the general consent granted by the Secretary of State for Education. The types of assets that are granted general consent are now listed in DfE's ‘The IFRS16 Maintained Schools Finance Lease Class Consent 2024’ document. Any leased assets that are not included in the document will need to be submitted to the Secretary of State for consent. This may include leases relating to land and buildings.

**4.3.12** **EU Regulations**

EU law requires that certain procedures must be followed with regard to contracts awarded by public bodies that exceed certain thresholds. The values of these thresholds are detailed in ***Appendix F*** together with a brief summary of the requirements. These apply at Local Authority level rather than individual school level. Advice will therefore, be provided by the Local Authority for situations where the aggregation of contracts across the Local Authority exceeds the thresholds.

The basic principles are as follows:

1. A ban on any discrimination on the grounds of nationality.
2. Transparency of award procedures by the requirement to publish notice of the contract in the *Official Journal of the European Communities.*
3. Indication of which type of tender procedure has been adopted - open, restricted or negotiated. The directives give specific guidance as to which may be adopted.
4. Transparency of the criteria to be used to select contractors.
5. Compliance with technical standards. In this respect, European standards must take precedence over national standards.
6. Certain obligations at the beginning of the budgetary year to give notice of works, supplies and services contracts above the stated thresholds that a body intends or hopes to award. This is not a call to tender but is an indicative notice to allow firms to be prepared if and when such a tender invitation is published.

**4.3.13 Controls Over Purchasing**

Governing bodies should set monetary limits clearly defining the level of expenditure staff can authorise without the prior approval of the governing body.

All paperwork and documentation should be retained for all quotation and tendering exercises. This should clearly show the basis upon which a purchasing decision has been made, especially if the chosen option is not the lowest initial cost.

Any member of school staff must disclose to the governing body and the Headteacher any interest that he or she may have, including that of relatives and friends, in any purchasing decision (or staffing appointment) in which they may be involved. Staff who face such a conflict of interest should not participate in the decision with whom to place the contract in the appointment of staff. The Schools Financial Value Standard sets out expectations around the management of related party transactions. The principle is not that such transactions should never happen, but that effective procedures should be in place to ensure that open and transparent procurement procedures are followed, and any potential conflicts of interest are adequately and appropriately managed. The school should be aware of and have a record of any related party transactions that have been arrived at through proper procedures and should append this list to the checklist, using the [template for recording related party transactions](https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs).

A related party transaction may, in some cases, provide the best deal and the best value for money for the school. But to avoid any appearance of impropriety, the school should keep a record of any related party transaction and append it to [the checklist](https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs). Contracts and agreements that are live in the year that the SFVS is being completed for need to be reported. These should continue to be reported until the year in which the contract ceases, at which point they can be removed from the list. Historic related party transactions are not to be reported.

Governing bodies must expressly prohibit divisible contracts. These arise where one contract, which would exceed a particular level of authority is broken down into two or more smaller contracts. This is often done where staff have failed to take account of the longer timescales that may be involved or where the tender process will be invoked by the value of the proposed purchase. The need for forward planning is therefore, stressed here in the context of purchasing decisions. If this control procedure is deliberately avoided, value for money may not be achieved and there is a loss of accountability and a fundamental contravention of the controls established by the governing body.

Purchasing and adherence to approved procedures should therefore, be reviewed on a regular basis by someone independent of the purchasing process, if available, to ensure compliance.

**4.3.14** **School Tendering Policy**

Tendering is a formal procedure in which suppliers are invited to submit a bid to a purchaser. Their bid is then evaluated together with other bids received against specified criteria. This process is undertaken by a team normally comprising the user, the purchaser and a technical expert, where appropriate.

The governing body should establish a tendering policy. This entails determining:

* The threshold value of goods and services above which a tender must be used.
* The minimum number of tenders required.
* The levels of delegated authority in decision-making.
* When such authority and approval is necessary.

This guide does not prescribe minimum threshold for the value of goods and services above which the tender process should be used as this will vary from school to school.

The Schools Contract Standing Ordershowever, do prescribe the maximum threshold above which tendering processes must be followed by all schools.

Levels chosen below the maximum threshold can depend on a variety of factors such as the overall size of the school in financial terms or the nature of the purchase/supply. Different levels may for instance be appropriate for equipment or building work. In this case, the school's financial advisers or Local Authority will generally be pleased to advise the governing body on a tendering policy, e.g. the threshold value for tendering, which provides a suitable degree of control without being administratively cumbersome.

**Preparation for Tender**

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

* Budgeted funds available.
* Objective of project.
* Overall requirements .
* Technical skills required.
* After sales service requirements.
* Form of contract.
* Delivery dates/times.

Consideration should also be given to the short listing process (if necessary) and the format of presentations and/or interviews.

**Procurement procedures and Invitation to Tender**

As set out in the Schools Contract Standing Orders, under the ‘open procedure’ all those interested may respond to the advertisement by submitting a tender. This is often the most expedient system and enables all the suppliers in the market that wish to engage in the process to submit a tender. There is no pre-qualification questionnaire (PQQ) or short-listing stage prior to invitation to tender (ITT). Under the open procedure, an advertisement, saying what the contract is for and inviting applications for tender documents to be completed, must appear in a local newspaper. The advertisement must also appear in an appropriate trade journal where, in the opinion of the governing body, this is likely to be to the school’s advantage. The advertisement must give a closing date and time for the return of completed tender documents at least 2 weeks away. Specific EU procurement rules must be followed where the open procedure is used to procure works, goods or services above the EU Threshold.

Under the ‘restricted procedure’ a selection is made of those who respond to the advertisement and only they are invited to submit a tender. This procedure can only be used for tenders above the EU threshold for goods and services and EU procurement rules must be followed in these circumstances.

More complex procedures (such as negotiated tendering), generally applying to more strategic contracts, are available, but appropriate expert advice should be sought as the Public Contracts Regulations only permit such procedures in limited and specific circumstances.

An invitation to tender should include the following:

* A letter of invitation with instructions to tenderers.
* A pre-addressed referenced label for tenderers to submit with their response.
* Introduction/background to the project.
* Scope and objectives of the project.
* Technical requirements.
* Implementation of the project .
* Terms and conditions of tender.
* Form of response.

Tenders should be submitted as ‘sealed bids’ and on receipt a school should:

* Record the date and time of receipt on the envelope.
* Store safely and securely the tenders unopened until specified date and time for opening.

**Opening of Tenders**

Tenders should be opened as soon as possible after the specified deadline for receipt and this should only be undertaken by staff authorised to do so. The following information should be recorded:

* Date and time of opening.
* Names and signatures of those present.
* Value of each tender.
* Details of suppliers who declined the invitation, or failed to submit a tender.
* Any omissions in the submission, e.g. documents, signatures, missing data, etc.
* Any changes should be crossed out and not made using correction fluid.

Late tenders should normally be rejected and retained unopened until the contract has been awarded and then returned to the tenderer together with an explanatory note.

**Criteria for Evaluation of Tenders**

It may be useful after all requirements have been established to rank requirements, (e.g. mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.

Financial issues to consider should include:

* Whether like is being compared with like and that a lower price does not mean a reduced service or lower quality. If this is the case, schools should consider whether the specification will be met. Alternatively a higher specification at a higher price may be in excess of the school's requirements and thus may not represent value for money.
* Ensuring that the tender price is the total price and that there are no hidden or extra costs.
* Whether there is scope for negotiation.
* Financial status of the supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. Schools may wish to examine suppliers’ audited accounts. Schools should be aware that credit agencies can provide financial information on companies for a small charge.
* The difficulty in changing contractors part way through a contract should this prove necessary. The financial implications may be significant.

Technical issues to consider should include:

* Qualifications of the contractor.
* Relevant experience of the contractor.
* Descriptions of technical and service facilities.
* Certificates of quality/conformity with standards.
* Quality control procedures.
* Details of previous sales and references from past customers.

Other considerations to be taken into account are:

* Pre-sales demonstrations.
* After-sales service.

**Re-tendering of Contracts**

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

**Evaluation and Approval of Tenders**

Tenders should be evaluated against the set criteria. This will assist in ensuring value for money is achieved. The evaluation should be documented fully and the documents retained.

The decision-making level will depend on the financial procedures operating within the school. It may be the Headteacher that decides on small contracts, with a report to the governing body of decisions made, and the governing body or a committee for larger contracts. In all cases, a formal report should be prepared summarising the evaluation with a recommended decision. After consideration, the decision should be recorded fully. All tenderers should then be informed of the decision.

The evaluation process should involve at least two people. Those involved should disclose all interests, business or personal, that might impact upon their objectivity. If there is a potential conflict of interest, then that person must withdraw from the tendering process. Positive confirmation should be required from all involved in a decision that they have no interest in the award. This should include friends and relatives. Further guidance is provided in ***section 2***.

Schools may wish to engage the assistance of professional contract managers where tenders or contracts are complex and are for significant sums of money. For example, in the case of a major building or refurbishment project, appropriate technical and evaluative advice may be available from architects (including the Local Authority architects).

Gifts or hospitality from potential suppliers should not be accepted since it could compromise or be seen to compromise impartiality.

**Notification to Tenders**

All organisations who submitted a tender should be advised of the outcome of the process as soon as is reasonably possible following evaluation of the submissions.

**4.3.15** **Service Levels**

When considering future service provision, the current level of service should not be regarded as the standard needed in the future. Schools should consider whether the service is necessary, and the appropriate level, with reference to the school's budgetary constraints and benchmarking against other schools. The school may decide that a higher or lower level of a service is appropriate.

School staff shouldgive the governing body the opportunity to challenge the school’s plans for replacing contracts for goods and services that are due for renewal or expiry.

**Potential Providers**

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

* Provide in-house.
* Local Authority service.
* External contractor.

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.

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

As stated in the Financial Regulations for Maintained Schools, before a governing body tenders for services currently provided internally by the school, by the Council or by a third party provider, it must obtain legal and financial advice in writing to ensure appropriate decisions are made and adequate safeguards are in place. The legal and financial advice must (but not exclusively) consider any TUPE, pension, equality, diversity, data protection and information security implications. It must include an estimate of the whole life-cycle costs (including on-going or disposal costs or costs that would (or could) be incurred or met by third parties). A written, clear specification must be prepared as part of the proposal, which will form the basis of the contract.

After considering the financial and legal advice,if the governing body decides to tender for a service:

* Currently provided by the Council, the governing body must notify the Strategic Director of the service provided, in writing, at least 3 months in advance of the tender process. If the restricted tendering procedure is followed, the Council must be invited to tender for the service.
* Currently provided by a third party that can be provided by the Council, if the restricted tendering procedure is followed, the Council must be invited to tender for the service.

Amongst other services, the Council can provide catering, cleaning, payroll, HR and training services to schools. The governing body must make appropriate enquiries to determine whether the Council can provide the service to be tendered prior to carrying out the tendering process.

**Service Contracts**

Contracts are essentially of three types:

* Pay as you use (hourly rate).
* Fixed entitlement.
* Insurance (where a supplier covers all circumstances for a fixed price).

Schools must consider the costs and benefits of each.

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.

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.

Insurance type contracts are most appropriate where usage is difficult to predict in future periods, e.g. legal advice, personnel advice. The school pays to ensure unlimited access to a service if and when certain conditions are met. Insurance type contracts may have a no claims bonus attached.

All contracts should be specifically drawn up and be as detailed as possible to eliminate any likelihood of misunderstanding. Key areas to cover are:

* Level of service.
* Scope and quality 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.

**4.3.16** **Monitoring of Agreements and Contracts**

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

* The governing body should approve all major contracts as set out in their purchasing procedures.
* 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 on-going 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 contractor has arrangements in place for prompt repair of equipment under contract.

**Contracts register**

A contract register details the contracts and service level agreements that a school has in place. It is a useful tool for planning, in a timely manner, the completion, extension or renewal of a contract.

You should review contracts due to expire to determine the school’s future requirements and the options for meeting those requirements. It is also important to set a trigger date in the register for when the procurement method needs to commence. This ensures sufficient time is allowed, for example, to undertake a quotation or tendering exercise, prior to the expiry of the contract.

It is recommended that the contract register is reviewed against the school budget reports and the School Development Plan to ensure all relevant expenditure has been included.

Allowing sufficient time to plan procurement activity can save your school money, as the more urgent the need for the service or product the greater the cost is likely to be or the less likely the specification will be met in full.

Contract Register Template

A contract register typically includes the following information but can be adapted to suit the school’s needs:

* Contract Title
* Short Description of Contract
* Supplier Name
* Contract Start Date
* Contract End Date
* Termination Details
* Trigger Date
* Annual Amount (current year)
* Total Contract Value (duration of contract)
* Method of Procurement
* Responsible Officer

**4.4 Payroll**

**4.4.1 General**

The main elements of a payroll system are:

* Staff appointments and changes.
* Payroll administration.
* Payments.

**4.4.2** **Staff Appointments and Changes**

Approval of appointments and changes for all members of staff must be made in accordance with the arrangements for delegated authority approved by the governing body. In particular a staff member must not approve a change to their own conditions.

**4.4.3** **Payroll Administration**

Schools will establish payroll arrangements for monthly paid, weekly paid and four-weekly paid staff.

Each governing body should determine the most appropriate levels of authority for particular changes to payroll data. The person authorising changes to the payroll must not authorise changes relating to themselves. Authority should normally rest with the Headteacher, except where such changes are of a relatively trivial and routine nature and could be authorised by the school’s Finance Manager. Changes to the Headteacher's pay should only be authorised by the governing body.

All adjustments to normal payroll disbursements (e.g. overtime and bonuses) should only be authorised by appropriate staff. Time sheets or other supporting records should be prepared and checked to ensure that payments are proper and reasonable. Arrangements, where travelling expenses and other allowances are paid through the payroll, must be determined and authorised.

Control should be exercised through the segregation of duties, between payroll preparation, payroll review and the final approval of payments. Whether paying its own staff, or using a payroll provider, the school should ensure through monthly reviews that all, and only, bona fide staff are included and that all payroll changes are correct and have been appropriately authorised. The school should also ensure, annually as a minimum, that gross pay agrees with contracts or other authorised documents and deductions have been correctly determined and authorised.

The governing body may decide that it is more appropriate and / or more economic to buy in the services of a payroll provider. This option is only open to schools that opt for their total budget share to be paid into their local bank account (Full Budget Share). The payroll provider may be either the Local Authority or an external company. The governing body should ensure that, where a provider is used, a contract / service level agreement is agreed and signed. This contract should include agreement on the ownership of programs and data files as well as responsibilities of both the provider and the school for:

* Notification of changes to data.
* Who may authorise the provider to make changes to data.
* Control and accuracy of data.
* The preparation and submission of necessary returns to HMRC.
* Backup provision.
* Notification of changes to pay dates.
* Provision for access to both personal information and payroll analysis by the school's staff and Authority’s internal auditors.
* Funding dates if the provider originates payments.
* Indemnification in the event of lost or corrupted data.

The governing body should regularly review and critically appraise its payroll services. In negotiating a contract price with a provider, the governing body should have regard to the financial benefit a provider may receive from payment by the school of gross salaries, inclusive of Pay As You Earn and National Insurance deductions, the payment of which is not required to HMRC until the 19th of the following month. The Scheme for Financing Schoolsoutlines the banking arrangements for schools to receive instalments of their budget share

A governing body that decides to operate its own payroll should ensure that the person preparing the payroll has the relevant skills, qualifications and experience to ensure the payroll is calculated accurately and complies with current legislation relating to employment law and taxation. There must also be adequate procedures to provide cover in the event of the person normally preparing the payroll being unavailable.

Deductions from the payroll for tax, National Insurance and pension contributions must be made in accordance with current legislation, and paid over by the due dates. The Local Authority is responsible for remitting teachers’ pension contributions to the Teacher Pensions Agency for all its schools, irrespective of the payroll provider. Liability for tax and National Insurance contributions rests with the school if payroll costs are met from a local bank account, rather than from a central Local Authority account. Otherwise, responsibility rests with the Local Authority.

**4.4.4** **Payments**

Payments to staff will normally be made by cheque or bank credit. There should be a monthly reconciliation of the total of individual payments to the due value of gross salaries. Schools, where payroll costs are met from their local bank account, should ensure that payments to any payroll providers are checked against the payroll analysis and are paid over by the due dates.

Staff must be paid on or by the due date stated in their contract of employment. All payments must be made in accordance with the delegated authority approved by governors.

**4.5 Assets**

**4.5.1** **General**

The main elements of an assets system are:

* Purchase.
* Inventory.
* Security.
* Disposal.

**4.5.2** **Purchase of Assets**

Procedures relating to the purchase of assets should follow the procedures for all purchases with regard to limits, authorisations and tenders. All assets purchased should be entered in the inventory if the cost is over the specified value. The specified value should be determined by the governing body by reference to materiality in relation to the school's finances, and to the guidance included in the Financial Regulations for Maintained Schools, and will be dependent on the size of the school and any requirements notified by the school's insurers. A model and blank school pro-forma is given at ***Appendix G (i).***

**4.5.3** **Inventory**

All schools must maintain an inventory, which contains details of significant equipment and capital items. The register should be kept up-to-date and should include the following information:

* Description of the item.
* Model / serial number or other unique identification mark.
* Date of purchase.
* Order number, where the item is a new acquisition or where records exist.
* Cost.
* Ownership of the item e.g. owned, on lease, on loan to the school.
* Location of asset.
* Details of any transfer / loan if the item has been removed from the location or removed from use.
* Details and authorising signature for any permanent disposal or write-off.
* A record of physical inventory checks including date and officers name.

A model inventory form is shown at ***Appendix G (ii).***

Computerised inventory records may be held, provided that supporting manual prime records, such as authority to write off and records of physical checks, are maintained.

An inventory should:

* Form an important part of the school's procedures for ensuring that staff take responsibility for the safe custody of assets.
* Enable school management to undertake independent checks on the safe custody of assets, as a deterrent against theft or misuse.
* Help the school to manage the effective utilisation of its assets and to plan for their replacement.
* Support insurance claims in the event of fire, theft or other losses.

**4.5.4 Security of Assets**

Stores and equipment should be secured by means of physical and other security devices. Authority to access must be clearly documented.

All the items recorded on the register should be permanently and visibly marked as the school's property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the governing body.

An inventory check is also recommended when, due to staff changes, responsibility for the inventory passes from one person to other. Ideally, if both former and current responsible individuals are available, they should conduct a check together.

**4.5.5 Disposal**

Items, which are to be disposed of by sale or destruction, must be appropriately authorised for disposal and, where significant, should be sold following competitive tender. The governing body should determine an appropriate policy in accordance with these guidelines.

**Disposal of assets of no value**

A decision that an asset for disposal has no value should be agreed between two senior managers of the school. A sample form for this purpose is shown at ***Appendix H****.*

Where an asset is determined to have no value, consideration should be given to the most cost effective disposal process. Even if the asset is deemed to have a nominal value, the cost of a sale process may outweigh the sale value.

If items of no value are disposed of to school staff, it is recommended that a reasonable nominal charge is made for the item. This avoids any possibility of allegations, however unfounded, being made of misuse of school property. Items given or sold to staff at a nominal value should be reported to the governing body.

**Disposal of assets with a value**

Where the school determines that assets have a value to be realised on disposal, consideration needs to be given as to whether the estimated value is above or below the current lower threshold for contracting and ordering arrangements, as given in the Schools Contract Standing Orders.

Where the estimated value is below the threshold, disposal should take place in the following order of action:

(i) Trade-in against an appropriate new acquisition.

(ii) Re-distribution within the school or Local Authority.

(iii) Sale by auction or competitive process.

(iv) Sale to staff at an agreed valuation or by competition.

**Disposal of assets above the Schools Contract Standing Orders Threshold**

Disposals estimated to have a value above the threshold should normally be dealt with in an open competitive process involving advertising the items for sale at a fixed price or inviting written offers.

In following a competitive process, the school can only accept the most economically advantageous price, and should consult with the Authority if this does not appear to be the most financially favourable.

Where the school considers that a competitive process is not appropriate, the Local Authority should be consulted to agree another course of action.

When disposing of assets, schools should ensure that, unless otherwise determined, the school is not jeopardised with any form of liability arising from the disposal nor acting contrary to any conditions, which may attach to the asset. This might include not creating any liability for the soundness or adequacy of the asset, or compliance with any necessary form of transfer of a permit, licence or warranty e.g. computer software licence.

**4.5.6**  **Loan of Assets**

Items of school property should not be removed from school premises without the appropriate delegated authority. A record of any loan should be made by the school and the record updated when the asset is returned. During holiday periods, for security reasons, staff may take high value assets home. The position relating to insurance should be clarified and explained to the staff concerned before any assets are taken off the school premises. If assets are on loan for extended periods, or to a single member of staff on a regular basis, the situation may give rise to a benefit-in-kind. This has implications both for tax purposes for the individual concerned and for the proper use of public funds. Loans should therefore, be kept under review and borrowers should be made aware of the terms and conditions of any loan.

Loan records should hold the following information:

* Identity of the borrower.
* Date of loan and planned date of return.
* Description and serial number or other identifier of the equipment on loan.
* Purpose of the loan.
* Signature of the authorising officer.
* Signature of the borrower.
* Details of the return of item borrowed.
* Value of the item.
* Terms and conditions of the loan.

A sample form is shown at ***Appendix I (i)***

**4.6 Income**

**4.6.1** **General**

Income may be generated subject to the provisions of the Education Act 1996.

The main elements of an income system are:

* Sources of Income.
* Administration of Receipts.
* Allocation of Income.

**4.6.2** **Sources of Income**

The school should have clearly defined and documented procedures for determining its income on an annual basis. Income is received from a number of sources:

* Formula Allocation (delegated budget share)
* Education and Skills Funding Agency determined funding e.g. post 16 allocations.
* Pupil Premium Grant.
* Specific other Government Grants
* External funding from grant bids for specific projects etc.
* Letting of school premises and playing fields.
* Sponsorship and advertising.
* Sales (including vending machines).
* Rent from properties.
* Private telephone calls, printing and photocopying.
* Donations.

Delegated budgets receivable from the Local Authority, and all income from other sources, should be identified and verified to ensure completeness. The school should check that the information used in the calculation of delegated budgets is correct and that income has been quantified as accurately as possible for inclusion in the school’s financial plan.

All income should be included in the school’s budget and procedures developed to ensure income is received by the dates due. This will require procedures for the monitoring and collection of outstanding debts, unless the income is collected in advance. Please see ***Section 4.6.4***

In accordance with the Financial Regulations for Maintained Schools, the governing body shall determine all fees, charges and concessions and should review these annually, with any delegated powers given to school staff to negotiate being recorded in writing. The scales should be set to ensure that, in overall terms, income is at least sufficient to cover costs.

Consecutively numbered invoices should be used and spoiled invoices should be marked as such and retained in order to ensure completeness of income records. Invoices must contain the following information:

* City of Bradford Metropolitan Council.
* Name, address and telephone number of the school.
* Name and address of the payee.
* Date.
* Invoice number.
* Details of the charge .
* Cost with the amount of VAT (where applicable) shown separately.
* Total.
* Authority’s VAT registration number 180 8082 62.
* Credit terms.

**4.6.3 Administration of Receipts**

Procedures should exist for the administration of receipts. Model school procedures are shown at ***Appendix J.*** Payments by the Authority of the schools budget share, direct to the bank, and cheques received, may only require recording in the school’s records (not needing a separate receipt). An official pre-numbered receipt should acknowledge other monies received over an agreed minimum level. Issue of receipts should be controlled by those authorised to do so.

The receipt of cash e.g. for school trips may involve multiple staff, who should be aware at all times of their responsibilities for any cash collected. All cash transactions must be properly documented and receipted, including transfers between members of staff. Cash should also be recorded promptly in the school’s accounting records and banked in its entirety, not used to finance other expenditure or added to petty cash. If cash holdings are likely to be substantial, schools should consider appropriate insurance cover.

The school must maintain detailed accounting records as these are required to analyse income efficiently and accurately. The allocation of income between public, non-public funds and VAT must comply with the Financial Regulations for Maintained Schools. Further advice on VAT on income is provided in ***Section 6.2***.

Invoices raised and collections on account should be accurately applied to the proper accounts. Access to invoices and debtors records should be restricted to authorised personnel and, if possible, should exclude those responsible for the physical receipt of income. Segregation of duties should be applied to the invoicing and receipt of income where applicable and to the recording and banking of receipts.

**4.6.4 Debtors**

There should be a system in place to ensure that all monies due to the school are recorded, that debtors are invoiced promptly and that payments are received. In particular consideration should be given to obtaining payments in advance for activities such as lettings.

When developing a system, schools should consider the benefits of advance payments against the cost of collecting debts. The cost of collection will include the costs of stationery (such as invoices), postage, and the cost of time involved in preparation of invoices, as well as credit control for outstanding debts and any losses, which are written off as irrecoverable.

The governors should set a policy for the collection of any debts due to the school. The policy should include the credit terms allowed together with the collection procedures from initial invoice to the use of legal proceedings. Please see ***Appendix K****.*

There should also be procedures to follow in the event of writing off a debt as irrecoverable to ensure the correct authorisation is obtained as required by the Financial Regulations for Maintained Schools.

**4.6.5** **Allocation of Income**

Delegated budgets paid to the school by the Local Authority must be used for the purpose intended. Any interest or return arising from a Local Authority delegated budget must be included as income in the delegated budget and be applied for the same purposes for which the delegated budget was supplied.

**4.6.6 Provision of Educational Services**

A school may provide educational services to another educational establishment or to other organisations or individuals. Any school considering such activities is strongly recommended to seek legal advice and to consult the Local Authority to ensure that the school is acting within its legal powers.

Before establishing any such provision, a school should ensure that:

* A financial target has been agreed for the activity.
* Realistic financial projections for the activity have been produced, including testing the impact of different levels of take-up.
* The charge for the service fully covers the costs incurred in delivering the service.
* There is clear management responsibility for the project.
* Appropriate reporting arrangements have been established to monitor progress.
* The contractual responsibilities of the school and the customer are clearly set out.

The way in which the contractual responsibilities of the school and the customer are set out will vary according to the nature of the customer. If the customer is another organisation e.g. a school or college, a formal agreement should be drawn up and signed before any financial commitments are entered into by the school. If the customers are individuals, then those responsibilities should be stated in an appropriate document e.g. a prospectus. Wherever possible, income should be collected in advance.

The activity should be formally reviewed at least annually, with a comparison of financial performance against target together with a review of all educational aspects. This formal review should take place in addition to regular monitoring and reporting.

**4.7 Insurance**

**4.7.1** **General**

The purpose of this section is to provide advice and guidance to schools to help them purchase an appropriate level of insurance in a cost effective way, either from the Local Authority or from an alternative provider. The section provides details of a basic specification for a basic schools insurance package.

**4.7.2 A basic package**

A basic insurance package should cover essential core elements. These core elements are typically:

* Property insurance for any buildings and contents for which the governing body is legally responsible.
* Cash insurance.
* Engineering insurance on any lifts, boilers and machinery, including not only cover for the equipment itself, but also the statutory inspection required for equipment of this nature.
* Public Liability insurance with an indemnity limit of £40 million.
* Employers’ Liability insurance with an indemnity limit of £10 million.
* Officials’ Indemnity with an indemnity limit of £5 million.
* Libel and Slander with an indemnity limit of £2.5 million.
* Crime cover covering employee dishonesty, computer and funds transfer fraud, forgery and counterfeiting.
* Personal Accident cover for staff and volunteers with a sum insured of £67,000.
* Travel Insurance for staff and pupils on visits and pupils on work experience.

A basic package should be used as a starting point for schools for their purchase of insurance. Schools however, must ensure that the insurance they buy reflects their own circumstances and also their own approach to risk management as well as the minimum requirements specified by the Local Authority. Schools may therefore, wish to add on additional items of insurance or vary the applicable excesses to reflect their insurance experience, building type, capabilities in risk management and the level of costs they are willing to carry themselves on losses.

An example simple baseline package is outlined in **Appendix M**.

**4.7.3 Managing Risk**

The purchase of insurance is part of the school’s overall risk management strategy. The essential elements of this are that:

* Governors, managers, teachers, other staff and, as appropriate, pupils, should be aware of the risks that can threaten injury or death, damage or destruction of property or serious interruption of the working of the school.
* These risks should be managed in order to minimise them.
* Insurance is purchased in respect of risks that would impact seriously on the school’s finances. This means ensuring that all potentially catastrophic risks are insured against and that other risks, where insurance provides an economic method of risk financing, are suitably insured.

Schools must keep an up to date inventory and should use this as the basis for seeking property insurance.

All quotations from insurers should be based on the same insured values to enable true and accurate comparison.

Schools insuring their property on an *all risks* basis may wish to discuss with their insurer the details relating to glass / sanitary fittings, drives, patios, terraces, playgrounds and hard play areas, underground pipes and cables, burst pipes, escape of water, accidental damage, malicious damage, damage by impact, falling trees etc, leakage of oil, breakage/collapse of aerials, masts and satellite dishes, damage to grounds caused by fire brigades and full theft cover including external metal and fixtures and loss of metered water.

Business Interruption provides cover for the increased costs related to total or partial loss of the school’s facilities including failure of public utilities or denial of access or closure by public authorities. Every school should have a *business continuity plan* to ensure it will be able to cope with such a situation.

Libel and slander includes breach of copyright, but some insurers may wish to agree an excess to encourage a sound approach.

Minibus cover is for social, domestic, pleasure, and school-related activities, but does not cover use for hire and reward.

**4.7.4** **Long Term Agreements**

Long Term Agreements (LTAs) are arrangements whereby, if a purchaser undertakes to remain with an insurer for a period of time specified at the outset, a discounted premium is available. These are contractual arrangements. When entering such an agreement, schools should look at the prices offered rather than the initial discount. LTAs benefit customers when prices are rising and act to their detriment if they are falling. Schools should therefore, be aware of the nature of the market in which they are buying and LTAs should not exceed three years.

**Surveys**

A survey, to provide a valuation prior to the purchase of insurance, is recommended in the package approach. Insurers generally agree that a survey is important but their practices in providing one vary. It may be that the school will prefer to seek the help of the Local authority in providing a valuation or obtain one for a fee. All insurers quoting for business should do so against the same valuation.

**APPENDIX A**

**AUDIT OF SCHOOL FUNDS**

# School Auditors Checklist

Check additions and arithmetical calculations.

Check b/fwd balances to previous year’s c/fwd balance.

Check that all items on the receipts and payment account agree with the cash book. Ensure the cash in hand agrees with the cash book figure.

Check that operations are carried out regularly e.g. money paid into bank, bank reconciliations.

Check bank reconciliations ensuring that b/fwd balances agree with the previous month’s c/fwd balance.

Trace a sample of at least 25% of transactions from the cash book to supporting documents e.g. receipts or vouchers to ensure figures agree. If material errors are found then the number of item checked should be increased.

Check the appropriateness of expenditure from the account against the remit or stated terms or purposes of the account.

Check any investment figures agree with actual certificates e.g. bank account or investment passbooks

Check that all profit making activities are run at a profit.

Check there are no unexplained variations in the receipts and payments account compared with previous years. For example, if £300 was received as commission for school photographs and this year only £100, then an explanation may be needed.

Check that, for all sponsored events, there are documentary back up forms to support the income vouchers and cash book entries.

Check / discuss the interest received on surplus funds. For example, is a competitive rate of interest being achieved? Is there too much money in the current account as opposed to an investment account?

Should any material errors be found, these must be investigated and reported to the governing body.

**APPENDIX B**

**MODEL SCHOOL ORDERING PROCEDURES**

**QUOTATIONS**

* Up to a value of £4,000, budget holders are expected to obtain 3 quotations by using price lists, catalogues and verbal quotations. NB: Schools Contract Standing Orders say contracts under £10,000 the authorised officer must be able to demonstrate best value for money, which may include inviting written quotes. The authorised officer must invite local suppliers where a local supply base is available. All quotations should be in writing.
* Over a value of £4,000 (NB Schools Contract standing orders say £10,000) but under £75,000, 4 written quotations are obtained. This may necessitate inviting 5-6 suppliers to submit quotations. Normally, only the most commercially favourable quotation will be accepted. Where this is not the case, the reason for the decision is noted and the Finance Committee or governing body is notified.
* Over £75,000 tendering procedures apply.

**USE OF OFFICIAL ORDERS**

All orders for the supply of goods and services are issued on an official school order form.

Verbal orders are used only in case of extreme emergency and are confirmed with an official order as quickly as possible.

Orders are not raised for utility bills, renewal of subscriptions and book inspection copies.

Staff are not allowed to process personal orders through the school’s ordering system.

**COMPLETION OF ORDERS**

An Order Request form is completed and signed by the budget holder before an official order is raised.

All orders are processed through the schools finance system by the Finance Assistant upon the receipt of an Order Request.

Orders are numbered in the financial system and printed in duplicate. The original order is sent to the supplier and the copy order retained on file.

The order form contains the following information:

* Supplier details.
* Description of the goods and services required.
* Price.
* Where invoice and delivery is to be sent to .
* Special instructions such as delivery time, location, FAO.

**AUTHORISATION OF ORDERS**

Each Order Request form is authorised by the Budget Holder. A list of school staff authorised to sign orders is maintained.

On signing the Order Request the authorised officer is certifying that:

* The order related to goods and services necessary to school’s services and policies.
* Financial provision exists to meet the commitment.

Orders are authorised on the school’s financial system by the Finance Assistant and approved by the Finance Officer who signs the Official Order.

**RECEIPT OF GOODS**

All goods are received by the Finance Assistant who will stamp the delivery note and pass the delivery note and goods to the appropriate budget holder for inspection.

The delivery note is checked against the Order Request by the Budget Holder and then passed to the Finance Assistant for filing.

Where there are any shortages or damaged goods, the Finance Assistant or the ordering Officer is notified immediately and they will contact the supplier. Where the supplier has agreed to send a credit note, this is recorded on the order**.**

**RECEIPT OF INVOICE**

Payment is only made upon receipt of a bona fide invoice.

When an invoice is received the following checks are carried out and initialled on the invoice certification panel as evidence of these being made:

* The invoice is checked against the order and the delivery note/goods received to ensure the invoice is correct.
* Calculations (prices, discount, VAT etc) on the invoice are checked to ensure they are accurate.
* The financial code against which payment is to be made is entered on the invoice.
* The school’s financial system record is updated to show the invoice has been received and payment is to be made.

Where the item has a value above £1,000 or is classified as an “attractive, portable” item, the asset register is updated.

**CREDIT NOTES**

These arise where goods received are damaged upon arrival and have been returned to the supplier but they are included on the invoice due for payment.

When a credit note is received this is checked to the order and delivery note for accuracy.

All other checks are carried out in accordance with the procedures outlined in the above paragraph “Receipt of Invoice”.

The credit note is filed in supplier order until the deduction is made from the next payment to the supplier.

Once the credit has been taken, the credit note is filed with the original documents.

**APPENDIX C**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  |  |  |
| **STAFF AUTHORISED TO SIGN ORDERS** | |  |  |
|  |  |  |  |
| **BUDGET AREA** | **NAME** | **SPECIMEN SIGNATURE** | **LIMITS** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

**Appendix D**



**APPENDIX E**

|  |  |  |
| --- | --- | --- |
|  |  |  |
|  |  |  |
| **EXAMPLE OF A CERTIFICATION STAMP** | |  |
|  |  |  |
| ORDER NO. |  |  |
| GOODS RECEIVED |  |  |
| ORDER CHECKED |  |  |
| CALCULATIONS |  |  |
| FINANCIAL CODE |  |  |
| INVENTORY |  |  |
| PAYMENT APPROVED |  |  |
| CHEQUE NO. |  |  |
| CHECKED BY SIG. 1 |  |  |
| CHECKED BY SIG. 2 |  |  |
| DATE PAID |  |  |

**APPENDIX F**

**Brief Summary of EU Provisions**

**Scope of the Regulations**

Estimated contract thresholds for inclusion in the *Official Journal of the European Communities(OJEU)* are

(as at 1 Jan 2018) please visit [https://www.tendersdirect.co.uk//Help/Thresholds.aspx](https://www.tendersdirect.co.uk/Help/Thresholds.aspx)

ECU £

Services and Supplies 221,000 181,302

Works 551,415 5,551,415

(ECU = European Currency Unit)

For regular, on-going contracts the estimated value shall be established on the basis of:

* Either the actual aggregate value of similar contracts concluded over the previous fiscal year or 12 months adjusted, where possible, for anticipated changes in quantity or value over the following 12 months, or
* The estimated aggregate value during the 12 months following first delivery or during the term of the contract where this is greater than 12 months.

For works contracts, if the contract is divided into lots then the total value of the lots must be considered.

The term *Services* refers to the procurement of a wide range of services including travel, accounting and auditing, market research and management consulting, property management services, refuse disposal, and financial and computer services. *Supplies* refers to the purchase, hire, lease or hire purchase of goods and *Works* refers to the procurement of civil engineering and building works and the award of works concessions contracts.

**APPENDIX G**

**GENERAL REQUIREMENTS**

**Prescribed Tendering Procedures**

Contracts falling within the relevant financial threshold must be tendered under one of the three procedures outlined in section 4.3.14. Additionally a procedure known as *Accelerated Procedure*, may be applied where urgency arising from circumstances outside the control of the school renders it impractical to use the minimum time limits laid down in the standard open, restricted and negotiated procedures.

**Prescribed Time Scales**

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

**Advertising in OJEU**

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

**APPENDIX G (I)**

**School Pro-forma**

**INVENTORY**

The Governing Body has agreed that the items to be included in the school inventory are:

1. All items with a value above £\_\_\_\_\_\_\_\_

2. Items of an insurable value over £\_\_\_\_\_\_\_\_ which are considered ‘attractive and portable’.

3. Any item entrusted to the custody of the school and not identified in any other operational agreement.

The inventory shall be maintained by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

A physical check is undertaken every \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ by \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**APPENDIX G (II)**

**INVENTORY RECORD SHEET**

**INVENTORY OFFICER LOCATION SHEET NO.**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Ref No.** | **Description** | **Model**  **Serial no.** | **Quantity** | **Order No.** | **Purchase Date** | **Purchase Value £** | **Owned**  **Yes/No** | **Disposal/Transfer**  **Other Charges** | **Authorised Signature** |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Date Checked** |  |  |  |  |  |  |  |  |  |
| **Checked By** |  |  |  |  |  |  |  |  |  |

**APPENDIX G (III)**

**DETAILS OF ITEMS NOT OWNED BY THE SCHOOL**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Ref No** | **DESCRIPTION** | **MODEL/SERIAL**  **NUMBER** | **DETAILS OF ACTUAL OWNERSHIP** | **ANY OTHER INFORMATION** |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **APPENDIX H**  **DISPOSAL OF ASSETS OF NO VALUE**  **LOCATION………………………………………. PAGE No.………………**   |  |  |  |  | | --- | --- | --- | --- | | **ASSET DESCRIPTION** |  | **DETAILS OF DISPOSAL** |  | |  | **DATE** | **DISPOSAL METHOD** | **BY (NAME)** | |  |  |  |  |   **The above items are approved for disposal at no value**  **Date………………………………**    **(Name) (Designation) (Signature)**  *N.B. Any unused lines on the listing should be struck through at the time of signing by the approving officers.* |  |  |  |  |

**ITEMS ON LOAN APPENDIX I (I)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Identity of the borrower** | **Date of loan & planned date of return** | **Description & Serial No. of equipment on loan** | **Purpose of the loan** | **Signature of the authorising officer** | **Signature of the borrower** | **Details of the return of item borrowed** | **Value of item borrowed** |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |

Terms and Conditions of Loan

1. The borrower will only use the equipment for the approved purposes

2. The borrower will be deemed competent to use the equipment and will ensure the safe use and security of the equipment.

3. Where the item on loan is not, or cannot be insured by the school then the borrower must either arrange insurance or pay for a replacement/repair of the item.

4. Unauthorised copies of school data and records, computer software, DVDs, publications or similar must not be taken.

5. The borrower is responsible for the security of school records and data whether covered by the Data Protection Act or not.

6. The borrower will answer any reasonable request made by the school or auditor to examine or verify the equipment

7. In the event of loss or damage, failure or other problem arising with the equipment, the borrower will contact the school immediately.

8. The borrower will immediately return any or all equipment on loan when so requested by the school

9. The borrower’s signature acknowledges the existence of a loan and will be taken as acceptance of these conditions

**APPENDIX I (II)**

# LOAN OF ASSETS

Recommended terms and conditions:

* The borrower will only use the equipment for the approved purposes.
* The borrower will be deemed competent to use the equipment and will ensure the safe use and security of the equipment. Improper or unauthorised use of the equipment may invalidate the insurance and thus make the borrower personally liable for any consequences.
* Where the item on loan is not, or cannot, be insured by the school then the borrower must either arrange insurance or pay for a replacement / repair of the item.
* Unauthorised copies of school data and records, computer software, DVDs, publications or similar must not be taken.
* The borrower is responsible for the security of school records and data whether covered by the Data Protection Act or not.
* The borrower will answer any reasonable request made by the school or Auditor to examine or verify the equipment.
* In the event of any loss, damage, failure or any other problem arising with the equipment, the borrower will contact the school immediately.
* The borrower will immediately return any or all equipment on loan when so requested by the school.
* The borrower’s signature acknowledge the existence of a loan will be taken as acceptance of these conditions.

**APPENDIX J**

# Model Procedures

# Recording of Income

**Vending Machines**

The machines are regularly emptied by two members of staff. Both count and agreed the cash and sign the collection record sheet.

Vending stocks are recorded and checked regularly, stocks put into the machine recorded, and the record signed and dated by the person carrying out the input.

Sales are evaluated against income. This check provides a control on the cash collection process and also on stock and the performance of the machine against pre-determined targets e.g. profits, level of business.

Vending machine keys are held securely and only used by designated staff.

**Lettings**

A lettings control is maintained which shows:

1. Licence number
2. Date of letting
3. Amount due
4. Invoice number
5. Date paid / receipt number

The lettings control is checked against the lettings diary to ensure that all lettings have been invoiced.

Lettings income is evaluated against the additional costs school incurs in allowing the letting. This is to check that lettings are being charged at a rate which fully recovers any additional costs.

**School Trips**

All monies received are paid to the Organiser. The Organiser is responsible for keeping adequate records of income and expenditure in a trip register. All receipts are banked intact and expenditure is subject to the same procedures as other expenditure.

At the conclusion of each trip an income and expenditure account is drawn up.

Any transfers of money between staff is signed for

# Receipting Income

The Governing Body has agreed that official sequentially numbered receipts are issued for all LA income over £ 10.00 .

A receipt is issued at the time of collection, but if this is not practicable as soon as possible thereafter.

Receipts are made out in duplicate with the original given to the customer. The copy is retained in the book.

Once receipts are printed, they are never altered. Where a receipt is produced incorrectly, the original and copy are retained and marked “cancelled”, and a new receipt issued.

# Paying in Income

Cashing up involves more than one person whenever practicable. All income remains intact until banked, cash is never used to fund any form of payment.

Prior to banking, all cheques and cash are kept in a secure place which is be kept locked and the keys removed. The issue and use of keys is strictly controlled and keys are not left on the premises when closed.

Income is always reconciled to the relevant supporting records e.g. receipts.

Income is banked promptly in its entirety and not used to finance items of expenditure, cash personal cheques or make loans.

All surpluses of cash are paid in.

A record of discrepancies is maintained which identifies the date and amount involved. All discrepancies are brought to the attention of the Headteacher / Finance Officer.

All income received, including BACS income is promptly and correctly entered into the accounting records.

Non-Public monies (School Funds, PTA Funds etc.) are kept separate from Local Authority money.

**APPENDIX K**

# Model School Debtors Policy

# Debtors Records

A debtor record is maintained detailing the following:

* Name & address of the debtor.
* Debtor account number (if using the SIMS this will be assigned by the system).
* Credit terms.
* Credit limit.
* Payment method.

A periodic review is made of all outstanding debts to ensure that further credit is not given to a bad debtor.

A first reminder letter is sent out after 60 days after the invoice

A second reminder is sent 90 days after the invoice indicating, where it is felt appropriate, that legal action will be taken if the payment is not made within 14 days.

# Write off of Bad Debts

A request for the write off of a bad debt is made where the debt has been outstanding for 6 months and recovery is deemed to be impossible or is no longer cost effective. This request may be approved by the Headteacher where the figure is less than £ 100. Such approvals are submitted to the Governing Body annually for information. For amounts over this figure, up to a value of £500, approval for write off is given by the Governing Body. Debts in excess of £500 - refer to the Financial Regulations for Maintained Schools.

All request for write off and approval are documented – see attached form.

**APPENDIX L**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **REQUEST FOR WRITE-OFF** | | |  |  |
|  |  |  |  |  |
| From…………………………. | |  |  | Date…………………………….. |
|  |  |  |  |  |
|  |  |  |  |  |
| Please authorise write-off of the following debt:\* | | | |  |
|  |  |  |  |  |
|  | **INVOICE REF** | **NAME** | **DATE OF ACCOUNT** | **VALUE OUTSTANDING** |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Reason and circumstances for request: | | |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| **\* N B Use a separate form for each debt.** | | | |  |
|  |  |  |  |  |
|  |  |  |  |  |
| **Name…………………………………………** | | | | **Signature………………………….** |
|  |  |  |  | **Headteacher** |

**Appendix M**

**SCHOOL BASELINE INSURANCE PACKAGE**

|  |
| --- |
| **Property** |
| * Insure all school property on an all risks basis. * Excesses of up to £5,000. (it should be expected that insurers will impose an excess on theft cover) * Sum insured to be based on a property survey and from information available within the Local Authority. * Cover to include:  - capital additions up to £250,000 - automatic re-instatement of cover after loss - debris removal - professional fees - rebuilding to meet Local Authority regulations |
| **Business Interruption** |
| * Cover for increased cost of working with minimum cover varying by type, size and circumstances of school. Indemnity period 24 months, sum insured set at 10% of property rebuild value . * No cover for loss of revenue unless the school has substantial revenue. * Cover to include failure of public utilities (with minimum (day) denial of access and closure by pubic authorities). |
| **Contract Works** |
| * Coverage for extensions and other work on an agreed rate, schedule and wording basis with agreed limit of, say £500,000, dependent on school circumstances. |
| **Cash** |
| * In a safe/strong room except during working hours or in transit to/from bank or elsewhere in connection with the school. * Limit £25,000 but crossed cheques /other negotiable instruments, £250,000. |
| **Fidelity Guarantee** |
| * Loss due to fraud or dishonesty by staff and governors, including computer loss. * Blanket coverage of specified occupation(s). * School to comply with Local Authority financial regulations. |
| **Employers’ Liability, Public Liability, Products Liability** |
| * One common policy to cover accidental bodily injury, illness or disease of employees, governors, managers and other staff permanent or temporary: * to include third party property damage, including the above and third party bodily injury etc. * to cover all school related activities. * world-wide coverage. * to include legal defence and witness costs under Health and Safety at Work Act. * to include motor contingent liability for vehicles not owned by the school whilst being driven on school related activity. * to include motor contingent liability for vehicles not owned by the school whilst being driven on school related activity. * limit at least £10 million any one incident for Employers Liability and £40 million for Public/Products Liability, any one year. |
| **Officials Indemnity / Professional Indemnity** |
| * To include professional indemnity for governors, managers and staff. * Liability for all school related activities, £5 million any one incident – annual aggregate. Advice given for a fee to be excluded unless specifically advised. |
| **Libel and Slander** |
| * To cover governors, managers, staff including breach of copyright. * £2.5 million any one incident, any one year. |
| **Legal Expenses** |
| * Employment only. * £100,000 any one incident, any one year. |
| **Personal Accident** |
| * Death/permanent total disablement; temporary total disablement. * Assault on governors, managers, staff and volunteer helpers in the course of school related duties. * Minimum sum insured £67,000. * To provide cover pro rata to scale for excess of say two months disablement (world-wide). |
| **Engineering** |
| * Statutory inspection on specified items of plant and equipment. |
| **Minibus/School bus** |
| * Comprehensive for social, domestic, pleasure and school-related activities. * Vehicles specified and rated including overseas if required. |
| **Educational Journeys** |
| * Travel insurance package for school trips. |

Section 5

**Strategic and Financial Planning**

**5.1 Introduction**

**5.2 Benefits of Strategic Planning and Financial Planning**

5.2.1 Introduction

5.2.2 Focus

5.2.3 Communication

5.2.4 Framework for Decision Making and Efficient Use of Resources

5.2.5 Prioritising Tasks and Achievement of Objectives

* + 1. Sector Wide Implications

**5.3 Factors to Consider within the Strategic Plan**

5.3.1 Introduction

5.3.2 Aims and Objectives

5.3.3 Curriculum Activities

5.3.4 Pupils

5.3.5 Staffing

5.3.6 Capital Development and Maintenance

5.3.7 Finance

5.3.8 What if Scenarios

5.3.9 Implementation, Monitoring and Review

* + 1. Risk Management

**5.4 Basic Principles**

5.4.1 Introduction

5.4.2 Setting Terms of Reference

5.4.3 Stating Objectives

5.4.4 Forecasting

5.4.5 Identification of Options

5.4.6 Development of the Plan

5.4.7 Consultation and Communication

* + 1. Implementation, Monitoring and Review

**5.5 Budgetary Process**

5.5.1 Introduction

5.5.2 Review of Past Performance

5.5.3 Curriculum Requirements

5.5.4 Pupil Number Forecasts

5.5.5 Human Resource Requirements

5.5.6 Other Resource Requirements

5.5.7 Budget Preparation

5.5.8 Estimating Income and Expenditure

5.5.9 Evaluating Options

* + 1. Finalising the Budget
    2. Deficit Budget
    3. Monitoring and Review

**Appendix A**

Process for Establishing a Strategic Plan

**Appendix B**

Budget planning timetable

**5.1 Introduction**

5.1.1 This section identifies some common themes, that feature in good strategic plans, to emphasise how a school’s financial budgeting process should be developed and linked to the strategic direction of the school well beyond one year. It is not appropriate for the Local Authority to impose on schools a standard format for a strategic plan. A standard format would unduly constrain school decision making because standardisation runs the real risk of misrepresenting the key purpose of preparing a strategic plan. The purpose is to maximise the effectiveness of a school’s decision-making process from the best use of local skills, knowledge and experience. This section therefore, is not intended to be a definitive guide to strategic planning. There is a wealth of other publications on this subject, including guidance from the Department for Education and OFSTED, from which to draw reference. Each school should adopt its own methods to best suit their needs and circumstances.

A strategic plan is an expression, in a deliverable form, of how an organisation intends to achieve its aims and objectives well beyond one year. To secure effective management of the school, it should be used as a working document for staff and governors to establish commonly shared and accepted aims and objectives. Ideally, it will contain a practical and deliverable mission statement, to define the essential purpose of the school. The plan will consider *where do we realistically want to be* and *how do we realistically aim to get there*. Its purpose will only be fulfilled if it is closely aligned and linked to the school's educational development plan. A deliverable strategic plan, or development plan, ought to encompass all the activities of the school.

By establishing a working timetable for drawing together relevant information on all aspects of school activities, an effective strategic plan can be developed to cover a period of at least three years. The strategic plan should then be used as the framework for preparing and delivering the detailed annual budget and future year budgets to the Local Authority as required.

**5.2 Benefits of Strategic Planning and Financial Planning**

**5.2.1** **Introduction**

Planning helps to identify a school’s strengths **S** and weaknesses **W** as well as opportunities **O** and potential problems or threats **T**. This identification process is commonly known as SWOT analysis. Both internal and external factors must be addressed to achieve optimal use of limited resources. Strategic planning, if used properly, is enormously beneficial to all decision making organisations. It provides a vital sense of purpose.

**5.2.2** **Focus**

Planning helps to determine the school's aims and objectives to give purposeful direction. Decision-making should be focused on deliverable outputs and therefore, resource input should be rigorously challenged in terms of measurable added value in both the short term and the long term.

**5.2.3 Communication**

The planning process should include establishing timescales, and identifying the communication channels, to ensure comprehensive input to the plan. It is essential that aims and objectives are shaped by staff and governors to ensure greater understanding of involvement in and commitment to the longer term goals of the school.

**5.2.4** **Framework for Decision Making and Efficient Use of Resources**

By gathering relevant information on resource requirements, and the likely limits on resource availability, decision makers can make informed judgements on different options and project feasibility. There is always a case for more resources. However, the school’s governors must discharge a key responsibility to ensure that the education curriculum is delivered from an efficient use of finite resources.

**5.2.5** **Prioritising Tasks and Achievement of Objectives**

By drawing together all the activities of the school in the form of a strategic plan, tasks can be prioritised and can become part of a structured process of regular monitoring to evaluate the achievement of the school's objectives. Whether decisions are relatively easy or at times very difficult, these decisions can be objectively made from a carefully agreed and measurable list of options. See ***Appendix A- flowchart re Process for Establishing a Strategic Plan***.

**5.2.6** **Sector Wide Implications**

Strategic planning is important for the education sector as a whole. It identifies future needs, which can be objectively fed into public-sector planning. However, financial constraints at the level of individual school planning must not cause the governors to set a financial deficit budget.

**5.3 Factors to Consider within the Strategic Plan**

**5.3.1** **Introduction**

The format of the strategic plan will very much depend upon the individual needs and circumstances of the school. The plan should cover a period of at least three years, reviewed and modified on an annual rolling basis, so that a medium term planning horizon can be maintained. It should be a coherent and comprehensive document, showing the relationship between the financial and academic years and how this links with the annual budget. Although there is no standard format, there are certain common themes, which should be considered for inclusion in the plan.

**5.3.2** **Aims and Objectives**

A statement is required to indicate how a school aims to provide for its pupils and how staff will achieve these aims. This could be in the form of global objectives or a mission statement but should be fully supported with more detailed and deliverable objectives, which are capable of measurement. Typical common themes to be addressed in individual departmental plans are listed below and should be set in the context of how the school, in practical terms, is to develop in the longer term.

**5.3.3** **Curriculum Activities**

A statement of intentions is required to show how the school will deliver the curriculum targets. This statement will cover resource implications, a timetable and any accommodation requirements. It will also include policies on developing curriculum activities.

**5.3.4** **Pupils**

The admissions policy of the school and policies towards discipline, welfare and special needs is required to be stated. Given the extent to which funding is driven by pupil numbers, a forecast of those numbers should be included within a strategic plan. The plan should address the lowest and highest scenarios so that alternatives are evaluated in terms of the elements of risk and likelihood that should be brought into the plan. Projected learning needs of pupils should also be evaluated as these will directly feed into funding and staff resources. Forecasts of pupil numbers and projected learning needs should be regularly reviewed and responses should be planned as early as possible. These forecasts will foster pro-active and not reactive management.

**5.3.5** **Staffing**

A staffing policy is required, which considers management responsibility, including TLR’s, a structure appropriate to the size of the school, age profile, staff development needs, the mix of staff between full and part-time, and teaching and non-teaching.

**5.3.6** **Capital Development and Maintenance**

There is a requirement to plan for capital development or refurbishment (prioritised into required, highly desirable, less pressing) with an indication of timing of projects, including larger ICT projects, and funding sources/availability. A schedule of regular maintenance needs for premises and policies for equipment replacement also need to be considered. Plans should clearly show how the school's policies for maintenance over time, as well as enhancement, will be implemented.

**5.3.7** **Finance**

In broad terms, financial projections are required to cover the period of the plan which can then be translated into detailed working budgets on an annual basis. Financial implications of activities should be clearly communicated to all staff involved in the school’s decision making process.

**5.3.8** **What if Scenarios**

A vital part of strategic planning is to provide an indication of the inherent assumptions, degree of flexibility and contingency built into the plan. This section might also include the effects of lowest and highest pupil number scenarios and funding levels with possible solutions i.e. setting the most likely case, as well as the best case and the worse case. This sensitivity analysis should take into account significant aspects of uncertainty, to make explicit those alternative assumptions that would then lead to alternative actions. If the plan is adaptable and flexible, then management and staff can cope with, and respond more effectively to, different scenarios.

**5.3.9** **Implementation, Monitoring and Review**

An allocation of responsibilities and timetables for on-going completion are required together with criteria for evaluating performance and the use of review procedures. The strategic plan should be a practical working document. It is not an annual exercise to file when completed, rather it is a regular reference point to focus and steer the activities on a periodic basis. Being subject to regular monitoring and review, it will by agreement be adapted, within a broad scope, to reflect practical difficulties encountered and will engender ownership from all of those implementing the plan.

**5.3.10** **Risk Management**

The school should include in the strategic plan a section on risk management. Risk management is defined as the planned and systematic approach to the identification and quantification of risk and the appraisal of the options for managing and controlling such risk. This might include, for example, contingency planning in the event of flood, fire, power failure or loss of IT data. The role of insurance is also an important part of risk management. In appraising whether or not to take out insurance on a particular risk, the cost of the insurance premium should be compared to the cost of expected losses, weighted according to the likelihood of that outcome occurring, and the impact of the loss if it does occur.

**5.4 Basic Principles**

**5.4.1** **Introduction**

There is almost unlimited scope to justify a case for providing more resources. This unlimited scope must be balanced with those resources made available. Inevitably, there are many uncertainties in forecasting resource requirements and availability. This being the case, it is important to have a forward planning process, which produces as much relevant and objective information as possible to allow effective decisions to be made and to assist in evaluating the most likely consequences of those decisions.

Generally, strategic plans are not highly detailed. They are concerned with the future aims and needs of the school and how to obtain, develop and use resources. Plans should be kept relatively simple and flexible. They are the *big picture* within which medium term more highly detailed plans will be integrated. If the *big picture* cannot be implemented in detail then the strategic planning process should be re-examined again to create a new plan for implementation.

Schools should develop their own planning cycle and timetable which allows for:

1. A review of past activities, aims and objectives - *did we get it right?*
2. Definition or redefinition of aims and objectives - *are the aims still relevant?*
3. Development of the plan and associated budgets - *how do we go forward?*
4. Implementation, monitoring and review of the plan - *how do we make the plan work and keep it on course?*
5. Feedback into the next planning cycle - *what worked successfully and how can we improve?*

The planning process is iterative at both the start and throughout implementation in that there are learning experiences to be built upon as well as new ideas and initiatives. The timetable provides for focused team and individual responsibilities to prepare the plan, implement it, and provide a framework for regular on-going monitoring and review.

There are a number of basic principles for effective planning and budgeting. These principles should be considered in the planning process and are:

1. Setting terms of reference.
2. Stating objectives.
3. Forecasting.
4. Identification of options.
5. Developing the plan.
6. Consultation and communication.
7. Implementation, monitoring and review.

**5.4.2** **Setting Terms of Reference**

Successful planning relies on the clear definition of roles and responsibilities so that everyone knows what to do and when to do it. This will involve the school's senior management team and staff, governors and parents. There should be appropriate separation of functions and activities, which can be allocated to individuals so that their roles and responsibilities for the preparation, implementation and review of the plan are clear.

**5.4.3 Stating Objectives**

A plan should include a statement of objectives, which covers all aspects of the school's activities, educational and financial. The strategic plan should consider the school's development over at least a three-year period.

**5.4.4** **Forecasting**

It is important to be pro-active in data collection and to analyse past performance, trends and historic data to facilitate forecasting. Identification of critical factors affecting resources, such as curriculum requirements and pupil numbers, are imperative. Assumptions used and the sensitivity of those assumptions should be stated.

**5.4.5** **Identification of Options**

Alternative ways of achieving the school's aims and objectives should be evaluated and if applicable, financially quantified, to see which option gives best value for money.

**5.4.6** **Development of the Plan**

The preferred strategy for delivering and achieving the school's objectives should be translated into a working plan with specific targets for different activities. Most importantly, there must be clear links between the longer term strategic plan of the school and the school’s annual / 3 year budgets.

**5.4.7** **Consultation and Communication**

There should be appropriate consultation with staff, governors and other interested parties throughout the whole process to ensure commitment to the plan as a whole as well as facilitating the gathering of a range of ideas and contributions. Commitment of staff in particular is promoted by their involvement in the decision-making process and it is enhanced by their participation in setting some part of the financial budget. Active participation is not merely a bartering process by competitive bidders, but equally a way of understanding why some activities are financed and why some are not. This significantly reduces the risk of individuals becoming disillusioned and leads to increased commitment to the school’s overall objectives.

**5.4.8** **Implementation, Monitoring and Review**

There should be a clear definition of roles and responsibilities for the implementation, monitoring and review of the plan. Targets, timescales and measurable performance measures for implementation and review of the plan should be set. The on-going review process should ensure policies and objectives are still appropriate.

Throughout the planning process, there should be reassessments to ensure that the plan is flexible in meeting long term goals whilst fulfilling short term criteria.

**5.5 Budgetary Process**

**5.5.1** **Introduction**

Budgets are the means by which a school translates its strategic policies into financial terms, providing a statement of intention against which actual results can be measured. Annual budgets and longer term financial projections should therefore, be consistent with the School Development Plan. Budgets are used for the short to medium term management of the school. Budgeting is also a key task within the monitoring and review part of the longer term planning process. It keeps the aims and objectives of the school under constant review.

Schools are required to submit to the Local Authority budgets covering 3 financial years; the annual budget for the current financial year by 15 May and forecasted budgets for the following 2 financial years by 30 June.

Schools should establish their own planning and budgeting timetable, bearing in mind that some decisions need to be made in advance of the financial year. A draft timetable is given at ***Appendix B.*** As part of the planning process, it is important that responsibilities are allocated to appropriate individuals to ensure all relevant financial and non-financial factors are considered.

Before budgets are prepared, information needs to be collated and analysed. It is important to identify those factors, which are most likely to affect budget decisions and make sure the information obtained on these is as reliable and as accurate as possible. Information for the budget may be derived from past results and/or may be based on future predictions.

Factors to consider in the budgetary planning process are summarised below, although the extent to which they impact on the budget will vary according to a school's particular circumstances:

1. Review of past performance.
2. Pupil number forecasts.
3. Curriculum requirements.
4. Human resource requirements.
5. Other resource requirements.
6. External requirements.

Schools should consider the purchase of ICT applications, which will allow schools to model the financial impact of changes in pupil numbers and to calculate staffing costs.

**5.5.2** **Review of Past Performance**

By reviewing past performance against previous budgets, the school can gain a good idea of its cost base, areas where under and overspends have occurred and areas where better use could be made of resources. It can help identify problems so that resources can be directed appropriately or remedial action taken. However, a regular fundamental review of activities will ensure that budgets reflect actual requirements and are not just incrementally based on historic costs. It is important not to be too tied to historical information, as a review of past data may simply perpetuate past inequities. It may therefore, be preferable to start with a blank sheet of paper free from past decision making and make a plan. Such a fresh view can be very effective, but requires significant resources and discipline. Therefore, this ‘zero based’ approach should be over several years cyclically integrated with a more simple approach to planning based more on past performance.

**5.5.3 Curriculum Requirements**

Although a broad curriculum is determined at a national level, each school must determine a method for its delivery in terms of its own resources, staffing and accommodation requirements. This should be reflected in the school's overall aims and objectives.

**5.5.4** **Pupil Number Forecasts**

Forecasting pupil numbers as accurately as possible is very important as it has a direct impact on funding as well as implications for staffing, curriculum delivery and accommodation. Schools should ensure they utilise all available sources of information, such as census information, Local Authority data, local feeder schools’ information, historic trends and admission policies of their own and neighbouring schools. It is advisable to consider different pupil number scenarios to ensure that baseline funding will be sufficient to meet needs.

An ICT application, referred to in paragraph 5.5.1, can assist schools in forecasting the financial effects of projected changes in pupil numbers.

**5.5.5 Human Resource Requirements**

Staffing levels will generally be driven by the forecast of pupil numbers and curriculum requirements. The staff costs budget is by far the most significant on-going cost. The planning stage should reflect possible variations in staffing levels and the effects on the budget. In reviewing staff requirements, schools should have regard to the available funding and consider the age profile of staff and salary structure, development needs and the mixes of full-time and part-time staff, temporary and permanent staff and teaching and support staff. Benchmarking against other schools is an important part of budget setting. Schools should also plan for investment in training through reviewing the development needs of all staff. This review should ensure that development is available to all staff and the impact of training should be evaluated to assess and to improve future effectiveness.

An ICT application, referred to in paragraph 5.5.1, can assist schools in forecasting the financial effects of staffing changes. It can also help ensure greater accuracy in the calculation and forecasting of salaries costs.

**5.5.6** **Other Resource Requirements**

All other basic costs such as heat, light and insurance in addition to policies covering maintenance of premises, ICT provision, equipment replacement, educational supplies, accommodation and any capital development work need to be identified in the strategic plan.

**5.5.7** **Budget Preparation**

Once a school has gained an idea of needs and requirements, budgets can start to be prepared and developed. Stages in preparing budgets include:

1. Estimating income and expenditure.
2. Evaluating options.
3. Finalising the budget.
4. Monitoring and review.

**5.5.8** **Estimating Income and Expenditure**

Difficulty is often experienced by schools in estimating income and expenditure and inevitably, a number of assumptions need to be made.

The Local Authority provides guidance annually to schools on budget setting. This guidance is found on [Bradford Schools Online](https://bso.bradford.gov.uk/secure/CMSPage.aspx?mid=236) and is written to help schools identify key changes, risks and opportunities within funding and salaries costs in particular. This guidance sets our, and signposts, key information relating to funding stream and pay awards.

For schools with local bank accounts, consideration should be given to the timing of payments and attempts should be made to profile income and expenditure as far as possible, maximising opportunities for cash investment. The expenditure estimates should reflect the staffing policies, maintenance policies and other requirements as set out in the strategic plan.

Expenditure should be broken down into categories and financially quantified using best estimates of pay rises and other incremental increases. Operating costs include certain fixed elements such as heating, lighting, insurance and business rates, which are the first call on the budget, before any other costs. Heating and lighting costs depend on usage and the school's policy on energy saving schemes. Insurance is variable to the extent that schools should have regard to value for money considerations and market competition. Once such costs have been identified, the remaining funding can be allocated to other expenditure categories, for example, staff costs, ICT provision, maintenance of premises and educational supplies.

The impact of inflation needs to be considered carefully when estimating income and expenditure. The budget share from the Local Authority will be based upon certain assumptions e.g. regarding inclusion of funding for staff pay awards to be implemented during the year. The expenditure budget should be calculated on the same assumptions to ensure consistency. However, if the school considers that a specific inflation allowance in the funding level provided by the Local Authority is likely to be insufficient to meet the actual cost to the school, an additional contingency sum should be included in the expenditure budget. This contingency should be earmarked for this purpose until the pay award has been finalised or the price increase realised. Alternatively, it may be held in the relevant budget but earmarked for this specific purpose.

Due to the inherent uncertainty of financial projections, it is prudent and good practice to include a contingency in the budget. Experience and review of past performance should help decide the level of contingency. However, schools should not set contingencies at excessive levels and the Local Authority operates a Control of Excess Surplus Balances Scheme, which is known as [‘Intended Use of Balances’](https://bso.bradford.gov.uk/content/school-funding-team-protocols) The Protocol, which explains this scheme can be found on the Bradford Schools Online website.

**5.5.9** **Evaluating Options**

Comparisons of estimated income and expenditure will identify any potential in-year surplus or shortfall. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where savings can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure are in balance. Schools must act responsibly to avoid cumulative deficits. If a potential in-year surplus is identified, it may be prudent to hold some back in reserve to act as a contingency. If, alternatively, the surplus is allocated to areas of need, regard should be given to the overall financial position of the school over more than the current financial year. The finalised budget for the year, if it is different in nature from the original draft budget, must still be consistent with the priorities set out in the school’s Strategic Plan unless this Plan is amended.

**5.5.10** **Finalising the Budget**

Once the different options have been considered a draft budget should be prepared for finalisation and approval by the governing body. After approval, as part of the finalisation process, the budget should be communicated to staff with responsibility for budget headings so that everyone is aware of the overall targets and how to contribute to implement and achieve them.

The budget should be accompanied by a statement of assumptions and a ranking of priorities based upon the Strategic Plan so that, if circumstances change, it is easier for all concerned to take remedial action.

The budget should be seen as a working document, which may need revising throughout the year as circumstances change. Such revisions to the forecasts for the financial year should be approved by the governing body and be reflected on the financial monitoring returns submitted to the Local Authority.

**5.5.11** **Deficit Budgets**

Where a school submits a budget to the Local Authority, which indicates a deficit, the school will be required to discuss this further with the Local Authority and must clearly set out in detail how the deficit will either be removed in the current financial year or will be recovered over the following year (s).

The outline process that the Local Authority follows in managing, and approving (where necessary) deficit budgets is set out in the Scheme for Financing Schools and the [Deficit Budget Protocol](https://bso.bradford.gov.uk/content/school-funding-team-protocols). Both of these documents are available on the Bradford Schools Online website.

The deficit budget management process is typically triggered in the following situations:

1. The school forecasts a year end overspending on its “Start Budget” (submitted by 15 May each year).
2. The school projects a year end overspending on any of its Quarterly Financial Monitoring Returns.
3. The school notifies the Local Authority that it will not be able to keep within an existing approved deficit repayment plan.
4. At the financial year end, the school exceeds its deficit repayment plan or is in deficit with no plan.

**5.5.12** **Monitoring and Review**

Monitoring and review should be continuous throughout the budgetary process.

It is essential that the school's accounting systems, and wider financial control arrangements, are adequate to ensure regular and reliable information is available to budget holders, the Headteacher and governors.

To be able to monitor budgets effectively, expenditure should be reported on an accruals basis (not just cash paid out), and known commitments highlighted to give budget holders, the Headteacher and governors a clear view of the overall financial position of the school. Prompt and regular reports should be prepared so that information is available to enable a quick and effective response. The frequency and format of reports will depend on the accounting systems and user requirements.

The monitoring process should effectively and promptly highlight variances from the budget so that failures to deliver can be investigated and action taken where appropriate. Procedures for authorising budget virements should be stated together with delegated authority to transfer budget.

The [standard financial monitoring template](https://bso.bradford.gov.uk/secure/CMSPage.aspx?mid=242), which schools use to submit to the Local Authority, is available on Bradford Schools Online. This should be considered the minimum level of report format schools should use internally e.g. to be presented to governors. Schools should develop more detailed reports to be considered more frequently than those submitted to the Local Authority, which include, for example commitments to date, anticipated further commitments and explanations of the reasons for variances between the budget and the forecasted outturn. Schools should also internally monitor their budgets at lower than CFR level e.g. to isolate Pupil Premium spending or spending on early years, or the financial position of extended activities or specific School Development Priorities.

**APPENDIX A**

**Process for Establishing a Strategic Plan**

Set terms of reference and management responsibilities

Define/re-define aims and objectives for whole school

Identify key areas of development and curriculum activity

Establish working groups to develop specific aims, objectives and

policies for each area of activity

Consult Collate all information and provide provisional costings in broad

Monitor outline (financial forecasts) linking

Review • pupil number forecasts

Update • human resource requirements and training

• curriculum activity

• other resource requirements

• premises

• contingency.

to form a comprehensive strategic or development plan covering a

three to five year period.

Link the strategic plan into the budgetary process on an annual basis

Budgetary Process

• review past performance

• determine all resource requirements

• estimate income and expenditure

• decide a course of action.

Finalise annual budget ensuring consistency with strategic objectives

Please also see:

<https://www.gov.uk/government/collections/schools-financial-health-and-efficiency>

**Budget Planning Timetable APPENDIX B**

A more detailed ‘what to do when’ timetable is available for schools on Bradford Schools

Online.

**Sept- Nov** Review the accuracy of the current year budget vs. Q2 monitoring position. Detailed conversation with governors about amendments to current year budget / changes in the school’s forecasted end of year carry forward balance.

Estimate the costs of continued / existing commitments for next year’s budget.

Identify contracts that are coming up for renewal.

Compare actual pupil numbers in October Census against the numbers recorded in October in the previous year to determine the effect on next year’s formula funding.

Consider and respond to Local Authority / Government consultations on formula funding changes, including information documents.

Prioritise / cost Development Plan options.

Prepare income and expenditure estimates.

Consider financial benchmarking information.

Review the school’s original 3 year budget forecast in the light of changes in the current year budget / changes of circumstances.

Discussion with Finance Committee.

**Jan – Feb** Review current year forecasted carry forward balance and preparation for an Intended Use of Balances return (if necessary).

Review the accuracy of the current year budget vs. Q2 and Q3 budget monitors (learning lessons for next year’s budget).

Review budget information published by the Local Authority (formula funding allocations for next year; other detailed budget guidance published on Bradford Schools Online).

Further develop / finalise the school’s budget scenario for the next financial year, including scenario modelling as required by the Governing Body.

Detailed staffing budget forecast / scenario modelling.

Discussion with Finance Committee.

**March**  Review final notification of formula funding allocation for the next financial year.

Finance Committee to agree the provisional budget (including forecasted carry forward balances) for presentation to the full Governing Body.

**Apr – May** Closure of year accounts – finalisation of carry forward balance.

Review of ‘outturn’ to inform accuracy of previous year’s budgeting.

Governing body approve budget submitted to the Local Authority

Allocation of approved budgets to cost centres / apply spending limits on school’s system.

**15 May**  Deadline for the submission of the approved current year budget to the Local Authority.

**30 June** Deadline for the submission of the approved 2nd and 3rd year budget to the Local Authority.

Section 6

**VAT and other Taxation**

**6.1 VAT – Introduction and link to Guidance**

**6.2 Construction Industry Tax**

**6.3 PAYE System**

* + 1. Introduction
    2. Responsibility for PAYE Administration
    3. Income Tax
    4. National Insurance Contributions (NIC)
    5. PAYE and the Use of a Payroll System
    6. PAYE Forms
    7. Benefits-in-Kind and Expense Payments
    8. Payroll Records Prepared During the Tax Year
    9. Payroll Records at the End of the Tax Year
  1. **VAT – Introduction and Link to Guidance**

Comprehensive guidance on VAT, setting out school responsibilities, and including the Local Authority’s detailed VAT Guide “School Education VAT Manual”, can be accessed on [Bradford Schools Online](https://bso.bradford.gov.uk/Secure/CMSPage.aspx?mid=1997) (link to VAT guidance pages).

Even though the responsibility for the day to day management of a maintained school’s financial affairs is devolved, a maintained school remains a part of the Local Authority for the purposes of VAT. Each maintained school is not required to register for VAT in its own right and there is no requirement to account for VAT on any transactions between maintained schools and the Council. However, each maintained school must record its own VAT and must decide when to charge VAT on income and issue VAT invoices if necessary, and also must decide what VAT can be recovered on its expenditure and ensure that proper invoices are retained to support that recovery.

VAT is a complex area, and subject to constant legislative and case law changes. The Local Authority’s VAT Manual (link above) ensures that schools understand VAT and how to manage common activities within schools.

Where further clarification is required, schools should seek day-to-day advice from the Local Authority (School Funding Team), and refer more complex queries to the Authority’s VAT Accountant.

Schools must comply with Financial Regulation 11, and liaise with the Local Authority’s VAT Accountant on any capital proposals (including bids for external funding), thereby ensuring the VAT implications for the Authority and the school are fully appraised before any project goes ahead.

Schools may be visited by a local VAT inspector. Schools are reminded that failure to comply with the requirements of H M Revenue & Customs can lead to significant financial penalties, and these will normally be met from the school’s delegated budget.

**6.2 Construction Industry Taxation Scheme**

The Regulations issued by HMRC, and further guidance, can be found here:

Website is [www.hmrc.gov.uk/new-cis](http://www.hmrc.gov.uk/new-cis)

**6.3 PAYE System**

**6.3.1** **Introduction**

The purpose of this section is to explain the key elements of the PAYE (Pay as You Earn) system. Income tax and national insurance contributions (NIC) are totally separate. Nevertheless, in an attempt to minimise the administrative burden placed upon employers, both are collected by HMRC through the PAYE (Pay As You Earn) system.

The guidance written here does not replace or override the guidance directly provided by [HMRC](https://www.gov.uk/government/collections/paye-manuals-and-other-reference-material).

**6.3.2** **Responsibility for PAYE Administration**

If funding for salaries is paid by the Local Authority into a local bank account managed by the school (known as full budget share schools), it is the school that is responsible for the accurate administration and payment of both income tax and national insurance contributions. However, if these funds are held centrally in the Local Authority’s bank account (even though the budget is delegated to the school, known as part budget share schools), the responsibility remains with the Local Authority.

**6.3.3** **Income Tax**

Section 19 of the Income and Corporation Taxes Act 1988 specifies that, under Schedule E of the UK method of collecting tax, income tax is charged on emoluments earned from any office or employment. Generally, the tax is due in the same year as income is received and is usually collected by through PAYE.

**6.3.4** **National Insurance Contributions (NIC)**

The national insurance system is founded on the concept that the members of the community provide against risks on a community-wide basis. An essential feature of this system is that all contributions are held in a separate fund and that all benefits or claims should be met out of that fund. The contributory scheme includes amounts due in respect of the earnings of employees. There are two types of contribution

(a) Employee's contributions. The contribution due is calculated on total earnings if these exceed the lower earnings limit. Contributions increase with salary up to a maximum amount - the upper earnings limit. The contributions are deducted at source before the employee receives his/her pay and are paid directly to HMRC.

(b) Employer's contributions. These are charged to the school in its capacity as an employer of its staff. They are payable to HMRC on the total earnings of the employee if these exceed the lower earnings limit. There is no upper limit for employer's contributions.

**6.3.5** **PAYE and the use of a Payroll System**

The obligation to collect income tax and national insurance contributions will be fulfilled by operating an effective payroll system. Where a school is a separate legal employer, it is necessary to notify HMRC that the school is employing staff. HMRC will supply a *Starter Pack,* providing instructions on how to operate a PAYE scheme, together with the standard forms and tax tables used.

Generally, a payroll system is used to calculate, from details of gross salaries and tax codes, the amount of income tax and contributions to be deducted before the payment of employees' net salaries. Deductions made under the PAYE system, together with the employer's contributions for the calendar month, are due to HMRC by the 19th day of the following month. The payroll system may be a simple manual wages book, an in-house computer package, or the out-sourced services of a payroll provider. A school may operate its own payroll system or employ an agent, but the responsibility for tax liabilities from the PAYE system is based upon the principles set out in 6.3.2, not on who provides the payroll services.

**6.3.6** **PAYE Forms**

The list below shows the most important forms used in the operation of PAYE

P6 Notice to employer of tax code or amended code for an employee, used by HMRC

P8 Blue card giving instructions on the use of tax tables and deduction cards

P11 Deduction working sheets for each employee

P11D Return of expense payments and benefits for certain employees

P14 End of year return of pay, tax, national insurance contributions

P30(Z) Remittance card for monthly payments by employer to Collector of Taxes

P35 Employer's annual summary of tax and national insurance deducted from each employee

P45 Part 1 - Particulars of employee leaving, sent by old employer to HRMC

Part 2 - Particulars of old employment, retained by new employer

Part 3 - Copy of part 1, sent by new employer to HMRC

P46 Particulars of any new employee, for whom no code has been notified to employer, sent by employer to HMRC

P60 Employer's certificate of pay and tax deducted, given to employee at the end of the tax year.

**6.3.7** **Benefits-in-Kind and Expenses Payments**

Responsibility for supplying details of benefits received by staff through their employment, and expenses paid to staff, is set out in section 6.3.2. Unless there is a dispensation, details of all expenses must be recorded, irrespective of whether the amounts are ultimately taxable. The provision of a mobile phone, accommodation and beneficial loan arrangements are some examples of benefits-in-kind.

All dispensations from recording benefits-in-kind and expense payments must be made in writing and are only acceptable on terms agreeable to HMRC. The most common form of dispensation covers travel and subsistence reimbursements to staff.

For each individual employee, a record of benefits-in-kind and expense payments must be completed on form P11D (unless all expenses are covered by dispensations granted by HMRC), depending on the amount of earnings in the tax year. Failure to comply may result in significant financial penalties.

**6.3.8** **Payroll Records Prepared During the Tax Year**

Records must be kept for all full or part-time employees showing for each individual their gross pay, tax code, deductions and net pay. Pay for the purposes of PAYE includes not only salaries, wages and overtime, including holiday pay, but many other types of payment. Payments would include, for example, lump sum expenses allowances.

**6.3.9 Payroll Records Prepared at the End of the Tax Year**

For the tax year to 5 April, PAYE documentation must be completed and sent to HMRC. This includes a list of income tax and NIC deducted from each employee for the tax year, with a declaration that all employees have been correctly accounted for and that income tax and NIC deductions are in order. The declaration to HMRC is made on the P35 - employer's annual statement of deductions certificate.

For each individual employee, an end of year return of income tax, NIC, Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP) is completed in triplicate. Two copies (P14) are sent to HMRC, of which one is passed to the Department for Work and Pensions. The third copy (P60) is given directly to the employee.

All returns, except P11D forms, must be submitted to HMRC by 19 May following the end of the tax year. The P11D forms are to be submitted by 6 July. There are significant financial penalties for late submission.

**Appendix 1**



**FINANCIAL REGULATIONS FOR MAINTAINED SCHOOL 1 JANUARY 2019**

**1. Application**

1.1 These Financial Regulations are made in accordance with:

1.1.1 the provisions of S.151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015 to provide for the proper administration of the Council's financial affairs.

1.1.2 the Bradford Local Authority Scheme for Financing Schools (the Scheme).

1.1.3 the School Standards and Framework Act 1998.

1.2 These regulations are designed to provide a balance between giving schools the freedom necessary to exercise their delegated authority whilst maintaining accountability for the management and control of public funds.

1.3 Funds devolved and delegated to the School's Governing Board by the Council remain the property of the Council and, subject to limited exceptions, are spent by the Governing Board or the Headteacher as agent for the Council.

1.4 These regulations state the principles of financial control and administration to be followed by the Governing Board who are legally responsible for their application and compliance. The Governing Board may delegate some but not all powers to the Headteacher in accordance with the Scheme. The Governing Board or Headteacher acting under their delegated powers may authorise other school staff to act in the name of the school within these Financial Regulations and those staff must follow these Regulations. Failure to comply with these Financial Regulations may result in disciplinary action against the school staff concerned*.*  Failure to comply with these Financial Regulations may also lead to a Notice of Concern and suspension of the school’s delegated budget.

1.5 Where indicated, these regulations also place specific responsibilities on the Strategic Director Children's Services.

1.6 Subject to Regulation 1.8. the Governance and Audit Committee may alter these Financial Regulations on the recommendations of the Council's Chief Financial Officer (S151 Officer) and Strategic Director Children's Servicesonly after appropriate consultation with schools.

1.7 The Council's Chief Financial Officer may allow specific exceptions to these Financial Regulations where in their opinion it is in the school's interest**.** The Council's Chief Financial Officer must keep a record of these exceptions and report these to the Governance and Audit Committee on an annual basis.

1.8 The Council's Chief Financial Officer can alter the financial limits in these regulations because of the changes in the value of money or where changes are required in order to comply with legal requirements. The Chief Financial Officer must report any alterations to the next meeting of the Governance and Audit Committee and inform schools of any such changes in writing.

1.9 All amounts quoted in these Financial Regulations refer to values excluding Value Added Tax.

1.10 In applying these Financial Regulations the Governing Board must comply with the requirements of the:

* + 1. Scheme For Financing Schools (the Scheme).
    2. Guide to Financial Procedures in Schools (the GFPS), and
    3. any other legal requirements.

**FINANCIAL CONTROLS AND PROCEDURES**

1. **Accounting Control**

2.1 The Governing Board must establish accounting and financial systems, which meet the requirements of the Regulations of the Schools Standards and Framework Act 1998, Section 48, and the accounting arrangements of the Council. School staff must comply with these accounting and financial systems.

2.2 The Strategic Director Children's Servicesshould ensure that Governing Boards provide details of their accounting transactions in a format agreed with the Council's Chief Financial Officer for inclusion within the Council wide accounting financial systems.

**3. Audit Arrangements**

3.1 The Governing Board is responsible for the provision ofinformation in order that the Council's Chief Financial Officer can monitor, review and report on:

* + 1. The soundness and adequacy of financial management control systems and how they are implemented.

3.1.2 How far established policies, plans and procedures of the school are complied with and the financial effect.

3.1.3 How far assets, resources and interests are accounted for and safeguarded from losses due to:

- Fraud

- Waste, extravagance and inefficiency.

3.2 In order to fulfil this function the Council's Chief Financial Officer can:

3.2.1 Visit all premises to see cash, stores and other property.

3.2.2Access any necessary documents or data sources they think necessary.

* + 1. Ask for any other information and explanation they think necessary.
    2. Produce a written report to the Headteacher and Governing Board.
    3. Attend any meeting of the Governing Board or its committees.

3.3 All suspicions or knowledge of losses or irregularities relating to cash, property, stores or other financial matters must be reported immediately to the Governing Board by any member of the staff at the school or any Governor having any such suspicions or knowledge. The Governing Board must have arrangements in place to deal with such reports, which must include immediately reporting the matter to the Council’s Corporate Fraud Unit. The Council's Chief Financial Officer will discuss the action to be taken, and must report serious losses and irregularities to the Governing Board, the Strategic Director Children's Services and the Governance and Audit Committee.

* 1. The Governing Board is required to ensure that all prime financial records kept in school are retained for the minimum periods required by law.

3.5 The Governing Board must reply within two months to any Audit report received giving details of action taken. The Strategic Director Children's Services is responsible for appropriate procedures being in place to ensure that intended action is implemented. The Council's Chief Financial Officer must tell the Governance and Audit Committee every year about any replies to reports, which are still outstanding.

**4. Provision of Financial Information and Reports**

4.1 The Strategic Director Children's Services must produce a statement under Section 251 of the Apprenticeships, Skills, Children and Learning Act 2009 showing the actual expenditure incurred by the Local Authority on behalf of all schools and the actual expenditure incurred by each school.

* 1. The Governing Board is required to comply with all the requirements set out in the Scheme regarding the provision of financial information and reports.
  2. The Governing Board must obtain and consider a financial monitoring report at least once per term.
  3. All local authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard and complete the assessment form on an annual basis.
  4. All local authority maintained schools must also demonstrate compliance with additional reporting requirements set out by the Department for Education, such as Pupil Premium and PE and Sports Grant Premium.

**5. School Staff Remuneration**

5.1 The Governing Board is responsible for ensuring that the arrangements for paying school staff are in accordance with the Scheme and rules issued and systems established by the Council's Chief Financial Officer. Payments to workers must comply with IR35 Regulations.

* 1. The Governing Board is responsible for ensuring that all information, which is used for making payments to school staff is accurate. Where this information is passed to the Council for payment, the Council is responsible for the accuracy of payments made in accordance with information received. Where the school processes payroll themselves, or passes this to a third party for processing, the Governing Board must ensure the integrity and accuracy of this process in accordance with requirements and guidance given in the GFPS.
  2. The Governing Board may nominate members of school staff to authorise payroll documents for payment and must notify the Council or other payment service provider of all such nominated persons.

**6. Cash, Banking and Investments**

* 1. The Governing Board must ensure that public money is managed in accordance with the Council's Treasury Policy Strategy Statement subject to the additional limitations detailed below:

1. School budget funds must be held in a bank account with Barclays, HSBC, Lloyds TSB or RBS (Nat West) (RBS only if the account was opened before 1 October 2012).
2. Investments must only be made in accordance with written procedures approved by the Governing Board. These procedures must comply with the requirements of the Council's Treasury Policy Strategy Statement and the current Scheme for Financing Schools.
3. The maximum permitted period of an investment is 1 year.
4. Investments must be made under the name of the School on behalf of the Council.
   1. The Governing Board must make a return to the Council's Chief Financial Officer on the 31 of March each year detailing the Institutions used and amounts involved.
   2. The Governing Board must ensure arrangements are in place for the sound and efficient operation of the School's bank accounts. School bank accounts in which school delegated funds are maintained must not be allowed to go overdrawn and must not have an overdraft facility.
   3. The Governing Board is responsible for ensuring that there are safe and efficient arrangements for the control of and access to blank cheques, the preparation and signing of cheques and the monthlyreconciliation of the cash books with bank statements*.*

**7. Borrowing Arrangements**

7.1      The Governing Board must not negotiate overdraft facilities or loans to the school.

7.2      The Governing Board must not enter the school into a finance lease unless prior approval has been given in writing by the Secretary of State.  A finance lease would transfer substantially all the risks and rewards of ownership to a school.  It is a form of borrowing and must not be entered into by a school without prior Secretary of State approval.

7.3      The Governing Board must not enter the school into a hire purchase agreement as it is similar to a finance lease.

7.4      The Governing Board may enter the school into an operating lease.  An operating lease is any lease which is not a finance lease.  It will have the character of a rental agreement with the leasing company usually being responsible for the repairs and maintenance of the asset.

7.5      The Governing Board must receive and retain written legal advice from a professional advisor (financial or legal) or the Council’s Legal Department prior to signing a lease agreement to ensure that it is an operating lease.  Advice from the leasing company on the nature of the lease is not sufficient.

**BUDGET PREPARATION AND OPERATION**

**8. Budget Management**

8.1The Governing Board must ensure that appropriate arrangements are in place to meet the requirements for the approval and submission of school budgets in accordance with the Scheme and GFPS.

8.2 The Governing Board must operate their budget in accordance with the [Scheme](https://bso.bradford.gov.uk/Schools/CMSPage.aspx?mid=191), the [GFPS](https://bso.bradford.gov.uk/Schools/CMSPage.aspx?mid=287), the Authority’s [Schools Surplus Balances Protocol](https://bso.bradford.gov.uk/Schools/CMSPage.aspx?mid=191) and the Authority’s [Deficit Budget Protocol](https://bso.bradford.gov.uk/Schools/CMSPage.aspx?mid=191).

**EXPENDITURE REQUIREMENTS**

**9. Expenditure Limits**

9.1 Subject to any requirements in the Scheme the Governing Board may spend up to the total financial resources available to them in the most efficient and cost effective manner for the purposes of the school and in accordance with any requirements in the Scheme.

9.2 Where the Governing Board has delegated day to day management of the budget it has approved to the Headteacher, the Headteacher is responsible to the Governing Board for all expenditure incurred and any variations within the total budget.

9.3 The Governing Board must take due consideration of all commitments to expenditure, particularly related to staffing levels, which extend from one financial year to the next.

9.4 Where the Headteacher has a professional concern about expenditure decisions being made by the Governing Board the Headteacher has the responsibility to report the matter to the Council's Chief Financial Officer.

* 1. All financial transactions must be authorised by the Governing Board or their nominee, except in the circumstances set out in the Scheme where the budget share of a school can be charged by the Local Authority without the consent of the Governing Board.

**10. Invoices**

10.1 The Governing Board is responsible for ensuring that invoices are checked prior to payment, and for the integrity and accuracy of the school's payment system*.*

* 1. The Governing Board must nominate persons to certify invoices for payment and must maintain a record in school of such nominated persons. Only persons nominated by the Governing Board may authorise payment for any goods, works and services supplied to the school.
  2. As far as possible the Governing Board should ensure that the placing of orders for goods, works and services, the receiving of goods, works and services, and the certification of payment of them are carried out by different persons.

**CAPITAL EXPENDITURE**

**11. Expenditure Arrangements**

11.1 Schools have the right to receive explanatory information about Capital Expenditure Programmes relating to them.

**INCOME REQUIREMENTS**

**12. Income Arrangements**

12.1 When the Governing Board provides goods or discretionary services to Boards or individuals external to the school, the Governing Board must ensure

12.1.1 A sound business case is established.

12.1.2 The Governing Board has legal authority to carry out the service.

12.1.3 All relevant financial, employment and legal aspects have been properly

considered.

* + 1. The Governing Board is not exposed to unreasonable or disproportionate

financial or other risk.

12.1.5 The Governing Board, through its actions, does not expose the Council to

unreasonable or disproportionate financial or other risk.

12.2 The Governing Board has the responsibility for making arrangements for the collection, receipt, recording, banking and safe‑keeping of all the school income in accordance with the GFPS.

12.3 The Governing Board has the responsibility for making arrangements for credit facilities and for recovering outstanding debts, for all school income in accordance with the GFPS.

12.4 All contracts where the Governing Board agrees to provide a service for a fee must be in writing and state the services to be provided, the price to be paid, the payment agreement and the time within which the contract is to be performed.

12.5 Credit notes must only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt and once it is confirmed that the debt is not payable. Credit notes must be approved by the Governing Board or their nominated member of school staff before they are raised.

12.6 Debts up to £500 may only be written off by the Governing Board when evidence is provided that the school's debt recovery procedures have been followed and the debt is deemed to be irrecoverable.  Debts over £500 may only be written off by the Council's Chief Financial Officer when evidence is provided that the school's debt recovery procedures have been followed and the debt is deemed to be irrecoverable by the Council's Chief Financial Officer.  Credit facilities should not be provided to an individual/organisation that the Governing Board has previously had to write off a debt for.

12.7 The Governing Board is responsible for arrangements for the submission of grant applications to funding agencies, the proper processing and certification of grant claims and the proper management of grant monies received.

**13. Review of Fees, Charges, Remissions and Use of Premises**

13.1 The Governing Board shall determine all fees, charges and remissions and review them each year. The annual review must have regard to relevant policies and strategies, cost of service and budget implications and inflation. In particular, where there is a requirement for a service to break even or to generate a surplus, the review must have regard to this requirement.

13.2 Governing Boards may enter into lettings arrangements for use of school premises and retain all income from such lettings. The premises of a community, community special or voluntary controlled school belong to the Council and the Governing Board of such a school may not sell or dispose of these premises, and except in the case of caretakers' service tenancy agreements, may not enter into any tenancy agreement in relation to these premises**.**

**MANAGEMENT OF ASSETS**

**14. Safekeeping of Assets**

14.1 The Governing Board is responsible for making suitable arrangements for the safekeeping and proper use of equipment, property and other assets in their control.

**15. Keeping of Inventories**

15.1 The Governing Board must supply the Strategic Director Children's Services with such information as is required to maintain the Authority's Asset Register.

15.2 The Governing Board must ensure that an inventory record system is operated in accordance with the guidance in the GFPS, which requires an up to date record of assets to be maintained. In accordance with the Scheme the inventory must include items over £1,000 and, at the Governing Board's discretion, such items as it decides below £1,000 including those that are considered attractive or portable.

15.3 Inventories must be regularly updated and all items should be physically checked at least annually.

15.4 All plant and equipment must be clearly marked to show they belong to the School.

**16.** **Private Property**

16.1 When the School is entrusted with private property, it is the responsibility of the Governing Board to ensure that there is a complete inventory made, arrangements are made for its safekeeping and arrange for any appropriate insurance cover.

**17. Private Funds and Community Facilities**

17.1 A Private Fund can only be set up with the approval of the Governing Board, who must make appropriate arrangements for recording and safekeeping of such funds. The Governing Board must ensure that funds that do not come from Local Authority sources are clearly accounted for separately from Local Authority funds.

* 1. Local Authority monies must not be paid into Private Fund accounts.

17.3 Private Funds must be reported to and reviewed by the Governing Board annually. The Governing Board must arrange for an annual audit of such funds.A copy of the audited accounts must be forwarded to the Strategic Director Children's Services.

17.4 Accounting arrangements for such funds must be in accordance with the requirements of the Scheme and the appropriate procedures and standards required by these Financial Regulations and the GFPS.

**INFORMATION MANAGEMENT**

**18. Security and Control**

18.1 The Governing Board shall make suitable arrangements for the identification, recording securing and proper use of all:

18.1.1 computer hardware/software and associated technologies owned by or used by the school.

18.1.2 school information systems, manual and electronic, including the control of access to premises where information is processed and stored.

18.2 The Governing Board must appoint a Senior Information Risk Owner (SIRO). The SIRO must be a senior member of staff (normally the headteacher) who is familiar with information risks and the school’s response. The SIRO has the following responsibilities.

• They own the information risk policy and risk assessment.

• They appoint the Information Asset Owners (IAOs).

• They act as an advocate for information risk management.

18.3 The SIRO must identify an IAO for each asset or group of assets within school. For example, the school’s management information system should be identified as an asset and should have an IAO. The role of an IAO is to understand:

• What information is held, and for what purposes.

• How information will be amended or added to over time.

• Who has access to the data and why.

• How information is retained and disposed off.

18.4 The IAO must manage and address risks to the information and make sure that information handling complies with legal requirements. There may be several IAOs within a school whose roles may currently be those of e-Safeguarding Coordinator, ICT Manager or Information Systems Manager.

18.5 The handling of secured data is everyone's responsibility, whether they are an employee, governor, volunteer, technical support or third-party provider. Failing to apply appropriate controls to secure data could amount to gross misconduct or result in legal action.

**CONTRACTING ARRANGEMENTS**

**19. Schools Contracts Standing Orders**

19.1 Any employee or representative of the school who is either responsible for, or undertakes, procurement of goods, works and services on behalf of the Governing Board, must follow the Schools Contracts Standing Orders.

**20. Claims**

20.1 The Governing Board must inform the Council's Chief Financial Officer of all claims by or against contractors, which are the subject of dispute between the Governing Board and the contractor.

**INSURANCE ARRANGEMENTS**

**21. Insurance Cover**

21.1 The Council's Chief Financial Officer will determine the extent and levels of insurance protection/indemnity that are appropriate to protect both the school's and the Council's interest in property, personnel and potential legal liability.

21.2 The Council's Chief Financial Officer will make a scheme of insurance available to schools in compliance with Regulation 22. Where a school does not use this scheme the Governing Board must ensure that they meet the extent of cover identified under Regulation 22, and such insurance must be written in the joint names of the School and the Council.

21.3 The Governing Board has the responsibility to effect, maintain and amend as necessary contracts of insurance.

**22. Insurance Claims**

22.1 The Governing Board must ensure that procedures are in place to immediately inform the Council's Chief Financial Officer either of any loss or damage, which will involve a claim under the cover arranged through the scheme of insurance or any incident and /or claim which may result in an action for damages against the Governing Board and /or the Council.

22.2 The Council's Chief Financial Officer will handle, negotiate and arrange settlement in accordance with the insurance arrangement affected through the Corporate Resources Department.

**PUBLIC ACCOUNTABILITY REQUIREMENTS**

**23. Rules for Governors and School Staff**

23.1 A member of school staff must not, under colour of their office of employment, accept any fee or reward whatsoever other than their proper remuneration.

23.2 A Governor or member of school staff must not receive or give or offer any gift or bribe or personal inducements in connection with the School's activities.

23.3 A Governor or member of school staff must not use Local Authority or School property, assets or materials for other than the purposes of the Local Authority or school without authorisation of the Governing Board or nominee. Such authorisation can only be given if it can be shown that such use is in the interests of the Local Authority or school.

* 1. A Governor or member of school staff must not subordinate their duty to the Local Authority and School to their private interests or put themselves in a position where their duty and private interest conflict.
  2. The Governing Board of each school must establish a register, which lists for each member of the Governing Board and the Headteacher any business interests they or any members of their immediate family have, details of any other educational establishments that they govern and any relationships between school staff and members of the Governing Board. The Governing Board must ensure that the register is kept up to date with notification of changes and through annual review of entries; must make the register available for inspection by governors, staff and parents, and the Authority; and must publish the register on the school's website.
  3. If any Governor or member of school staff suspects or knows of any financial loss or irregularity they must inform the Council’s Corporate Fraud Unit immediately.

**24. Cashing of Cheques**

24.1 The cashing of cheques is not allowed except with the specific approval of the Governing Board or their nominee. Such approval can only be given where it necessary to provide effective financial management of the school.

**25. Prevention of Money Laundering**

25.1 In accordance with the Money Laundering Regulations 2007, the School must not accept cash payments in excess of €15,000. For practical purposes, this limit is set at £13,000 subject to Financial Regulation 1.8.

**26. Value Added Tax (VAT)**

26.1 The treatment of Value Added Tax (VAT) in relation to fees, charges and any other income and expenditure should follow accurately the guidance given in the Local Authority VAT Education Guide.

**27 School Companies**

27.1 In accordance with the School Companies Regulations 2002 (as amended), the Governing Board must seek prior written approval from the Strategic Director Children's Services and the Council's Chief Financial Officer to form or become a member of a company.

27.2 Once approval has been received, the Governing Board must comply with all of the requirements of the School Companies Regulations 2002 (as amended).

27.3 The Governing Board must provide management and financial data on a quarterly basis (or more frequently if requested) to the Council's Chief Financial Officer to enable the Council, as Supervising Authority, to fulfil its legal duty to monitor the management and finances of the school company.

27.4 The Governing Board must also provide audited accounts to the Council's Chief Financial Officer in accordance with the requirements of the Regulations.

**28. Partnerships and Joint Ventures**

28.1 Where a Governing Board is considering becoming involved in a partnership arrangement or a joint venture, the Governing Board shall first consult with the Council's Chief Financial Officer and City Solicitor on the proposals, and shall agree arrangements to provide for the effective monitoring in each case of the arrangement or Joint Venture.

**29. Proposals to transfer services to an External Provider**

29.1 Before a Governing Board tenders for services currently provided internally by the school, by the Council or by a third party provider, it must obtain legal and financial advice in writing to ensure appropriate decisions are made and adequate safeguards are in place.

29.2 The legal and financial advice must (but not exclusively) consider any TUPE, pension, equality, diversity, data protection and information security implications. It must include an estimate of the whole life-cycle costs (including on-going or disposal costs or costs that would (or could) be incurred or met by third parties.) A written, clear specification must be prepared as part of the proposal, which will form the basis of the contract.

29.3 After considering the financial and legal advice,if the Governing Board decides to tender for a service:

* currently provided by the Council, the Governing Board must notify the Strategic Director of the service provided, in writing, at least 3 months in advance of the tender process. If the restricted tendering procedure is followed, the Council must be invited to tender for the service.
* currently provided by a third party that can be provided by the Council, if the restricted tendering procedure is followed, the Council must be invited to tender for the service.

29.4 Amongst other services, the Council can provide catering, cleaning, payroll, HR and training services to schools. The Governing Board must make appropriate enquiries to determine whether the Council can provide the service to be tendered prior to carrying out the tendering process.

# Appendix 2



# Schools Contract Standing Orders (September 2021)

## Definitions

* ‘Aggregation’ is the combining together of the total contract value from separate contracts where they meet a single requirement for works, goods or services or where a series of contracts within a twelve month period are for the same type of goods or services.
* ‘Authorised Officer’ is any officer (an employee of the School or the Council) permitted by the Headteacher, within powers delegated by the Governing Board, to authorise orders and contracts in accordance with clause 2.6.
* ‘Best Value for Money’ is the optimum combination of whole life costs, quality and benefits, including economic, environmental and social value to meet the customer’s requirements.
* ‘Bradford District’ is the geographical area administered by the Council.
* ‘Call Off’ is a separate purchase from an existing framework agreement that creates a binding contract. The framework agreement sets out: terms and conditions, standards and prices, although further competition may be permitted.
* ‘Construction Industry Scheme: Under the Construction Industry Scheme (CIS), contractors deduct money from a subcontractor’s payments and pass it to HM Revenue and Customs (HMRC).
* ‘Contract’ means a formal agreement between the School and any Contractor made by issue of a letter of acceptance or official order for:
  + the supply of works, goods or services including consultants.
  + a call-off from a framework agreement.
  + an arrangement where no payment is made but there is financial value to the Contractor e.g. a catering concession.

It does not include employment and property contracts or grant agreements.

* ‘Contract Value’ is the total monetary value over its full duration including any extension options (not the annual value).
* ‘Contractor’ an individual or organisation that contracts with the School to provide works, goods or services.
* ‘Council’ means the City of Bradford Metropolitan District Council.
* ‘DPS or Dynamic Purchasing System’ is an electronic process for commonly used purchases that are generally available and is open throughout the contract period to any new supplier that meets the selection criteria.
* ‘Electronic Auction’ is a process whereby suppliers who have submitted admissible tenders can revise their original prices or values during the period of the auction.
* ‘EU Procurement Rules’ are the Regulations implemented by the UK to set out the law on public procurement.
* ‘EU Thresholds’ means the financial threshold at which the EU Procurement rules are applicable.
  + As of 1st January 2018 these are: Works (maintenance and construction) £4,551,413, Services and Supplies £181,302, and
  + Health, social and some other specific services have a threshold of £615,278, referred to as the ‘light touch regime’ as listed in Schedule 3 of the Public Contracts Regulations.
* ‘Exception to Competition Log’ is the record held by the Governing Board of all contracts awarded without competition because the contract meets one or more of the requirements listed in CSO 9.1.
* ‘Federation’ is a single board, created to govern more than one maintained school. Schools in federations continue to be individual schools, keeping their existing category, character and legal identity, but have their governance provided by the same board.
* ‘Framework Agreement’ is an agreement, which sets out the terms and conditions under which the School can make specific purchases (“call-off”) from a Contractor(s) to provide services, goods or works at agreed standards and prices. If the School calls off services, goods or works from the Contractor then a binding contract comes into place.
* ‘Local Supplier’ is any supplier that provides works, goods or services from a location within the Bradford District or where a substantial number of any employees working directly on the contract are resident in the Bradford District.
* ‘Officer’ means an employee of the School.
* ‘OJEU’ is the Official Journal of the European Union, which is the publication in which all tenders from the public sector above relevant financial thresholds must be published.
* ‘Quotation’ is a formal written offer to supply or purchase goods, execute works or provide services at a stated price, typically of a lower value, not exceeding £75,000.
* ‘School’ is a school maintained by the Council that is covered by the Scheme for Financing Schools.
* ‘SIRO’ Senior Information Risk Owner is the person with overall accountability and responsibility for information governance.
* Tender’ is a formal written offer to execute works, purchase supplies, or provide services at a stated price typically of a higher value. Tenders must be sought for purchases of a value more than £75,000.
* ‘TUPE’ means the Transfer of Undertakings (Protection of Employment) Regulations 2006.
* ‘Whole Life-Cycle Costs’ is an estimate of the total costs of works, goods or services over their life. It is a combination of the purchase price, implementation and operating costs, procurement and contract management costs, disposal costs less any residual value.

## 1 Introduction

1.1 The purpose of Contract Standing Orders is to set clear rules by which the School spends money on works, goods and services. The rules apply to any contract that results in payment being made by the School.

1.2 Public procurement must be undertaken in accordance with the principles enshrined in EU and national legislation. The School must always act to promote competition and to ensure that each procurement is conducted as an open, transparent and fair competition. The School must avoid practices, which may restrict or distort competition.

1.3 All amounts quoted in these Standing Orders are exclusive of recoverable VAT.

1.4 Any dispute or difference as to the interpretation of these Standing Orders shall be resolved by the Council’s City Solicitor.

## 2 Compliance

2.1 Failure to comply with these Contract Standing Orders may result in disciplinary action being taken against the officers concerned. Failure to comply may also constitute grounds for the Council’s use of its formal powers of intervention as set out in the Scheme for Financing Schools.

2.2 Every contract made by or on behalf of the School for works, goods and services, and all School employees engaged to act in any capacity to manage or supervise a contract, must comply with:

* EU Procurement Directives.
* All relevant statutory provisions including the Public Contracts Regulations 2015, competition law and Public Services Acts (e.g. Social Value, Care Act 2014).
* The Council’s Financial Regulations for Maintained Schools.
* The Scheme for Financing Schools, and
* These Standing Orders.

2.3 All School employees and organisations engaged on the School’s behalf shall ensure that all procurement activity is undertaken with regard to high standards of probity and in a manner, which avoids any conflicts of interest. Any conflicts of interest that do arise shall be dealt with in accordance with the School’s Code of Conduct for its employees.

2.4 In applying these Standing Orders, all school employees shall have regard to the duty of Best Value under the Local Government Act 1999.

2.5 The Governing Board must specify limits within which it authorises the Headteacher to authorise orders, invoices and contracts in their own names on behalf of the School. All orders, invoices or contracts shall remain the responsibility of the Governing Board.

2.6 Within the limits of financial powers delegated by the Governing Board, the Headteacher may permit other officers (employees of the Council or the School) to authorise orders, invoices and contracts in their own names on behalf of the School. Orders, invoices or contracts made under these circumstances remain the responsibility of the Headteacher and, through the Headteacher, the Governing Board (see 2.5). The Headteacher must maintain an up to date record of authorised officers.

2.7 All orders for works, goods or services must be placed using the School’s approved systems (e.g. official order form / formal written contract / approved E-procurement process) in advance of the invoice being received and must be coded to the appropriate account codes on the school’s financial system.

2.8 The Headteacher is responsible for ensuring compliance by their staff and shall report all breaches of these Standing Orders to the School’s Governing Board.

2.9 These School Contract Standing Orders apply in the same way to any ’entity’ of a governing board, whether this is a governing board of a single school or of a federation. In joining up services and contracts within a federation, in pursuit of cost efficiencies, schools must comply with all SCSOs and the requirements for competitive tender. This includes where a federation governing board is seeking to combine, under one contract, contracts that have been previously held separately by the individual schools within the federation. This includes where a federation is either entering into a new contract or is expanding the value of an existing contract outside of the specification for which the original contract was awarded. Compliance with the SCSOs may require the federation to wait to combine contracts until the expiry of existing contracts.

## 3 Social, Economic, Environmental and Ethical Considerations

3.1 In formulating proposals for a services contract, the Authorised Officer must consider the Public Services (Social Value) Act implications and whether and to what extent any ethical, social or environmental aspects of procurement should be taken into account.

3.2 Where appropriate, and always subject to EU law and Public Contract Regulations, the Authorised Officer should ensure tenders or quotes are framed in such a way to encourage bids from local suppliers, small and medium sized companies (SME’s) and third sector organisations such as social enterprises. This may include dividing the contract into lots.

## 4 Pre-Contract Requirements for all Contracts

* 1. Existing Arrangements should be considered and used where it can be evidenced that these provide best value for money:
* Contracts, framework agreements or DPS established by central purchasing bodies (Crown Commercial Services, YPO etc.) or other public body.
* Collaborative or shared service arrangements with another public body.

4.2 Before inviting tenders or quotations, the Authorised Officer must:

4.2.1 be satisfied that a written and clear specification has been prepared, which will form the basis of the contract.

4.2.2 consider at the outset any equality and diversity implications that may require an equality impact assessment to be undertaken.

4.2.3 consider at the outset any TUPE implications.

4.2.4 consider at the outset any data protection, information security or data processing implications that may require additional schedules or terms and conditions and need the School’s SIRO and Data Protection Officer to be notified.

4.2.5 prepare and document an estimate of the whole life-cycle costs including where appropriate any on-going costs and/or disposal costs and ensure that the cost is within the approved current and future budget provision for both capital and revenue expenditure.

4.2.6 ensure that all evaluation criteria including sub-criteria have been determined in advance, put in order of relative importance or weighting and published in the tender documentation. Selection criteria must be relative and proportionate following statutory guidance issued by the Secretary of State.

4.2.7 ensure that electronic versions of all the appropriate and approved forms of procurement documentation is available through an internet portal immediately on publication of any advert.

4.3 Before entering into any contract, the Authorised Officer must:

4.3.1 be sure that they have the necessary authority to enter into the contract, that these Standing Orders and the Financial Regulations for Maintained Schools have been complied with, and that the proposed contract represents best value for money,

4.3.2 be satisfied about the technical capability of such proposed contractor, and

4.3.3 where there is a significant supply risk, and for all contracts that exceed £75,000, undertake a suitable check of the financial and resource capacity of the contractor to perform the contract.

4.4 Authorised Officers are responsible for arrangements to ensure proper control and use of the School’s ordering and contracting systems and procedures.

## 5 Contracts under £10,000

5.1 The Authorised Officer must be able to demonstrate best value for money, which may include inviting written quotes. The Authorised Officer must invite local suppliers where a local supply base is available. All quotations should be in writing.

5.2 Officers shall retain a written record of actions taken and the reasons.

## 6 Contracts between £10,000 and £75,000

6.1 The Authorised Officer must seek at least 4 written quotations or tenders and invite local suppliers where a local supply base is available.

6.2 If 4 quotations or tenders cannot be obtained, owing to insufficient suitable suppliers prepared to quote or provide tenders, then the Authorised Officer must keep a record of this.

## 7 Contracts over £75,000

7.1 Where the contract value is likely to exceed the EU threshold, taking account of the rules of aggregation, it must be tendered in accordance with the relevant EU procurement rules, unless this rule is met through an existing framework or DPS agreement that has been established via a compliant EU procurement process.

7.2 For contract values of £75,000 or more, contractors must be appointed by one of the procedures under Contract Standing Order 8.

## 8 Procurement Procedures

8.1 The **open procedure** under which all those interested may respond to the advertisement by submitting a tender. This is often the most expedient system and enables all the suppliers in the market that wish to engage in the process to submit a tender. There is no pre-qualification questionnaire (PQQ) or short-listing stage prior to invitation to tender (ITT). Under the open procedure, an advertisement, saying what the contract is for and inviting applications for tender documents to be completed, must appear in a local newspaper. The advertisement must also appear in an appropriate trade journal where, in the opinion of the Governing Board, this is likely to be to the School’s advantage. The advertisement must give a closing date and time for the return of completed tender documents at least 2 weeks away. Specific EU procurement rules must be followed where the open procedure is used to procure works, goods or services above the EU Threshold.

8.2 The **restricted procedure** under which a selection is made of those who respond to the advertisement and only they are invited to submit a tender. This procedure can only be used for tenders above the EU threshold for goods and services and EU procurement rules must be followed in these circumstances.

8.3 More complex procedures (such as negotiated tendering), generally applying to more strategic contracts, are available, but appropriate expert advice should be sought as the Public Contracts Regulations only permit such procedures in limited and specific circumstances.

## 9 Exceptions to Requirements of Competition

9.1 Subject to the statutory requirements for procurement processes above EU thresholds, and where it can be demonstrated that departure from a competitive process is justifiable and provides overall value for money, a competitive procurement process is not required where one or more of the following exceptions apply:

9.1.1 the purchase of proprietary or patented goods or materials or services, which, in the opinion of the Authorised Officer, are obtainable only from one supplier, and where no reasonably satisfactory alternative is available.

9.1.2 the execution of works or the supply of goods or services that are controlled by a statutory body.

9.1.3 the execution of works or supply of goods or services that are of a specialised nature, which, in the opinion of the Authorised Officer, in consultation with the Headteacher, are carried out by only one supplier and no reasonably satisfactory alternative is available.

9.1.4 the execution of works or supply of goods or services for which the Authorised Officer can demonstrate that no genuine competition can be obtained.

9.1.5 the purchase of a named product required to be compatible with an existing installation.

9.1.6 procurements made through or on behalf of any consortium, local authority, statutory or similar body, provided that tenders or quotations are invited and contracts placed in accordance with national or EU legislation.

9.1.7 special education, health or social care contracts, if in the opinion of the Authorised Officer it is considered in the School’s interests and to meet its obligations under relevant legislation.

9.1.8 the execution of works or the supply of goods and services that are required so urgently as not to permit compliance with the requirements of competition.

9.2 The Authorised Officer must retain written reasons justifying the decision to use Standing Order 9.1 and must be able to demonstrate that best value for money has been obtained.

9.3 The Headteacher must maintain an ‘exception to competition log’ of all contracts awarded without competition under clause 9.1. The exception to competition log should be reported to the Governing Board on at least a quarterly basis.

## 10 Submitting and Opening Tenders and Quotations

10.1 Every invitation to tender or request for a quotation must state that a tender or quotation will only be considered if it is received by the specified closing date and time.

10.2 All tenders or quotations for each contract must be opened in the presence of 2 officers appointed by the Authorised Officer at a prescribed time.

10.3 The Authorised Officer must keep a record of all tenders and quotations.

10.4 The Authorised Officer shall disqualify a tender or quotation, which fails to comply with the requirements of these Standing Orders and must return the tender or quotation to the tenderer or quotation provider stating the reason for the disqualification.

## 11 Errors in Tenders and Quotations

11.1 Prior to acceptance of any tender or quotation received, any arithmetic error or other minor discrepancy made in good faith can be corrected by the Authorised Officer in one of the following two ways:

11.1.1 The tenderer shall be given details of the error(s) found during the examination of the tender and shall also be given the opportunity of confirming without amendment or withdrawing the tender; or

11.1.2 Amending the tender to correct genuine arithmetic error(s) provided that in this case, apart from these genuine arithmetic errors, no other adjustment, revision or qualification is permitted.

11.2 A written record must be kept of all such amendments.

## 12 Post Tender and Quotation Negotiations

12.1 In the interests of ensuring an open, fair and transparent process, negotiation following receipt of tenders is only permissible in limited circumstances.

12.2 The Authorised Officer may, where it is intended to obtain better value for money, authorise negotiations with one or more tenderers or quotation providers where they consider that none of the tenders or quotations are acceptable and it is in the School’s interests to do so. Clear written records must be kept of the reasons for negotiation and what negotiation has taken place with which providers.

12.3 No negotiation is permitted following receipt of final tenders where the tender was subject to EU procurement rules.

## 13 Accepting Tenders and Quotations

13.1 Prior to accepting a tender or quotation the Authorised Officer must evaluate all tenders and quotations received in accordance with the evaluation criteria issued with the tender documentation.

13.2 The Authorised Officer can only accept the most economically advantageous tender or quotation and must record the reasons for acceptance.

13.3 The Authorised Officer must investigate any tender considered to be abnormally low.

13.4 All suppliers who submit a tender or quotation should be notified in writing of their success or failure in a timely manner and offered feedback.

13.5 For all tenders covered by the EU procurement rules, the minimum statutory standstill period is required between notification of the award decision and final contract award.

13.6 All contracts above the EU threshold must also be published in OJEU.

## 14 Contract Extensions, Variations or Novation

14.1 The Authorised Officer can extend a contract by any value subject to the extension being permitted within the scope and terms of the original procurement and contract and before the expiry date.

14.2 An options appraisal must be undertaken to determine if it represents best value for money to extend the contract and any approval required must be sought in a timely manner.

14.3 The Authorised Officer must make every effort to negotiate improved terms with regard to the cost and quality of the goods or services.

14.4 No extension shall be made until funding has been secured in accordance with the Financial Regulations for Maintained Schools (paragraph 9) or any other similar requirement.

14.5 All contract variations must be carried out within the scope of the original contract and must not materially affect or change the contract.

14.6 A new procurement will be required if the proposed variation has a material change where one or more of the following are met:

14.6.1 the variation introduces new conditions, which had they been part of the original procurement procedure would have allowed other candidates to be selected to bid or the contract to be awarded to another tenderer.

14.6.2 the variation changes the economic balance in favour of the contractor.

14.6.3 the variation extends the scope of the contract considerably.

14.7 In the event that a Supplier ceases to provide the work, goods or services whether as a result of insolvency, company restructuring, company purchase, termination of the contract or any other reason then the Authorised Officer must be consulted before novating or assigning the contract to a new Supplier. The new Supplier must meet the requirements of the original tender.

## 15 Written Contracts

15.1 The Authorised Officer must ensure every contract is in writing.

15.2 Every contract shall be signed by two Authorised Officers, other than when the basis of the contract is only an order recorded on an official order form when one signature will suffice.

## 16 Professional Services, Consultants and Intermediary Employment

16.1 In line with HMRC IR35 and CIS (Construction Industry Scheme), rules the Authorised Officer must identify the employment status of workers providing works or services in instances including the following:

* Consultancy work.
* Self employed contractors.
* The engagement of a worker through a limited company or other body.
* The use of a Personal Services Company.
* The engagement of a CIS registered contractor.

## 17 Contract Conditions

17.1 Schools are encouraged to use the Council’s standard terms and conditions templates for contracts. In doing so, Schools must always amend these templates so that contracts are in the School’s name.

17.2 The above shall not apply to:

* UK government standard documentation or government sponsored schemes, and amendments may be made for best value for money or project specific reasons.
* Construction and/or engineering contracts where bespoke conditions based on accepted industry practice are used e.g. JCT, NEC3 or ICE.

17.3 Every contract the School enters into must state:

* The works, goods, services, materials, matters or things to be carried out or supplied.
* The price to be paid and / or the amounts and frequency or the method of calculation of contract payments with a statement of discounts or other deductions.
* The time (s) within which the contract is to be performed.

## 18 Payment for Work on Account

18.1 Payment for goods, works and services should not be made in advance of delivery other than in low contract value and low risk situations.

## 19 Contracts Where School Governors or Staff Have an Interest

19.1 A School Governor or member of School staff must not subordinate their duty to the Local Authority and School to their private interests or put themselves in a position where their duty and private interest conflict.

19.2 School Governors and School employees must declare any and all relevant private interests that may potentially conflict with the interests of the School before procurement commences.

19.3 Suitable measures must be taken by the Governing Board to ensure the probity of the School’s procurement activity. This includes the exclusion of any School Governor or School employee from the procurement of goods, works and services where there is a conflict with their private interests or those of their family and / or friends.

19.4 The Headteacher must keep a record of the notification of interests and the exclusion of interested parties from procurement.

19.5 Schools must comply with the recording and reporting requirements for Related Party Transactions (RPTs) set by the Authority in response to the Department for Education’s Transparency reforms. Schools should keep a record of any related party transaction using the [template for recording related party transactions](https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs) and append it to [the checklist](https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs).

**Appendix 3: Additional Guidance on Managing Out of School Activities**

* 1. This guidance, which incorporates the management of out of school clubs, community-focused activities and other extended services, has been provided for schools in response to:
* the change in the definition of “spending on the purposes of the school”. Section 4 of the Children, Schools and Families Act 2010 enables schools to use their delegated budget shares to fund community-focused school activities, provided these activities do not interfere with a school’s primary focus of raising standards
* the recommendations with the report from Internal Audit following an audit of the out of school club funding arrangements in five schools in October 2011.

1.2 Within this guidance the term ’out of school’ has been used to summarise the different extended and community-focused activities. Please be aware however, that within the CFR reporting structure there is a distinction between ‘Pupil Focused’ and ‘Community Focused’ activities in the way transactions are coded. For further guidance on CFR codes, please see the [DFE CFR guidance](http://www.education.gov.uk/schools/adminandfinance/financialmanagement/consistentreporting/b00205260/consistent-financial-reporting-online-guide).

1.3 The Scheme for Financing Schools, following consultation, was amended at 1 April 2012 to remove the requirement for schools to operate separate bank accounts for out of school activities, although schools are still required to separately identify these. The Scheme now says that, “Governing bodies must ensure that income and expenditure relating to community-focused school activities can be separately identified. It is not a requirement for schools to maintain separate bank accounts for budget share and community-focused school activities. However, in making a decision on banking arrangements, the governing body of a school must have regard to the advice given by the Local Authority within the Guide to Financial Procedures.”

1.4 It is the Local Authority’s view that, where a school’s delegated budget share facilitates the delivery of, or subsidises, out of school activities, the expenditure and income relating to these activities should be recorded within the school’s CFR return, following the DfE’s guidance. This includes where:

* the facilities at a school are used (either directly by the school or by an independent provider) where the school charges a fee
* the school’s governing body directly employs staff, or contracts a third party, through the school to facilitate or to deliver an activity.

1.5 The Local Authority would not expect any out of school activity, where the facilities of the school are used in the delivery of these or where the school’s delegated budget facilitates, or contributes to costs, to be run through School Fund accounts. This is because these private and voluntary funds must remain entirely separate from the school’s budget share.

1.6 Income received from the renting out of school facilities, where this income is allocated back to the school’s budget (so is ‘Pupil Focused’), should be coded to CFR code I08 ‘Income from Facilities & Services’, with the related expenditure included with the CFR codes E01 – E30.

1.7 If ‘formula funding’ or additional grants are received from the Education & Skills Funding Agency or the Local Authority for ‘Pupil Focused’ activities, this income should be allocated to CFR code I15 ‘Pupil Focused Extended School Funding or Grants’. I15 income will be included within the school’s B02 revenue balance, so the expenditure related to I15 funding should be included within CFR codes E01 – E30.

1.8 Where the nature of the out of school activity is ‘Community Focused’ rather than ‘Pupil Focused’, schools should use the CFR income codes I16 and I17 and the separate CFR expenditure codes E31 and E32. The transactions recorded against these codes will be included within the school’s B06 ‘Community Focused School Revenue Balance’ rather than within the school’s B01 or B02 revenue balances.

1.9 For Community Focused activities, and also for Pupil Focused activities, where the level of activity is more than just the renting out school facilities and collecting a small amount of income from lettings, schools should consider using a separate cost centre in their finance system, to ensure that funds can be separately identified. All income and expenditure relating to these activities should be processed on this cost centre, using the CFR codes explained above, including any recharges, which move a proportion of costs, such as energy, which may be paid via one bill for the whole school. This cost centre should be included in the school’s CFR return at year end.

2.0 Whether out of school activities are managed though an additional bank account, separate from the school’s ‘enabling account’, is a decision for each school’s governing body. If governors choose to hold a separate bank account, all income and expenditure related to this activity should still be included within the school’s CFR report. Additional bank accounts are accommodated on the Full Bank Reconciliation System, which will ensure that the school CFR includes all income and expenditure. However, if governors choose to use a separate bank account and do not include the account on their finance system, the school must submit separately a statement of audited accounts to the Local Authority on an annual basis. We would only expect this to be the case for private and voluntary funds and / or in limited circumstances where the activity is being managed entirely separately from the school’s budget and where the school’s budget or facilities are not facilitating or contributing to this activity. Schools are also reminded that, in these circumstances, they must include VAT on any VATable services charged to private funds (written guidance covering VAT and extended schools has recently been produced by the Council’s Principal Taxation Advisor).

* 1. In making the decision on whether to operate a separate bank account, the schools should take into account:
* the requirement to separately identify income and expenditure relating to community facilities.
* the overall size and level of financial complexity. Governors should also have regard to the experience of its finance staff.
* any external reporting requirements or third party involvement.
* the extent to which managing community facilities together with the school’s budget share would produce cost efficiencies and reduce administration.
* the advice of the Local Authority.

2.2 Although the decision on banking arrangements normally rests with the governing body of each school, the Local Authority has the power to set conditions on individual schools, where there is reasonable cause to do so, through the use of the Notice of Concern and ultimately, through the power to withdraw financial delegation.

2.3 Governing bodies should be aware at all times of the financial implications of running out of school activities and any impact these may have on the school’s delegated budget. School finance managers should therefore, prepare a separate budget for out of school funds, for governors to discuss as part of the overall annual budget setting process. This separate budget should be supported by:

* working papers demonstrating expected take up / attendance and income levels,
* the breakdown of any apportionment of total school costs to the activity (such as energy and maintenance), if appropriate,
* a clear statement of other resource consequences from the operation of the activity e.g. the redirection of staff time from core school hours.

2.4 Charges for out of school activities should be set:

* in line with the school’s charging and fee remission policy, which should be reviewed annually within the budget preparation process,
* based on the projected attendance and the target year end carry forward balance, where appropriate,
* following consideration of the planned purposes of the activity.

2.5 Governors should include within their charging and fee remission policy whether activities will be run on a not for profit basis or to achieve a surplus (beyond that required to maintain a reasonable operating balance). Where governors aim to achieve a surplus, permitted use of the surplus should be explained within the policy i.e. reinvestment in the activity or transfer to the school’s delegated budget use by the school. Income arising from activities funded from the school’s delegated budget should be recorded as income added to the delegated budget.

2.6 Governors should monitor and approve, on an annual basis, the levels of retained net income carried over from one financial year to the next, or the transfer of all or part of this to the delegated budget. In approving the carry forward of balances, Governors should be satisfied that balances are reasonable and not excessive to the needs of the club.

2.7 Where the principal function of an activity is childcare, governors are encouraged to run services to a self sustaining business model. The approved budget should provide for a reasonable and not excessive level of retained net income to carry over to the following financial year. For guidance, this may be between 5% - 10% of annual turnover.

2.8 Where any out of school activity is not run on a self sustaining basis, governors should measure the educational benefits of the club against any cost to the delegated budget, in the same way they would in making any decision on the spending of the school’s delegated budget on the priorities of the school. Governors should be aware of the full costs and should formally approve the extent to which the school’s budget may financially support the activity in furtherance of the explicit identified objectives. Wherever possible, the pre-determined educational benefits of the activity should be measured and outcomes reported back.

2.9 Governors should be provided with regular financial monitoring reports, which include take up / attendance figures, so that actual performance can be monitored against budget.