

GUIDE TO

FINANCIAL PROCEDURE

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.

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).

Additional guidance on the financial management of extended activities can also be found at the back of this document (Appendix 2).

**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**

Additional Guidance on Managing Out of School Activities

**FINANCIAL SUPPORT SERVICES**

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

* Monthly cash advances into school bank accounts and monthly reimbursement of VAT costs incurred by schools
* The provision of monthly ledger and cost per employee tabulations
* Information packs on year-end close down procedures and timetable. Consolidating schools records within the Local Authority’s year end accounts in accordance with statutory requirements
* Completion of “Section 251” Budget and Outturn statements. These are statutory returns required by the DfE
* Processing and approving applications for deficit budgets
* Induction training, covering all major aspects of financial management for newly appointed headteachers and administrators
* Assistance with correcting items which have been incorrectly coded by the Local Authority to the schools monthly ledger tabulations
* Monitoring schools’ financial performance against the Governing Body approved budget including discussions with the school where outturn projections are showing significant variances against budget
* Following up recommendations made by the Council’s Audit reports where the school has received an unsatisfactory report
* Provision of “The Guide to Financial Procedures in Schools” and other regular updates of other financial information procedures
* Provision of financial benchmarking information to support schools in budget review and setting
* Provision of a Light Touch Financial Monitoring (LTFM) scorecard on a termly basis

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

**Section 1**

**FINANCIAL MONITORING REQUIREMENTS**

* The school **must** submit budget and monitoring reports in the format and by the set dates as prescribed in the Scheme for Financing Schools.
* All financial reports to the Local Authority **must** be on an accruals basis. \*
* Earmarked funding **must** be spent on the purposes for which it is given. Schools **must** comply with specific reporting requirements for specific funds e.g. Pupil Premium. PE and Sports Grant.
* The school **should** develop a more detailed financial information system than the summary headings required by 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, we have to convert the accounts to an income and expenditure (accruals) basis. This is achieved by taking into account what we owe to creditors (liabilities) and what debtors owe to us (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 account

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

**Section 2**

**Financial Management & Administration**

**FINANCIAL PLANNING**

* The school **should** establish a formal budget process and timetable to ensure all relevant financial implications / options are considered

**ORGANISATION**

* The school **should** have a clearly defined organisation structure with defined lines of reporting and accountability / responsibility

**RESPONSIBILITIES**

* The Governing Body **must** reply within 2 weeks to any Local Authority audit report received giving their response to the reports recommendations
* The Governing Body **must** complete the Schools Financial Value Standard (SFVS) assessment on an annual basis and should keep a record of the evidence it has used to asses its response to and the process through which the Governing Body has determined its responses
* 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
* The Governing Body **should** issue clear written instructions to staff on their financial responsibilities

**PERSONNEL**

* The Governing Body **should** consider what training / financial expertise is needed to support the Headteacher and staff

**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

**SEGREGATION OF DUTIES**

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

**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 school **should** document all aspects of financial arrangements

**REVIEW**

* The Governing Body **must** ensure that a financial monitoring report is obtained and considered at least once per term
* The school **should** undertake a regular and systematic review of actual performance against budget
* The Governing Body **should** ensure that the school seeks economy, efficiency and effectiveness in utilising its resources and achieves good value for money.

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

**Section 3**

**CASH AND BANKING ARRANGEMENTS**

* The school **must** nominate 3-5 people to be authorised signatories of which two **must** be the Head and Deputy
* Cheques **must** be signed by 2 authorised signatories
* The school **must** complete a bank reconciliation statement at least each ***quarter*** (unless required by the LA to provide these monthly) and submit these to the Local Authority by the set dates
* The school enabling account **must not** become overdrawn
* Authorised signatories **should not** have access to blank cheques or prepare cheques for signature
* The school **must** maintain adequate records relating to standing orders, direct debits and BACS payments
* The school **must** prepare cash flow forecasts and monitor balances
* The school **should** make use of normal credit terms

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

**Section 4**

**FINANCIAL SYSTEMS**

**ACCOUNTING SYSTEMS**

* The Governing Body **must** ensure that any voluntary / private funds are managed separately from Local Authority funds and are subject to annual audit

**PURCHASING**

* The Governing Body **must** abide by the Financial Regulations for Maintained Schools in all purchasing, tendering and contracting matters
* All orders **must** be on official order forms
* The school **must** maintain a list of staff authorised to sign orders
* The school **should** maintain and review a list of approved suppliers
* Staff **must** evidence checks carried out on invoice before payment
* The school **should** set a policy on returned goods
* The Governing Body **should** review service level agreements

**PAYROLL**

* Deductions for tax, NI and Superannuation must be made in accordance with current legislation and paid over by the due dates
* 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

**ASSETS**

* The school **must** maintain an inventory
* 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

**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

**INSURANCE**

* The Governing Body **must** regularly review policies to ensure 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 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
* School **should** link their strategic plans to their budgetary process

**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 Funds

**Table A**

Timetable for Submission of Financial Monitoring Returns

**Appendix A**

Basic Cashflow Forecast Template

**Financial Monitoring Requirements**

**1.1 Introduction**

The “Fair Funding” initiative requires local authorities to adopt a monitoring role towards its schools. This section sets out the Local Authority's approach to discharging this requirement. It provides guidance about the financial monitoring returns required by the Local Authority from all maintained schools.

The relationship between the Local Authority and each school is set out in the 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 related to budget monitoring are:

*2.3 Submission of budget plans*

*Schools must submit to the Local Authority, an annual budget approved by the Governing Body 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 "2nd year" budgets detailing their provisional budget plan for the following financial year, 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 for which schools have been notified of budget shares beyond the current year.*

*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 (ie including accruals)*
* *Bank account income and expenditure for the period January - March with bank account reconciliation as at 31 March*

*by 30 April \**

*(\* subject to the Council’s closedown timetable)*

*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.*

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

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

A school’s own financial information requirements will be detailed, reflecting the many possible sub-headings, departments and cost centres between which funds may be allocated. Schools will however, be required to submit information to the Local Authority and DfE in Consistent Financial Reporting (CFR) format. See financial monitoring returns in Section 1.2 Appendix A.

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.

Returns must be signed and dated by a representative of the school which may be the Headteacher, Deputy Head 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. The timetable for the submission of returns is stated in the introduction to this section***.***

Schools are required to submit to the Local Authority an annual Approved Budget and quarterly Budget Monitor statements. This monitoring information is required in addition to information provided on the Bank Reconciliation returns from each school, which are used to update the Local Authority’s ledger and to reclaim VAT incurred.

Under certain circumstances, e.g. schools categorised under the classification of schools scheme for high levels of support, or schools scheduled for closure, may be required to provide monthly reportsto the Local Authority. Such schools will be informed in writing of this requirement by the Authority. Termination or variation of this requirement will also be notified in writing.

**1.2.2 Newly Operational Schools**

Newly operational schools will be informed of their particular financial monitoring requirements by the Local Authority.

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

Copies of the standard budget and financial monitoring templates are available on Bradford Schools Online, signalled through the latest news and updates page***.*** Information on the allocation of income and expenditure to categories on the financial returns is also provided within the [guidance](https://bso.bradford.gov.uk/Schools/CMSPage.aspx?mid=192) sections of this 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 from the Local Authority.

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

1. Annual Cash Flow Forecast - ***Appendix A***

The financial monitoring cash flow return 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. Bank current and deposit account balances and any cash held at the school relating to public funds should be included. (See ***Section 3.4 Cashflow Management***).

1. Cashflow Forecast –

Cash balances can fluctuate significantly within any particular month. For a small minority of schools these fluctuations may cause a short term cash deficit mid-month, although cash balances at the month-end are in surplus. For instance, a significant number of payments may be made by direct debit early in the month, whereas Local Authority income is not be received in the normal course of events, until later in the month. It is important therefore, that in addition to providing cash flow forecasts, schools monitor their actual cash balances on a daily basis within their local management information system (such as SIMS).

Schools are requested to inform the Local Authority (under separate cover) at the earliest indication of any potential short-term cash flow problems. This provides additional information to the Local Authority about a school's underlying cash flow and is necessary to ensure that schools do not become overdrawn at the bank.

All sections of each return should be completed.

**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**

The budget monitoring returns must be completed on the 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 quarter ended 29 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 ended March?*

Since the bill relates to the quarter ended 29 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 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, for example, the SIMS system works on this basis. 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 at 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 the position.

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

Year end totals, which are consolidated into the Local Authority’s accounts are based upon the accruals approach. During the year 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 the close down procedures and timetables are given to schools each year.

**1.2.8 Earmarked Funds**

In some cases earmarked or ring-fenced funds may be devolved to schools. These should be accounted for separately from the delegated budget share. Specific guidance, including the purposes for which the funds may be used, will be provided by the Local Authority with each type of funding. Where a school does not fully spend earmarked funds in-year, the Local Authority may ask for the unspent balance to be refunded.

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 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.VAT Reimbursement |  |  |  |  |  |  |  |  |  |  |  |  |
| 3. Lettings |  |  |  |  |  |  |  |  |  |  |  |  |
| 4. Misc Income/Donations |  |  |  |  |  |  |  |  |  |  |  |  |
| 5. Grants/Projects |  |  |  |  |  |  |  |  |  |  |  |  |
| 6. Other Income (eg Care Club/Visits) |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **7. Total Funds Available (1 to 5)** |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Payments Due From Bank Acc** |  |  |  |  |  |  |  |  |  |  |  |  |
| 8. Supply Staff |  |  |  |  |  |  |  |  |  |  |  |  |
| 9. Repairs & Maintenance |  |  |  |  |  |  |  |  |  |  |  |  |
| 10. Cleaning Contract |  |  |  |  |  |  |  |  |  |  |  |  |
| 11. Grounds Maintenance |  |  |  |  |  |  |  |  |  |  |  |  |
| 12. Oil |  |  |  |  |  |  |  |  |  |  |  |  |
| 13. Solid Fuel |  |  |  |  |  |  |  |  |  |  |  |  |
| 14. Electricity |  |  |  |  |  |  |  |  |  |  |  |  |
| 15. Gas |  |  |  |  |  |  |  |  |  |  |  |  |
| 16. Water |  |  |  |  |  |  |  |  |  |  |  |  |
| 17. Furniture |  |  |  |  |  |  |  |  |  |  |  |  |
| 18. Domestic Materials |  |  |  |  |  |  |  |  |  |  |  |  |
| 19. Educational Materials |  |  |  |  |  |  |  |  |  |  |  |  |
| 20. Admin |  |  |  |  |  |  |  |  |  |  |  |  |
| 21. Telephone |  |  |  |  |  |  |  |  |  |  |  |  |
| 22. Fees |  |  |  |  |  |  |  |  |  |  |  | Appendix A(5) |
| 23. Exam Fees |  |  |  |  |  |  |  |  |  |  |  |
| 24. Grant Expenditure |  |  |  |  |  |  |  |  |  |  |  |
| ***year*** | April | May | June | July/Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar |  |
| 25. Other Expenditure (eg visits) |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **-26. Total Payments (8 to 25)** |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Bal C/Fwd To Next Month (7 minus 26)** |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| 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 the systems of financial management will vary according to the size, organisation and particular needs of each school. Nevertheless, sound management arrangements need to be developed by all governing bodies encompassing their school's assets, income, expenditure and use of resources.

**2.2 Financial Objectives**

**2.2.1 General**

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 are

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 (eg 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 plan in reaction to changes of 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 budgets on a regular basis.

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

The process of setting the school 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 which 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 change, 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 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 an approved budget may require a number of draft budgets for review before a final position is arrived at

**2.4 Financial Controls**

All financial management systems will include various types of controls. Each system, which controls either the income, expenditure, assets or liabilities of the school will require some or all of these controls in order to deliver the general financial objectives defined in ***Section 2.2.***

The key controls identified 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 set. 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 control of 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 on which schools have to report to the LA are detailed in ***Section 1 – Table B***. 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 normally be divided between either 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 budget headings, however, it is important that the budget responsibility aligns with the 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.

The 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 between the Local Authority and the school 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 the conditions attached
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.

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 and as such the governors are able to determine their individual requirements and to delegate the financial responsibilities of the governing body to one or more committees if desired.

In schools where a finance committee has been set up, 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 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 (known as a Scheme of Delegation). Where such delegation is agreed, the decision (and any revisions) should be recorded each year 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 the Local Authority. In practice, the Headteacher will often delegate much of the financial management to a Finance Manager, while retaining ultimate responsibility for this.

**2.6.5** **The Finance Manager**

The 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 budget and as such should form part of the management structure within the school.

It is essential that the governing body ensures that the Finance Manager is suitably qualified and 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 Section 1 of The Scheme for Financing Schools and Section 3 of the Financial Regulations for Maintained Schools.

The internal audit of schools is undertaken by Financial Services Internal Audit. This service is funded centrally by the Authority, however 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 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 at the school depending upon the type 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 order to give a balanced overview. 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 provide a management response to any recommendation 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 clarification is 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. Completion of this form is appreciated and feedback used to improve the audit process wherever a need is recognised. Internal Audit will always address any “poor” feedback given, and will be keen to discuss this with any school which 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. Similarly a known or suspected irregularity should be reported to the Internal Audit Service at any time as required under the Financial Regulations for Maintained Schools, as a result of which a course of action will be agreed with the Headteacher or Governing Body which may involve work to be undertaken by the Internal Audit Service.

**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 control 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 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 to which special attention should be given 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 the financial expertise available in order to carry out 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 provides a range of training courses for school staff on financial and other operational responsibilities, including “financial administration for new Heads and Administrators”, “finance courses” for governors, guidance on year-end closedown of accounts and VAT guidance.

**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 given in 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.

**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 which must be published. This will help them meet the requirements for withdrawal from meetings prescribed in Paragraph 14 of Governance (Procedures) (England) Regulations 2003. This is contained at Annex 2 of A Guide to the Law for School Governors.

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:

(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 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

**2.8.3** **Whistleblowing**

The Nolan report included recommendations on the difficult issue of setting up clear mechanisms for dealing confidentially with allegations of malpractice (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 when “blowing the whistle”. The Code also 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 Council’s Code.

The reporting of financial irregularities to the Council's Finance Director 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, the reporting of financial irregularities may be raised 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 Council's Confidential Reporting Code can be found on the Council’s Internet site under the section on the Council's constitution.

**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 excessive 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.

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 the budget 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 allocates 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 head teacher, 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 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 SchoolsThe 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. Recommended authorisation limits are included in the appropriate sections.

**2.10.6 Payroll Authorisation**

Alterations to the 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 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 considerably 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 a School Local 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 orbackup of 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 schools local 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 to review 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**

The 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 finance committee.

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

The information prepared should be presented to the 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 the 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 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 comparison to budgets.

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

**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 LA 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

Flexisheets/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 and Building Society 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 Debt 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 and Building Society 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 would initially be 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 would be 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, (eg 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 to finance a revenue deficit under the Scheme for Financing Schools

Due to the tax status of the Council, 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 to the Local Authority by the school :

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 schools bank balance is at any point in time. Having the facility to ‘view only’ enables you to monitor which transactions have and have not, hit the bank account but the same level of control must be maintained with internet banking as is applied to 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 and
* 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 allow for cover in the event of absences. Staff able to authorise transfers, standing orders and payments should 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, discuss what options are available with your 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 staffs 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 banks 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; and retain a copy of the statement as supporting evidence of reconcilations.

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 duty cannot be accommodated then it is recommend that the bank statements are reviewed by a senior member of staff who is not a main user of internet banking. 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, at least one of which must be a Council employee. 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 two will be the Headteacher and Deputy Headteacher.

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 schools’ bank account by BACS together with the schools’ monthly instalment of budget share. The repayment of VAT will be based on the net amount of VAT shown on the schools 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 these 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 Council as a result of the school failing to comply with the statutory requirements of either of these bodies, as set out in the Scheme for Financing Schools.

**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 funded allocation. This interest must be accounted for in the account 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 the 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 as 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 eg petty cash, cash advance. Staff may pay for purchases using their own personal credit card 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 Debt 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.

Direct debit payments must be checked and certified by nominated staff as with any other form of payment. It is recommended that a control sheet be maintained, for each supplier, which lists and certifies each individual payment identified and recorded on the bank statement. For further information on salary payments 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 if possible. The level of insurance cover for individual and locked cabinets will be a key factor as to how much is held.

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 devise systems to ensure that this happens.

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

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 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 schools total budget share where schools have opted to have all their budget share payable into their local bank account ,or

(ii) the schools 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. rates.

Where schools opt for only the locally determined non-staffing budget payable into their bank accounts, and a governing body approved budget is not available at the beginning of the financial year, initial advances will be based on the schools draft budgets. Once a governing body approved budget is received, advances will be amended to reflect this, and any retrospective adjustments will be made at this stage.

Where schools are forecasting deficit budget balances, no 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.

At the end of each financial year, the Local Authority will compare 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 it’s carry forward balance is greater than its bank balance, or payment by the school to the Local Authority where it’s bank balance is greater than it’s carry forward balance, will be made as soon as practical in the new financial year.

**3.1.13 Cash and Bank Reconciliation**

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

Cash Reconciliation

1. At the end of the last working day of each month the petty cash should be counted, independently of the cash holder. See also ***Section 3.2.4***
2. The amount held should be checked against the balance according to the petty cash record. This is the figure for “Cash in Hand” which is to be entered on the Enabling Account report form

1. Any discrepancies should be investigated immediately.

Bank Reconciliation

1. 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 on the Bank Reconciliation return.
2. Check each transaction on the bank statement (cleared cheques, standing orders, direct debits, deposits etc.) against transactions in the school’s financial system e.g. SIMS.
3. Adjust the school’s financial system e.g. SIMS to take account of any items appearing on the bank statement but not in the record e.g. bank charges, standing orders, interest credits etc.
4. Reconcile the bank balance on the last working day of the month according to the school’s amended financial record.
5. List any bank transaction in the financial system which are not included in the month end balance on the bank statement. This list is a system generated unreconciled transactions list.
6. List items that are on the bank statement, but not on the financial system. These are the figures for the “Uncleared Transactions” which are entered on the Bank Reconciliation return.
7. Deduct the total of uncleared transactions from the “Closing Bank Balance”. The resulting figure should equal the closing balance from the school’s financial system. If the figures do not balance they should be checked again. Any discrepancies found should be investigated immediately.

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

Schools should complete monthly bank reconciliation as good practice.

A Bank reconciliation and income and expenditure return must be completed and submitted quarterly (as a minimum) using the template provided by the Local Authority. All schools are encouraged to submit these on a monthly basis, especially in the lead up to the financial year end. Identified schools may be required to submit monthly returns.

Bank Reconciliation returns should be submitted to the Local Authority by the end of the following month.

VAT submittals must be submitted to the Local Authority by the 10th day of each month. VAT is reimbursed to the school based on the net VAT claimed on the system generated return.

**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 the 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. 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 the governors.

In the interests of security, petty cash payments should be under £30 in value. The precise limit should be approved by the 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 records 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 secure the cash in a safe where required under the 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 for loss 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 within 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 the governing body cannot negotiate loans, overdrafts or enter into finance leases.

**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 (eg by transferring funds to a high interest bank account).

The governing body should regularly monitor actual results against forecasts and receive updated future forecasts with any new information as it becomes available.

**3.4.3** **Standard Profile**

The profiling of delegated budgets is a valuable tool in the management of cash flows. 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 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 interest to the Local Authority. This loss of interest may be charged to the individual school rather than being met by all schools.

**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 for the year.

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 (eg 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 by the school. 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 and Wages Expenditure (for full budget share schools)**

Salaries and wages account for a high proportion of the school's total annual expenditure. These costs can be controlled and forecast with some certainty, and this will go a long way to securing the school's financial stability. Salary expenditure can be forecast with a high degree of certainty because actual staff numbers and salary rates will be known. The main variables will be any pay increase settlement, new recruits for the new academic year and supply and other temporary staff. This high degree of certainty will allow schools to estimate cash requirements and therefore a high proportion of monthly budget share requirements, almost to a specific day each month. This will help in the formulation of any cash flow forecast.

Schools should also be aware of other staff costs (such as payments of Income Tax, National Insurance and to pension providers), which, although part of the salary calculations, are usually paid in arrears and will have different payment dates from the salaries themselves. However, a payroll provider may require one payment of gross salaries inclusive of Pay As You Earn and National Insurance. Further consideration is given to such payroll arrangements in ***Section 4.4*** .

**3.4.7** **Other Expenditure**

When considering the month by month cash profiles schools should consider the effects of periodic peaks and troughs in spending in areas other than salaries and wages, in particular the effects of 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 (eg there will be no requirement for catering whilst the school is closed through the summer and reduced costs during other holiday periods), and therefore cash requirements will not flow evenly.

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

Schools should make use of normal credit terms offered by the supplier. Often 30 days are allowed before payment is required. Making use of this normal credit period 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 finance charge implicit in the agreement, may constitute borrowing. If in doubt, schools should contact the Local Authority. Discounts may be offered for prompt payment. Schools should be aware of the possible benefits of early payment discount and take advantage should 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) In most schools this seeks to formalise existing good practice. The principles of the CBI Better Payment Practice Codeare set out at ***Appendix B***. Schools are recommended to introduce a payment code and disclose their payment policies in their Annual Report.

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. Schools with local bank accounts must notify their bank in writing of this provision 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 and Hire Purchase**

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, computers etc. Also, following the Chancellor’s Budget Statement in March 2008, all Authorities have had to change the way they complete their year-end accounts to comply with International Financial Reporting Standards (IFRS). This includes the way leases are accounted for.

The LA adopts the definition of leases, in accordance with best accounting practice and the IFRS Standard. This defines two main categories of leases - finance leases (including hire purchase) and operating leases.

1. **Finance Lease**

A finance lease is one that substantially transfers all the risks and rewards incidental to ownership. The key words are “substantially” and “all” and the following guidance is provided to assist in identifying finance leases:-.

* The lease transfers ownership of the asset to the lessee at the end of the term.
* At a point in time it is reasonably certain that the lessee can and will decide to purchase the asset for a price that is significantly lower than the fair value at that future time.
* The lease term is for all or at least the major part of the useful economic life of the asset even if title is not transferred at the end.
* At the inception date of the lease the present value of the minimum lease payment amounts to most, if not all of the fair value of the leased asset.
* The leased asset is of such a highly specialised nature that only the lessee can use it due to the excessive additional cost of returning the item or without major modifications.

A finance lease is a form of borrowing and must not be entered into by schools. Although strictly the leased asset remains the property of the leasing company, in substance the school may be considered to have acquired the asset and financed the acquisition by obtaining a loan from the company.

A finance lease usually involves payment by the school of the full cost of the asset together with a return on the finance provided by the company. It should be presumed that the risks and rewards of ownership transfer if, at the start of the lease, the present value of the minimum lease payments (including any initial payments) amounts to substantially all (normally 90% or more) of the fair value of the asset. The fair value is the price at which the asset could be exchanged with an independent third party less any grant receivable towards the purchase or use of the asset.

A hire purchase agreement is similar in substance to a finance lease and must not be entered into by schools. The difference in law is that under a hire purchase agreement the school eventually become entitled to exercise an option to purchase the asset (under a leasing agreement the asset remains the property of the lease company).

1. **Operating Lease**

An operating lease is any lease which is not a finance lease. This will have the character of a rental agreement, with the leasing company usually being responsible for the repairs and maintenance of the asset. Normally the period of the lease will be for substantially less than the useful economic life of the asset. An operating lease is the only type of lease available to schools.

Through the change to IFRS some Operating Leases may now be classed as Finance Leases Schools should seek an opinion from their professional advisors (financial or legal) and the Local Authority before entering into any lease agreement. This should be done irrespective of any advice given by the leasing company on the nature of the lease.

**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** |  |
| **£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 reproduced 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 eg 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 as 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 in their annual report, 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 200x/xx 200y/yy

Total invoices paid \* \* \*

Total invoices paid within target \* \* \*

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

(b)

200x/xx 200y/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)

**Annual Report Note (to be included within the section on accounting policies)**

[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 - a Baseline Package**

4.7.1 General

4.7.2 The Baseline Package

4.7.3 Managing Risk

4.7.4 Long Term Agreements

Annex A Schools Baseline Insurance Package

**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

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 the 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 the regular backup of financial information.

* + 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 by the Local Authority.

**4.2.4 Other Funds**

The school may need to administer funds provided by organisations other than the Local Authority. Funds provided must be administered in accordance with the requirements specified by the relevant organisation. Control procedures must be implemented to ensure the requirements are complied with and any reports or certificates are produced. It is possible that funds may be held either on behalf of other schools or by other schools in relation to its school's own activities. 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 agreements held relating to funds provided by various organisations must be retained together with any reports provided to those organisations. The funds and expenditure form part of the school's financial operations and must therefore be consistent with, and included in, any financial reports 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 and
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 commitment 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 approved 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 Financial Regulations for Maintained Schoolsset 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. 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 in the long 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. internet / websites

**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 complies 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 reproduced 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 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
5. quotation reference, authorisation and date (if an order) or
6. method to transmit quotation eg 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 which are properly due and invoiced. The checking and approval of invoices should be carried out only by authorised members of the 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 a facility which enables commitments and creditors to be identified. Commitments are where orders have been placed for which goods or services have not been received. Creditors are where goods and services have been received but payment has not been made. This facility need not be especially sophisticated 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, eg 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 service is used on an ongoing basis. A school should balance the potential benefits against the loss of potential interest earned on cash balances expended and the risks of holding stock, such as pilferage, obsolescence and damage
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. First, if a firm were to go bankrupt the school would rank as an unsecured creditor, effectively the last in line to be paid. Secondly, if the goods or service 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**

There are two kinds of leases, operating leases and finance leases. Finance leases are in substance borrowing and therefore schools are not empowered to enter into such leases. Where schools are intending to enter into any contract or lease agreement, appropriate advice should be sought from their legal advisers or the Local Authority. Operating leases are in substance rental agreements and are therefore, an option available to schools. Further information is given in ***section 3.*** Schools should always read the terms and conditions of operating leases and rental agreements very carefully. Particular care should be taken over cancellation clauses which can be extremely onerous e.g. some photocopier contracts.

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

1. 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
2. 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
3. contracts can be terminated in times of financial constraint as a cost saving measure
4. the full purchase price is not payable and instalments spread the cost thus improving cash flow
5. rental can be the most cost effective way of procuring equipment that is used infrequently
6. long term rental may ultimately be more expensive than outright purchase.

**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*** to this section 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 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 the school staff must disclose to the governing body and the Headteacher any interest that he or she may have, including that of relatives and friends, in any purchasing decision in which they may be involved. Staff who face such a conflict of interest should not participate in the decision with whom to place the contract. This will include the appointment of staff. Further guidance on this matter is given in ***section 2.***

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

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 sealed bid to a purchaser. Their bid is then evaluated together with other bids received against specified criteria. This process is undertaken by a team normally comprising the user, the purchaser and a technical expert if appropriate.

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

1. the threshold value of goods and services above which a tender must be used
2. the minimum number of tenders required
3. the levels of delegated authority in decision making
4. when such authority and approval is necessary.

This guide does not prescribe threshold levels for the value of goods and services above which the tender process should be used as this will vary from school to school. The Financial Regulations for Maintained Schoolshowever, provides details of 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

1. budgeted funds available
2. objective of project
3. overall requirements
4. technical skills required
5. after sales service requirements
6. form of contract
7. delivery dates/times.

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

**Invitation to Tender**

If a restricted tender is to be used then an invitation to tender must be issued. If an open tender is used an invitation to tender may be issued in response to an initial enquiry.

An invitation to tender should include the following

1. a letter of invitation with instructions to tenderers
2. a pre-addressed referenced label for tenderers to submit with their response
3. introduction/background to the project
4. scope and objectives of the project
5. technical requirements
6. implementation of the project
7. terms and conditions of tender
8. form of response.

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

1. record the date and time of receipt on the envelope
2. 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

1. date and time of opening
2. names and signatures of those present
3. value of each tender
4. details of suppliers who declined the invitation, or failed to submit a tender
5. any omissions in the submission, eg documents, signatures, missing data, etc
6. 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, (eg 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

1. 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
2. Ensuring that the tender price is the total price and that there are no hidden or extra costs
3. Whether there is scope for negotiation
4. Financial status of supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. Schools may wish to examine suppliers’ audited accounts. Schools should be aware that credit agencies can provide financial information on companies for a small charge
5. 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

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

Other considerations to be taken into account are

1. Pre-sales demonstrations
2. After sales service.

**Re-tendering of Contracts**

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

**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, for example, be the Headteacher for 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 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 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 excessive 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. Schools should consider whether the service is necessary, and the appropriate level given the school's budgetary constraints. The school may decide that a higher level of a service is appropriate.

**Potential Providers**

When considering the provision of services schools should consider three options

1. Provide in-house
2. Local Authority
3. 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 a 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.

**Service Contracts**

Contracts are essentially of three types

1. pay as you use (hourly rate)
2. fixed entitlement and
3. 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

1. level of service
2. scope and quality of work
3. frequency and timing
4. calculation of charges
5. criteria for successful delivery of the contract
6. means of redress if this is not achieved
7. any cancellation costs
8. due date for payment.

Before the governing body enters into any contract it should consider whether or not to take legal advice. Factors to consider are the size of the contract, the nature and extent of the liabilities to be taken on by the school, the likely cost of obtaining legal advice and whether there are any special conditions to be incorporated in the contract.

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

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

1. The governing body should approve all major contracts as set out in their purchasing procedures.
2. 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
3. Monitoring should be an ongoing process and all concerns should be raised with the contractor. The school should maintain a written record of communications related to all such concerns
4. Schools should ensure that the hirer or less or has arrangements in place for prompt repair of equipment under contract.

**4.4 Payroll**

**4.4.1 General**

The main elements of a payroll system are

1. Staff Appointments and Changes
2. Payroll Administration
3. 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 payrolls for monthly, weekly paid and four-weekly paid staff.

The most appropriate levels of authority for particular changes to payroll data should be determined by each governing body. 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 may be authorised by the Finance Manager. Changes to the Headteacher's pay should be authorised by the governing body.

All adjustments to normal payroll disbursements (e.g. overtime and bonuses) should be authorised by appropriate staff. Time sheets or other supporting records should be prepared and checked to ensure that they 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, review and 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 appropriately authorised. The school should also ensure, at least annually, that gross pay agrees with contracts or other authorised documents and those deductions have been correctly determined and authorised.

The governing body may decide that it is appropriate and economic buy in the services of a payroll provider. This option is only open to school’s who opt for their total budget shares to be paid into their local bank account The payroll provider may be either the Local Authority payroll services or an external provider. The governing body should ensure, however, that when a payroll provider is used a contract or service level agreement is signed. This should include details on ownership of programs and data files and responsibilities of the provider and the school, including

1. notification of changes to data
2. who may authorise the provider to make changes to data
3. control and accuracy of data
4. the preparation and submission of year end returns to the Inland Revenue
5. backup provision
6. notification of changes to the pay date
7. provision for access to both personal information and payroll analysis by the school's staff and LA internal auditors
8. funding dates if the provider originates payments
9. indemnification in the event of lost or corrupted data.

The governing body should regularly review and critically appraise its payroll services irrespective of how they are provided. In negotiating a contract price it should have regard to the financial benefit a payroll 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 by 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

Any governing body deciding 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 date. The Local Authority is responsible for remitting teachers pension contributions to the Teachers 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 a central Local Authority account; otherwise, responsibility rests with the Local Authority.

**4.4.4** **Payments**

Payments to staff should normally be made by cheque or bank credit. There should be a monthly reconciliation of the total of individual payments to the gross salaries amount due. Schools with payroll costs met from a local bank account should ensure that payments to the payroll provider are checked against the payroll analysis and paid over by the due date.

Staff must be paid on the due contractual date. All payments, whether by cheque, BACS or any other method must be made in accordance with the delegated authority approved by the governors.

**4.5 Assets**

**4.5.1** **General**

The main elements of an asset system are

1. Purchase of Assets
2. Inventory
3. Security of Assets
4. Disposals

**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 tender policies. 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, to record details is given at ***AppendixG(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 include the following information

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

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

Computerised inventory records may be held on software e.g. SIMS, providing supporting manual prime records such as authority to write off and records of physical checks are maintained.

An inventory can

1. form an important part of the school's procedures for ensuring that staff take responsibility for the safe custody of assets
2. enable school management to undertake independent checks on the safe custody of assets, as a deterrent against theft or misuse
3. help the school to manage the effective utilisation of its assets and to plan for their replacement
4. 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 in 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 Disposals**

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 ***AppendixH***

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 by 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 Financial Regulations for Maintained Schools.

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 Council

(iii) sale by auction or competitive process

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

**Disposal of assets above the Financial Regulations 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 Local Authority if this does not appear to be the most financially favourable.

Where the school considers that a competitive process is not appropriate, 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

1. Identity of the borrower
2. Date of loan and planned date of return
3. Description and serial number or other identifier of the equipment on loan
4. Purpose of the loan
5. Signature of the authorising officer
6. Signature of the borrower
7. Details of the return of item borrowed
8. Value of the item
9. Terms and conditions of the loan

A sample form is shown at ***AppendixI(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

1. Sources of Income
2. Administration of Receipts
3. 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:

1. Formula Allocation (delegated budget share)
2. Education Funding Agency determined funding e.g. post 16 allocations
3. Pupil Premium
4. Specific Government Grants
5. External funding from grant bids for specific projects etc.
6. Letting of school premises and playing fields
7. Sponsorship and advertising
8. Sales (including vending machines)
9. Rent from properties
10. Private telephone calls, printing and photocopying
11. 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 financial plan.

All income should be included in the school budget and procedures developed to ensure income is received on the due dates. This will require procedures for the monitoring and collection of outstanding debts unless the income is collected in advance- 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 review them annually, with any delegated powers to negotiate being in writing. The scales should be set to ensure that, in overall terms, income is 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. Invoices must contain the following information:

1. City of Bradford Metropolitan Council
2. Name ,address and telephone number of the school
3. Name and address of the payee
4. Date
5. Invoice number
6. Details of the charge
7. Cost with the amount of VAT (where applicable) shown separately
8. Total
9. Authority’s VAT registration number 180 8082 62
10. Credit terms

**4.6.3 Administration of Receipts**

Procedures should exist for the administration of receipts from all sources. Model school procedures are shown at ***AppendixJ.*** Payments of the schools budget share paid direct to the bank and cheques received may only require recording in school records. Other monies received over an agreed minimum level should be acknowledged by an official pre-numbered receipt. Issue of receipts should be controlled by those authorised to do so.

The receipt of cash may involve many staff who should be aware of their responsibilities for cash collected such as for school trips. All cash transactions should be properly documented and receipted, including transfers between members of staff. Cash should also be recorded promptly in the accounting records and banked in its entirety and not used to finance expenditure. If cash holdings are likely to be substantial, schools should consider appropriate insurance cover.

The school must maintain detailed accounting records which are needed 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 exclude those responsible for 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, debtors are invoiced promptly and 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. 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 both 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 an 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 in some circumstances provide educational services for another educational establishment or other organisations/individuals. Any school considering such activities is strongly recommended to seek legal advice and consult the Local Authority to ensure that the school is acting within its legal powers.

Before undertaking any such provision, a school should ensure that

1. a financial target has been agreed for the activity
2. realistic financial projections for the activity have been produced, including testing the impact of different levels of take-up
3. the charge for the service fully covers the costs incurred in delivering the service.
4. there is clear management responsibility for the project
5. appropriate reporting arrangements have been established to monitor progress
6. the contractual responsibilities of the school and the customer are clearly set out.

The way in which 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 is in addition to regular monitoring and reporting.

**4.7 Insurance - a Baseline Package**

**4.7.1** **General**

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

The section provides details of the basic specification for a baseline schools’ insurance package. It has been developed from a study undertaken by insurance consultants, which considered value for money issues in schools risk management and insurance purchase.

**4.7.2 The Baseline Package**

The baseline package included in this section covers the core insurance elements that have been found to be common in schools’ insurance policies. These core elements are

1. Property Damage (Buildings and Contents)
2. Business Interruption/Consequential Loss
3. Money
4. Fidelity Guarantee
5. Employers’ Liability
6. Public/Products Liability
7. Governors’ Liability and Professional Indemnity
8. Libel and Slander
9. Legal Expenses (for employment disputes)
10. Personal Accident (assault on staff)
11. Engineering
12. Motor Vehicles (owned by school).

**The Baseline Approach to Cover**

The approach adopted by the insurance consultants in putting together a standard insurance package for schools was to position each element at a base point of what schools were being sold by insurers. To do this the consultants reviewed insurance policies from different types of schools in different locations. They also had detailed discussions with representatives of the major insurers serving the schools’ market to discuss their approach to providing cover. For each policy heading they then took what those offering insurance considered to be the minimum appropriate level. Each insurer packages its policies in different ways and there was therefore variation between them for each element. By putting all these base covers together the consultants created a *lowest common denominator* package comprised of insurance levels that are considered to be sufficient by those insurers offering them. The package was subsequently discussed with the insurance industry to allow the consultants to assure themselves that there were no substantive problems with the approach.

**The Service Element**

The consultants were also keen to promote good service support by insurers to schools as part of the package supplied. In particular they consider that documentation in plain English that clearly explains their cover, rights and duties and those of the insurer from the moment cover begins should be provided. This will also help schools compare proposals and costs of different insurers.

The consultants also suggested that a 24 hour helpline service would be a helpful and practical addition to the insurance cover provided to schools. Such provision has become a standard feature of some sections of the insurance market and is already available with many schools’ insurance arrangements.

Finally the consultants suggest that a valuation of the school could form part of the service offered.

**Using the Baseline Package**

The baseline package can be used as a starting point for schools for the purchase of insurance. Schools will wish the insurance they buy to reflect their own circumstances and their own approach to risk management. They may therefore wish to add on additional items of insurance or vary the excesses (deductibles) to reflect their insurance experience, building types, capabilities in risk management and the level of costs they are willing to carry themselves on losses. For example a school that does not wish to carry financial fluctuations resulting from unexpected losses will choose to have low deductibles.

The baseline package will help simplify the administrative work in purchasing insurance for schools and will allow like with like comparisons between the proposals of different insurers. In using the approach as the basis for purchasing insurance it is up to those seeking insurance to make sure that all their own risks are covered. A standard approach cannot meet all needs.

The Baseline Package is outlined in Annex A. (check - how does this compare with our insurance arrangements, and what packages are being offered to schools as delegation/buy back of insurance)

**4.7.3 Managing Risk**

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

1. 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
2. these risks should be managed in order to minimise them
3. 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.

**The Core Package**

***Material Damage***

Schools are advised to keep an up to date Inventory and use it as the basis for seeking property insurance.

All quotes from different insurers should be based on the same insured values to allow for comparison

Schools insuring their property on an *all risks* basis as proposed 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.

***Day 1 Cover***

This deals with the effects of inflation on property and contents values. If the value of property is under-insured at day 1 *average* will apply to any claims i.e. they will be paid at the level which cover has been purchased overall.

Terrorism is not included in this package. The consultants recommend that such cover be provided through a mechanism which insures a broader range of risk (eg LA) rather than at school level.

Business Interruption provides cover for the increased costs related to total or partial loss of the schools’ 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. Many insurers will assist with this.

***Liability***

The consultants propose one common policy for Employers’ Public and Product liability. Some insurers have traditionally placed these covers separately.

***Governor’s Liability***

The intention is to cover financial loss.

***Libel and Slander***

This includes innocent breach of copyright. Insurers are keen to ensure that schools have adequate systems in place to prevent such incidents and some may wish to agree an excess to encourage a sound approach.

***Minibus***

The cover proposed is for social, domestic, pleasure and school-related activities, but not covering use for hire or 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. They are contractual arrangements. When entering such an agreement schools should look at the prices offered rather than the discount when making decisions. LTAs benefit customers when prices are rising and act to their detriment if they are falling. Schools should therefore aim to be aware of the nature of the market in which they are buying. The study’s consultants suggest that 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 LA in providing a valuation or obtain one for a fee. All insurers quoting for business should do so against the same valuation.

**Annex A**

**SCHOOLS’ BASELINE INSURANCE PACKAGE**

**Property**

|  |
| --- |
| 1. Insure all school property on an all risks basis 2. Excesses of   - £2,500 per subsidence claim  **-** £250 per riot or storm claim  - £100 per glass breakage claim  (It should be expected that insurers will impose an excess on theft cover)   1. Sum insured to be based on a property survey and from information available within the LA 2. Day 1 cover on buildings to include 25% increase. Contents an 85% average with 15% increase 3. Day 1 cover gives inflation protection up to the percentage limit      1. *Average* applies a limit to all claims of a proportion of insured sum to full value at time of loss. 85% average claim means this condition is fulfilled if insured value is 85% or more of the current value 2. Cover to include   - capital additions up to £250,000  - automatic reinstatement of cover after loss  - debris removal  - professional fees  - rebuilding to meet local authority regulations  - property temporarily removed (with permission) from the school up to the value of higher of the 10% sum insured or £25,000 whichever is higher  Property of pupils, staff, governors and visitors would not be covered, but insurance should cover the property of suppliers, etc. for which the school is responsible (subject to adequate allowance in the sum insured).  ***Notes***   1. The suggested deductibles follow market practice 2. The basis of valuation is important. The objects are to ensure all partial claims are paid in full and total loss claims are sufficient to fund the reprovision of school facilities. |

**Business Interruption**

|  |
| --- |
| 1. Cover for increased cost of working with minimum cover varying by type, size and circumstances of school from £100,000 to £250,000. 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 public authorities). |

**Contract Works**

|  |
| --- |
| 1. Coverage for extensions and other work etc. on an agreed rate, schedule and wording basis with agreed limit £500,000 would be a reasonable limit but the schools’ circumstances will determine this. |

**Money**

|  |
| --- |
| 1. In safe/strongroom except during working hours. In transit to/from bank etc. or elsewhere in connection with school activities   - excess of £100 any claim  - limit £25,000 but crossed cheques/other negotiable instruments £250,000. |

**Fidelity Guarantee**

|  |
| --- |
| 1. Loss due to fraud or dishonesty by staff and governors, including computer loss 2. Blanket coverage of specified occupation(s) 3. School to comply with local authority financial regulations   - excess of £100 any claim  - limit of £250,000. |

**Employers’ Liability, Public Liability, Products Liability**

|  |
| --- |
| 1. 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  limit at least £10 million any one incident (under three sections separately)  Any one year limit for Public/Products Liability. |

**Governors’ Liability -** to include professional indemnity for governors, managers and staff

|  |
| --- |
| 1. Liability for all school related activities, including, but not limited to, bodily injury or illness, property damage, £500,000 any one incident – annual aggregate. Advice given for a fee to be excluded unless specifically advised. |

**Libel and Slander**

|  |
| --- |
| 1. To cover governors, managers, staff including breach of copyright 2. £100,000 any one incident, any one year. |

**Legal Expenses**

|  |
| --- |
| 1. Employment only 2. £100, 000 any one incident, any one year. |

**Personal Accident -** Death/permanent total disablement; temporary total disablement

|  |
| --- |
| 1. Assault on governors, managers, staff and volunteer helpers in the course of school related duties. 2. To provide *Burgundy Book* cover of five times salary (world-wide)   To provide cover pro rata to scale for excess of say two months disablement (world-wide). |
|  |

**Engineering**

|  |
| --- |
| 1. Statutory inspection   On specified items of plant and equipment. |

**Minibus/School bus**

|  |
| --- |
| 1. Comprehensive for social, domestic, pleasure and school-related activities   - excess of £100  Vehicles specified and rated including overseas if required. |

**Services**

|  |
| --- |
| 1. Inspection of each school annually with advice on managing the risk 2. It is suggested that services provided include a valuation for each school 3. A 24 hour helpline to provide both emergency advice (out of hours) and general advice and information (normal business hours) |

**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 eg money paid into bank, bank reconciliations
* Check bank reconciliations ensuring that b/fwd balances agree with the previous months c/fwd balance
* Trace a sample of at least 25% of transactions from the cash book to supporting documents eg 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 revenue account as opposed to an investment account?

Should any material errors be found, these must be investigated and reported.

**APPENDIX B**

**MODEL SCHOOL ORDERING PROCEDURES**

**QUOTATIONS**

* Up to £4,000 budget holders are expected to obtain 3 quotations by using price lists, catalogues and verbal quotations.
* Over £4,000 but under £60,000 4 written quotations are obtained. This may necessitate inviting 5-6 suppliers to submit quotations. Normally only the most commercially favourable quotation is accepted. Where this is not the case the reason for the decision is noted and the Finance Committee or governing body 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 (e.g.SIMS) by the Finance Assistant upon the receipt of an Order Request.

Orders are numbered in the financial system (e.g. SIMS) 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 schools financial system (e.g. SIMS) 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, who 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 schools financial system (e.g. SIMS) record is updated to show the invoice has been received and payment is to be made.

Where the item has a value above £500 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**

**STANDARD TERMS AND CONDITIONS**

**FOR THE PURCHASE OF GOODS AND SERVICES**

**1. INTERPRETATION**

**“Buyer”** means City of Bradford Metropolitan District Council

**“Goods”** means the goods, if any, (including any instalment of the goods or any part of them) described in the Order

**“Order”** means the Buyer’s purchase order which may be in the form of a letter or other document.

**“Seller”** means the person so described in the Order who is seller of Goods and/or Services

**“Services** means the services described in the Order

**“Specification”** Includes any plans, drawings, data or other information relating to the Goods or Services

**“Year 2000 Conformity** Requirements which are set out in a document entitled

**Requirements**“ Definition of Year 2000 Conformity

Requirements” ref DISC PD2001 and published by the British Standards Institute.

**2. BASIS OF PURCHASE**

2.1 The Seller agrees that these conditions shall apply to the contract to the exclusion of any other terms. Any document sent by the Seller to the Buyer which contains printed terms and conditions is sent and received on the understanding that they appear on the document only because they are printed and have no contractual effect whatsoever.

2.2 No variation to the Order or these conditions shall be binding unless agreed in writing between the authorised representatives of the Buyer and the Seller.

**3. SPECIFICATIONS**

3.1 The quantity, quality and description of the Goods and the Services shall, subject as provided in these conditions, be as specified n the Order and/or in any applicable Specification supplied by the Buyer to the Seller or agreed in writing by the Buyer.

3.2 The Seller shall comply with all applicable regulations and other legal requirements concerning the manufacture, packaging, packing and delivery of the Goods and the performance of the Services.

3.3. The Seller shall not unreasonably refuse any request by the Buyer to inspect and test the Goods during manufacture, processing or storage at the premises of the Seller or any third party prior to dispatch, and the Seller shall provide the Buyer with all facilities reasonably required for inspection and testing.

3.4 If as a result of inspection or testing the Buyer is not satisfied that the Goods will comply in all respects with the contract, the Buyer so informs the Seller within 28 days of inspection or testing, the Seller shall take such steps as are necessary to ensure compliance.

3.5 The Goods shall be marked in accordance with the Buyer’s instructions and any applicable regulations or requirements of the carrier, and properly packed and secured so as to reach their destination in an undamaged condition.

**4. PRICE OF THE GOODS AND SERVICES**

4.1 The price of the Goods and the Services shall be stated in the Order and, unless otherwise so stated, shall be:

4.1.1 exclusive of any applicable value added tax (which shall be payable by the Buyer subject to receipt of a VAT invoice); and

4.1.12 inclusive of all charges for packaging, packing, shipping, carriage, insurance and delivery of the Goods to the delivery address and any duties or levies other than VAT.

4.2 No increase n the price may be made (whether on account of increased material, labour or transport costs, fluctuation in rates of exchange or otherwise) without the prior consent of the Buyer in writing.

4.3 The Buyer shall be entitled to any discount for prompt payment, bulk purchase or volume of purchase customarily granted by the Seller.

**5. TERMS OF PAYMENT**

5.1 The Seller shall be entitled to invoice the Buyer on or at any time after delivery of the Goods or performance of the Services (subject to any requirement stipulated by the Buyer in the Order), as the case may be, and each invoice shall quote the number of the Order.

5.2 Unless otherwise stated in the Order, the Buyer shall pay the price of the Goods and the Services within 30 days after the end of the month of receipt by the Buyer of a proper invoice or, if later, after acceptance of the Goods or Services in question by the Buyer.

5.3 The Buyer shall be entitled to se off against the price any sums owed to the Buyer by the Seller.

**6. DELIVERY**

6.1 The Goods shall be delivered to, and the Services shall be performed at, the delivery address stated on the Order on the date or within the period stated in the Order (or agreed between the parties), in either case during the Buyer’s usual business hours.

6.2 The time of delivery of the Goods and of performance of the Services is of the essence of the contract.

6.3 A packing note quoting the number of the Order must accompany each delivery or consignment of the Goods and must be displayed prominently.

6.4 If the Goods are to be delivered, or the Services are to be performed, by instalments, the contract will be treated as a single contract and not severable.

6.5 The Buyer shall be entitled to reject any Goods delivered which are not in accordance with the Order or Specification, and shall not be deemed to have accepted any Goods until the Buyer has had a reasonable time to inspect them following delivery or, if later, within a reasonable time after any latent defect in the Goods has become apparent.

6.6 The Buyer shall not be obliged to return to the Seller any packaging or packing materials for the Goods, whether or not any Goods are accepted by the Buyer.

**7. RISK AND PROPERTY**

7.1 Risk of damage to or loss of the Goods shall pass to the Buyer upon delivery to the Buyer in accordance with the Order.

7.2 The property in the Goods shall pass to the Buyer upon delivery, unless payment for Goods is made prior to delivery, when it shall pass to the Buyer once payment has been made.

**8. WARRANTIES AND LIABILITY**

8.1 The Seller warrants to the Buyer that the Goods:

8.1.1. will be of satisfactory quality (within the meaning of the Sales of Goods Act 1979, as amended) and fit for any purpose held out by the Seller or made knows to the Seller in writing at the time the Order is placed;

8.1.2 will be free from defects in design, material and workmanship;

8.1.3 will correspond with any relevant Specification and sample; and

8.1.4 will comply with all statutory requirements and regulations relating to the sale of Goods.

8.1.5 will comply with the year 2000 Conformity Requirements.

8.2 The Seller warrants to the Buyer that the Services will be performed by appropriately qualified and trained personnel using due care and diligence and exercising reasonable skill and care.

8.3A Where the Services includes the maintenance/repair of any equipment then the Seller warrants that such maintenance/repair shall include any work needed to ensure that the equipment becomes and/or continues to fulfil the Year 2000 Conformity Requirements.

8.3 Without prejudice to any other remedy, if any Goods or Services are not supplied or performed in accordance with the Order or Specification, then the Buyer shall be entitled:

8.3.1 to require the Seller to repair the Goods or to supply replacement Goods or Services in accordance with the contract within 7 days; or

8.3.2 at the Buyer’s sole option, and whether or not the Buyer has previously required the Seller to repair the Goods or to supply any replacement Goods or Services, to treat the contract as discharged by the Seller’s breach and require the repayment of any part of the price which has been paid.

8.4 The Seller shall indemnify the Buyer in full against all liability, loss, damages, costs and expenses (including legal expenses) awarded against or incurred or paid by the Buyer as a result of or in connection with:

8.4.1 breach of any warranty given by the Seller in relation to the Goods or the Services.

8.4.2 any claim that the Goods infringe, or their importation, use or resale, infringes, the patent, copyright, design right, trade mark or other intellectual property rights of any other person, except to the extent that the claim arises from compliance with any Specification supplied by the Buyer;

8.4.3 any liability under the Consumer Protection Act 1987 in respect of the Goods;

8.4.4 any act or omission of the Seller or its employees, agents or sub-contractors in supplying, delivering and installing the Goods and/or Services.

**9. TERMINATION**

9.1 The Buyer shall be entitled to cancel the Order in respect of all or part only of the Goods and/or the Services by giving notice to the Seller at any time prior to delivery or performance, in which event the Buyer’s sole liability shall be to pay to the Seller the price for the Goods or Services in respect of which the Buyer has exercised its right of cancellation, less the Seller’s net saving of cost arising from cancellation.

9.2 The Buyer may terminate this contract by giving notice in writing to the Seller to take immediate effect where the Seller is in breach of one or his obligations under this contract and he fails to remedy it within a reasonable time.

9.3 The Buyer shall be entitled to terminate the contract with immediate effect without liability to the Seller by giving notice to the Seller at any time if:

9.3.1 the Seller makes any voluntary arrangement with its creditors (within the meaning of the Insolvency Act 1986) or (being an individual or firm) becomes bankrupt or (being a company) becomes subject to an administration order or goes into liquidation (otherwise than for the purpose of amalgamation or reconstruction); or

9.3.2 an encumbrancer takes possession or a receiver is appointed, to any of the property or assets or the Seller; or

9.3.3 the Buyer reasonably apprehends that any of the events mentioned above is about to occur in relation to the Seller and notifies the Seller accordingly.

**10. GENERAL**

10.1 The contract is personal to the Seller and the Seller shall not assign or transfer or purport to assign or transfer to any other person any of its rights or sub-contract any of its obligations under the contract.

10.2 No waiver by the Buyer of any breach of the contract by the Seller shall be considered as a waiver of any subsequent breach of the same or any other provision.

10.3 If any provision of these conditions is held by any competent authority to be invalid or unenforceable in whole or in part the validity of the other provisions of these conditions and the reminder of the provision in question shall not be affected thereby.

**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 06) please visit www.tendersdirct.co.uk/library/thresholds**

**ECU** **£**

Services and Supplies **236,945 144,371**

**Works 5,923,624 3,611,319**

(ECU = European Currency Unit)

For regular, ongoing contracts the estimated value shall be established on the

basis of

1. 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
2. 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 have 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)**  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **(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, video tapes, 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

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. Improper or unauthorised use of the equipment may invalidate the insurance and thus make the borrower personally liable for any consequences
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, video tapes, 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 any loss, damage, failure or any 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

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 money (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:

1. name & address of the debtor
2. debtor account number (if using the SIMS this will be assigned by the system)
3. credit terms
4. credit limit
5. 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.

Debts in excess of £100 refer to the Financial Regulations for Maintained Schools

# 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 Head where the figure is less than £ 100. Such approvals are submitted to the Governing Body annually for information. For amounts over this figure approval for write off is given by the Governing Body.

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** |

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 the 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 of planning processes 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 can 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, including schools. 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 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 most 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. Ideally 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, 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 proactive 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 ongoing 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, for example, the 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 within a framework of uncertainty 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 ongoing monitoring and review of the plan.

There are a number of basic principles for effective planning and budgeting which are key requirements for achieving value for money. 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. 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 proactive 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 used in these forecasts 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 within the school. Most importantly, there must be clear links between the longer term strategic plan of the school and the annual budgets and medium term plans.

**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 gathering 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 ongoing 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 is as reliable and 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 are available which allow schools to model the financial impact of changes in pupil numbers and 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 incremental 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 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 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.

The available 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 cost budget is by far the most significant ongoing 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. As a result schools should plan for investment in training through reviewing the training and development needs of all staff teaching and non-teaching, throughout their employment. This review should ensure that development is available to all staff and evaluated to assess achievement and to improve future effectiveness.

As staffing accounts for such a large proportion of a school total expenditure, consideration should be given to the use of a ‘salary calculator’ (spreadsheet) to model and estimate staffing costs, in order to minimise the risk of errors in budgeting through omission or miscalculation of pay awards, incremental progression, allowances etc.

**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 strategy 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 likely 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 in estimating income and inevitably a number of assumptions need to be made. Delegated budget income will be based on likely allocation of funding per pupil and pupil numbers (probably using historical data), together with an assessment of other factors which determine funding levels locally. Other income sources should also be identified.

The Local Authority will endeavour to notify schools of delegated budget income as early as possible. Multi year budgets provided by the Local Authority will enable schools to compile 3 year budgets based on the schools best estimate of future pupil numbers.

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 for pay rises and other known incremental increases. Operating costs include certain elements such as heating, lighting, insurance and 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 the 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. Ideally there may prove to be no call on this part of the budget but a contingency is set aside to cover any last calls on the budget. The school must not be put in a position where there are calls on the budget that cannot be met. Therefore, setting aside a contingency is an important aspect of the budget. It can be released with reasonable certainty near or at the end of the period if desired. However, schools should not set contingencies at an excessive level and the Local Authority operates a Control of Excess Surplus Balances Scheme, which is known as ‘Intended Use of Balances’ The Protocol, which explains this scheme can be found on the Bradford Schools Online website.

**5.5.9** **Evaluating Options**

Comparison 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 is good practice 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. The finalised budget for the year must be consistent with the priorities set out in the Strategic Plan.

**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 discussing managing, and approving (where necessary) deficit budgets is set out in the Scheme for Financing Schools and the Deficit Budget Protocol. Both of these documents are available on the Bradford Schools Online website.

The process is 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. If, at the financial year end, the school exceeds its deficit repayment plan or is in deficit with no plan,
5. If for any other reason the school notifies the Local Authority that it will overspend in total.

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

Monitoring and review should be continuous throughout the budgetary process. They are ongoing functions and extremely important, not only in the current year to gauge actual performance, but also to aid future planning and decision making.

It is essential that the school's accounting systems and 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 using reports 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 funding.

The standard financial monitoring template, which school have to submit to the Local Authority, is available on Bradford Schools Online. This should be considered the minimum level of reporting and schools should consider providing additional information to the finance committee and governing body which includes commitments to date, anticipated further commitments and explanations of the reasons for variances between the budget and the forecasted out turn.

Criteria for evaluating performance against targets should be set. The process for monitoring and review should be reasonably flexible to allow for the profiling and timing of income and expenditure to best meet the needs of the school.

**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

**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

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 3 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 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 the 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 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 the PAYE method of collection.

**6.3.4** **National Insurance Contributions (NIC)**

The national insurance system is founded on the conception that the members of the community provide against risks on a community-wide basis. An essential feature is that all contributions should be 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 they 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 they 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 services of a payroll provider. A school may operate its own payroll system or employ an agent. 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 Expense 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. Details of expenses must be recorded irrespective of whether the amounts are ultimately taxable, unless there is a dispensation. 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 travelling 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 expense allowances.

**6.3.9**  **Payroll Records Prepared at the End of the Tax Year**

For the tax year to 5 April the 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 following the end of the tax year. There are significant financial penalties for late submission.

**Appendix 1**

**FINANCIAL REGULATIONS FOR MAINTAINED SCHOOLS**

Contents Page

INDEX 1-2

GENERAL

1. Application 3

FINANCIAL CONTROLS AND PROCEDURES

1. Accounting Control 4
2. Audit Arrangements 4
3. Financial Reporting 5
4. School Staff Remuneration 5
5. Banking Arrangements 6
6. Borrowing Arrangements 6
7. Investments 6

BUDGET PREPARATION AND OPERATION

9. Budget Management 7

EXPENDITURE REQUIREMENTS

1. Expenditure Limits 7
2. Invoices 8

CAPITAL EXPENDITURE

12. Expenditure Arrangements 8

INCOME REQUIREMENTS

1. Income Arrangements 8

14. Review of Fees, Charges, Remissions and Use of Premises 9

MANAGEMENT OF ASSETS

1. Safekeeping of Assets 9
2. Keeping of Inventories 9
3. Private Property 9
4. Private Funds and Community Facilities 10

INFORMATION MANAGEMENT

19. Security and Control 10

CONTRACTING ARRANGEMENTS

20. Compliance 11

1. Pre-Contract Requirements 11
2. Appointing Contractors 12
3. Selective Tendering from Approved Contractors 12
4. Restricted Tendering Procedures 13
5. Open Tendering Procedures 13
6. Negotiated Tendering Procedures 13
7. Competition Requirements for Contracts Below £75,000 14
8. Exceptions to Requirements of Competition 14
9. Submitting and Opening Tenders and Quotations 15
10. Errors in Tenders and Quotations 15
11. Post Tender and Quotation Negotiations 16
12. Accepting Tenders and Quotations 16
13. Extending Existing Contracts 16
14. Written Contracts 16
15. Contract Conditions 16
16. Claims 18
17. Contracts where Governors or Staff have an interest 18

INSURANCE ARRANGEMENTS

1. Insurance Cover 18
2. Insurance Claims 18

PUBLIC ACCOUNTABILITY REQUIREMENTS

40. Rules for Governors and School Staff 18

41. Cashing of Cheques 19**GENERAL**

**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 1996 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 Body by the Council remain the property of the Council and, subject to limited exceptions, are spent by the Governing Body 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 Body who are legally responsible for their application and compliance. The Governing Body may delegate powers to the Headteacher in accordance with the Scheme. The Governing Body 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*.*

1.5 Where indicated, these regulations also place specific responsibilities on the Education and Schools Director.

Note - reference in these regulations to the Education and Schools Director will be interpreted as referring to either the Director in his/her role within the LA Education Client function, or the Direct Service Provider acting in the name of the LA under their contracted responsibilities. Such interpretation will be given in relevant sections of the Guide to Financial Procedures in Schools or any other relevant guidance source.

1.6 Subject to Regulation 1.8. the Standards Committee may alter these Financial Regulations on the recommendations of the Finance Director and Education and Schools Directoronly after appropriate consultation with schools.

1.7 The Finance Director may allow specific exceptions to these Financial Regulations where in his/her opinion it is in the school's interest**.** The Finance Director must keep a record of these exceptions.

1.8 The Finance Director 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. S/he must report any alterations to the next meeting of the Standards 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 Body must comply with the requirements of the:

* + 1. Scheme For Financing Schools (the Scheme)
    2. Guide to Financial Procedures in Schools (the GFPS)
    3. The Council's Code of Practice on Procurement, or
    4. any other legal requirements

**FINANCIAL CONTROLS AND PROCEDURES**

1. **Accounting Control**

2.1 The Governing Body must establish accounting and financial systems which meet the requirements of Section 48 related Regulations of the Schools Standards and Framework Act 1998 and the accounting arrangements of the Council.

2.2 The Education and Schools Directorshould ensure that Governing Bodies provide details of their accounting transactions in a format agreed with the Finance Directorfor inclusion within the Council wide accounting financial systems.

**3 Audit Arrangements**

3.1 The Governing Body is responsible for the provision ofinformation in order that the Finance Directorcan 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 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 Finance Directorcan:

3.2.1 Visit all premises to see cash, stores and other property.

3.2.2Access any necessary documents or data sources s/he thinks necessary.

* + 1. Ask for any other information and explanation s/he thinks necessary.
    2. Produce a written report to the Headteacher and Governing Body
    3. Attend any meeting of the Governing Body 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 to the Governing Body by any member of the staff at the school or any Governor having any such suspicions of knowledge. The Governing Body must have arrangement in place to deal with such reports, which must include immediately reporting the matter to the Finance Director. The Finance Director will discuss the action to be taken, and must report serious losses and irregularities to the Governing Body, the Education and Schools Director/Education Bradford and the Standards Committee.

* 1. The Governing Body are required to ensure that all prime financial records kept in school are retained for the minimum periods required by law.

3.5 The Governing Body must reply within two months to any Audit report received giving details of action taken. The Education and Schools Director is responsible for appropriate procedures being in place to ensure that intended action is implemented. The Finance Director must tell the Standards Committee every year about any replies to reports which are still outstanding.

**4. Financial Reporting**

4.1 The Education and Schools Director must produce a statement under Section 52 of the Schools Standards and Framework Act 1998 showing the actual expenditure incurred by the Local Authority on behalf of all schools and the actual expenditure incurred by each school.

4.2 The Governing Body is required to prepare an Annual Report for Parents to be considered at the Governor's Annual Meeting. This report must contain a statement on the financial position and the spending of the school as supplied by the Education and Schools Director and the details of how the Governing Body has spent the money made available to them as required by Regulations made under Section 42 of the Schools Standards and Framework Act 1998.

4.3 The Governing Body must obtain and consider a financial monitoring report at least once per term.

**5 School Staff Remuneration**

5.1 The Governing Body is responsible for ensuring that the arrangements for paying school staff is in accordance with the Scheme and rules issued and systems established by the Customer Services Director and Finance Director.

5.2 The Governing Body 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 process the payroll themselves, or passes this to a third party for processing, the Governing Body must ensure the integrity and accuracy of this process in accordance with requirements and guidance given in the Guide to Financial Procedures in Schools.

* 1. The Governing Body 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.

1. **Banking Arrangements**
   1. The Governing Body must ensure arrangements are in place for the sound and efficient operation of school's bank accounts. School bank accounts in which school delegated funds are maintained must not be allowed to go overdrawn.

6.2 The Governing Body 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 paid cheques and the monthlyreconciliation of the cash books with bank statements*.*

**7 Borrowing Arrangements**

7.1 The Governing Body must not negotiate loans.

7.2 Before entering into a lease or similar arrangement the Governing Body must consult with the Finance Directorwho will advise on whether the lease is a credit arrangement within the meaning of section 48 of the Local Government and Housing Act 1989 and if it is such an arrangement, the capital cost. An operating lease would not count as a credit arrangement.

7.3 Before entering into a lease which is a credit arrangement the Governing Body must consult with the Education and Schools Director to ensure that the capital cost can be accommodated within the devolved formula capital allocation for the school.

**8. Investments**

* 1. The Governing Body must invest surplus money in accordance with the Council's Treasury Policy Statement.

8.2 The Governing Body can invest money in the following:

8.2.1 Gilt edged securities

8.2.2 Treasury bills

8.2.3 Securities listed on a recognised stock exchange issued by the :

- European Union

- European Investment Bank

- International Bank for Reconstruction and Development

- International Finance Corporation

- International Monetary Fund

8.2.4 Short term deposits with:-

- Local Authorities

- UK clearing banks (and their subsidiaries), other banks operating as UK clearers (and their subsidiaries) and foreign banks which have an approved credit rating as detailed in the Treasury Policy Statement approved by the Policy and Resources Committee.

- Building Societies which meet the criteria detailed in the Treasury Policy Statement.

8.3 The Governing Body must make a return to the Education and Schools Director on the 31st of March each year detailing the Institutions used and amounts involved.

**BUDGET PREPARATION AND OPERATION**

**9. Budget Management**

9.1The Governing Body 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.

9.2 The Governing Body must operate their budget in accordance with the Scheme and GFPS.

**EXPENDITURE REQUIREMENTS**

**10 Expenditure Limits**

10.1 Subject to any requirements in the Scheme the Governing Body 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.

10.2 Where the Governing Body has delegated day to day management of the budget it has approved to the Headteacher, s/he is responsible to the Governing Body for all expenditure incurred and any variations within the total budget.

10.3 The Governing Body must take due consideration of all commitments to expenditure, particularly related to staffing levels, which extend from one financial year to the next.

10.4 Where the Headteacher has a professional concern about expenditure decisions being made by the Governing Body s/he has the right to report the matter to the Education and Schools Director.

* 1. All increases to the allocation shall only be at the Governing Body's disposal when written notification to that effect has been received from the Local Authority or other funding body.
  2. All financial transactions must be authorised by the Governing Body or their nominee, except where permitted to be charged in accordance with the Scheme.

**11 Invoices**

11.1 The Governing Body is responsible for ensuring that invoices and vouchers are checked prior to payment, and for the integrity and accuracy of the school's payment system*.*

* 1. The Governing Body 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 Body may authorise payment for any goods and /or services supplied to the school.
  2. As far as possible the Governing Body 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**

**12 Expenditure Arrangements**

12.1 Schools have the right to receive explanatory information about Capital Expenditure Programmes relating to them.

12.2 Where the Governing Body seeks to finance in whole or part a capital scheme out of its delegated revenue budget or devolved formula capital this must be agreed with the Education and Schools Director for inclusion in the Capital Programme before any commitment is made.

**INCOME REQUIREMENTS**

**13 Income Arrangements**

* 1. The Governing Body 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.

13.2 The Governing Body have the responsibility for making arrangements for credit facilities and for recovering outstanding debts, for all school income in accordance with the GFPS.

* 1. Debts may only be written off by the Governing Body below £100, otherwise they must be approved by the Customer Services Director.
  2. The Governing Body 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.

**14 Review of Fees, Charges, Remissions and Use of Premises**

14.1 The Governing Body shall determine all fees, charges and remissions and review them each year.

14.2 The Local Authority will give advice, and offer to arbitrate if appropriate about charges for lettings covered by Schedule 13 of the Schools Standards and Framework Act1988.

* 1. Governing Bodies 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 Body 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**

**15 Safekeeping of Assets**

15.1 The Governing Body have the responsibility for making suitable arrangements for the safekeeping and proper use of equipment, property and other assets in their control.

1. **Keeping of Inventories**

16.1 The Governing Body must supply the Education and Schools Director with such information as is required to maintain the Authority's Asset Register.

16.2 The Governing Body must ensure that an inventory record system is operated in accordance with the guidance in the GFPS which maintains an up to date record of assets. In accordance with the Scheme for Financing Schools the inventory must include items over £1,000 and, at the Governing Body's discretion, such items as it decides between £250 and £1,000.

16.3 Inventories must be regularly updated and all items should be physically checked at least annually.

16.4 All plant and equipment must be clearly marked to show they belong to the School.

**17.** **Private Property**

17.1 When the School is entrusted with private property, it is the responsibility of the Governing Body to ensure that there is a complete inventory made and arrange for any appropriate insurance cover.

**18 Private Funds and Community Facilities**

18.1 A Private Fund can only be set up with the approval of the Governing Body, who must make appropriate arrangements for recording and safekeeping of such funds. The Governing Body 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.

18.3 Private Funds must be reported to and reviewed by the Governing Body annually. The Governing Body should arrange for an annual audit of such funds.A copy of the audited accounts should be forwarded to the Education and Schools Director.

18.4 All funds, transactions and records associated with the operation of community facilities under the provisions of Section 27 of the Education Act 2002 must be maintained separately from the delegated funds of the school. 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**

1. **Security and Control**

19.1 The Governing Body shall make suitable arrangements for the identification, recording securing and proper use of all:

19.1.1 computer hardware/software and associated technologies owned by or used by the school.

19.1.2 school information systems, manual and electronic, including the control of access to premises where information is processed and stored.

* 1. The Governing Body shall have regard to the provisions of the British Standard Code of Practice for Information Security Management (BS7799) or any replacement thereof for the time being in force, when considering the protection and security of personal, financial, sensitive and confidential information.

19.3 The Governing Body must comply with the Council's guidelines relating to the use of computer hardware, software, related technologies, email, intranet and internet**.**

**CONTRACTING ARRANGEMENTS**

### **20. Compliance**

20.1 Every contract made by or on behalf of the school for works, goods and services must comply with these regulations. All school staff or organisations engaged by the Governing Body to act in any capacity to manage or supervise a contract must comply with these regulations.

20.2 The procurement of contracts by a school must comply with European Union public procurement legislation where applicable. Where such legislation is applicable and any conflict arises, it takes precedence over these Regulations. Current regulations require advertising in the EU journal of invitations to tender for works of maintenance and new construction estimated to exceed £3,961,932 and for the purchase of equipment, supplies and services estimated to exceed £154,477. In estimating relevant values the Governing Body shall have regard to the rules regarding aggregation.

20.3 In applying these Regulations the Governing Body shall have regard to the duty of Best Value under the Local Government Act 1999.

20.4 The Governing Body must specify limits within which it authorises the Headteacher or other school staff to sign orders and contracts in their own names on behalf of the school. Any orders or contracts made shall remain the responsibility of the Governing Body.

20.5 All orders must be on an official form except in the case of formal written contracts, or in respect of an approved E-procurement process. Further guidance on e-procurement will be found in the Guide to Financial Procedures in Schools.

20.6 The Governing Body should seek advice from the Education and Schools Director prior to considering any proposal to utilise E-procurement methods, or any other alternative process.

**21 Pre-Contract Requirements**

21.1 Before commencing any procurement for goods or services with an estimated value in excess of £75,000, the Governing Body should consider seeking procurement advice from the Local Authority.

21.2 Before entering into a contract, the Governing Body must:

21.2.1 be satisfied that a specification which will form the basis of the contract has been prepared; and

21.2.2 have prepared and documented an estimate of the cost of the contract including, where appropriate, any maintenance costs.

* + 1. be satisfied about the technical capability of any proposed contractor
    2. ensure that all evaluation criteria have been determined in advance
    3. ensure that these Regulations have been complied with, and that the proposed contract represents value for money
    4. for contracts which exceed £75,000, be satisfied with the financial viability of the contractor to perform the contract and consider what, if any, security should be provided for performing the contract.

**22 Appointing Contractors**

**23 Selective Tendering From Approved Contractors**

23.1 The Governing Body should consider the availability and use of any list of approved contractors maintained by the Council.

If the approved list is to be used the following procedures must be followed:

Where the relevant “in-house” contractor service is able to tender, three contractors on the list appropriate for the type and value of the work must also be invited to tender and must be chosen in the following order:

23.2.1 One contractor taken in strict rotation.

23.2.2 One available contractor who has recently submitted the lowest or close to second lowest tender.

23.2.3 One contractor at the discretion of the Governing Body or authorised member of school staff.

23.3 Otherwise at least five contractors on the list, appropriate for the type and value of the work, must be invited to tender and must be chosen in the following order:

23.3.1 Two contractors taken in strict rotation.

23.3.2 Two available contractors who have recently submitted lowest or close to second lowest tenders.

23.3.3 One contractor at the discretion of the Governing Body or authorised member of school staff.

**24 Restricted Tendering Procedure**

24.1 An advertisement, saying what the contract is for and asking for names of contractors interested in tendering, 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 at least two weeks away. A copy of the advertisement can be sent to all appropriate contractors on the Council's Approved List.

24.2 After the closing date and time, at least five contractors must be asked to tender. If there are fewer than five, all those considered suitable must be asked to tender.

**25 Open Tendering Procedure**

* 1. 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 documentsat least two weeks away. A copy of the advertisement can be sent to all appropriate contractors on the Council's Approved List.

**26 Negotiated Tendering Procedure**

26.1 The Governing Body may invite or authorise the invitation of tenders from firms by way of a negotiated procedure.

26.2 The negotiated procedure can only be used where the Governing Body can show that:

26.2.1 One of the procedures set out in Regulations 23,24 or 25 has been used and resulted in unacceptable or irregular tenders or no appropriate tenders; or

26.2.2 Exceptionally where the nature of the procurement or risks involved does not permit prior overall pricing; or

26.2.3 The nature of the procurement is such that a precise specification cannot be drawn up; or

26.2.4 A design contest is appropriate to the scheme; or

26.2.5 In the opinion of the Governing Body there are special circumstances justifying negotiating a contract with a particular contractor. In this circumstance the Governing Body should consult with the Education and Schools Director to support this justification.

**27 Competition Requirements for Contracts Below £75,000**

27.1 The Governing Body must invite at least 4 written quotations or tenders for a proposed contract of an estimated value of over £4,000 and up to £60,000. If a tender or quotation is received electronically a printed copy must be retained. A record must be kept of the reasons for accepting a quotation or tender.

27.2 If 4 quotations or tenders cannot be obtained owing to insufficient suitable contractors prepared to quote or provide tenders, then the Governing Body must keep a record of this.

27.3 For contracts valued at below £4,000, the Governing Body should proceed in a manner most expedient to the efficient management of the school and be able to demonstrate value for money, having kept a record of the reason for so doing.

**28 Exceptions to Requirements of Competition**

28.1 Provided that a proposed contract complies with any other Financial Regulation, Regulations 23 to 27 inclusive will not apply to:

28.1.1 The purchase of proprietary or patented goods or materials which, in the opinion of the Governing Body are obtainable only from one contractor, and where no reasonably satisfactory alternative is available;

28.1.2 The execution of works or supply of services of a specialised nature which, in the opinion of the Governing Body, are carried out by only one contractor, and where no reasonably satisfactory alternative is available**;**

28.1.3 The purchase of goods or materials, the execution of works or supply of services for which the Governing Body can demonstrate that no genuine competition can be obtained.

28.1.4 The purchase of a named product required to be compatible with an existing installation as approved by the Governing Body;

28.1.5 Procurements made through any consortium, local authority, association or similar body provided that tenders or quotations are invited and contracts placed in accordance with national or EU legislation;

* + 1. Obtaining work or supplies from the Industrial Services Group or other in-house service provider of the Council
    2. Purchases, works and services required by the Governing Body so urgently as not to permit compliance with the requirements of competition.
  1. Where the Governing Body use the exception to the requirements of competition set out in Regulation 28 they must maintain a written record justifying the decision.

**29 Submitting and Opening Tenders and Quotations**

29.1 Every invitation to tender or request for a quotation~~s~~ must state that a tender or quotation will only be considered if it is received at the school by the specified closing date and time in a sealed envelope with the word “Tender” or “Quotation” (as appropriate) and the title of the contract written on it. The Governing Body must keep the envelopes received in secure custody.

* 1. All tenders or quotations for each contract must be opened by the Governing Body at a prescribed time.
  2. The Governing Body must keep a record of all tenders and quotations.

29.4 The Governing Body must disqualify a tender or quotation which fails to comply with the requirements of this Regulation and must return the tender or quotation to the tenderer or quotation provider indicating the reason for the disqualification.

**30 Errors in Tenders and Quotations**

30.1 Subject to the provisions of Regulations 30.2 and 30.3 errors in tenders or quotations must be corrected by the Governing Body in one of the following two ways:

30.1.1 The tenderer shall be given details of the error(s) found during the examination of the tender and shall be given the opportunity of confirming without amendment or withdrawing the tender; or

30.1.2 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.

30.2 For tenders over £75,000, if the total of errors either in addition or subtraction are both below 1% of the tender sum or £1,000 (whichever is the lower), then the Governing Body can correct the tender. Where this has taken place this must be reported to the Legal and Democratic Services Director who will keep a record of all such amendments.

30.3 For quotations or tenders of estimated value £4,000 to £60,000, the Governing Body can correct the quotation or tender after obtaining the agreement of the Finance Director.

**31. Post Tender and Quotation Negotiations**

31.1 The Governing Body may, after receipt and opening of tenders or quotations authorise negotiations with the two lowest tenderers or quotation providers if it considers that none of the tenders or quotations are acceptable and it is in the School's interests to do so.

**32 Accepting Tenders and Quotations**

32.1 Prior to accepting a tender or quotation the Governing Body must evaluate all tenders and quotations received.

32.2 The Governing Body should accept the most economically advantageous tender or quotation. If it wishes to accept any other tender or quotation it must have regard to the need to justify this action and maintain a record of the reasons for such a decision.

**33 Extending Existing Contracts**

33.1 Subject to ensuring the availability of funding, the Governing Body can extend a contract by any value, and must maintain a record of the reasons for such a decision, having first considered tendering or negotiating the additional work.

**34 Written Contracts**

34.1 Every contract must be in writing and every contract with a value of £75,000 or more must be under seal unless the Legal and Democratic Services Director rules otherwise.

34.2 Every contract not under seal must be signed by two Members of the Governing Body or their authorised nominees.

**35 Contract Conditions**

35.1 Every contract must state:

35.1.1 The work, goods, services, material, matters or things to be carried out or supplied;

35.1.2 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;

35.1.3 The time(s) within which the contract is to performed;

35.2 Every contract with an estimated value of £75,000 or more must state that if the

contractor fails to comply with its contractual obligations in whole or in part, the

Governing Body may:

35.2.1 Cancel all or part of the contract.

35.2.2 Complete the contract.

35.2.3 Recover from the contractor any additional costs in completing the contract.

* + 1. Take other legal action against the contractor.

35.3 Unless the Legal and Democratic Services Director and the Governing Body consider it to be unnecessary or impractical, every contract must provide that:

35.3.1 Liquidated damages must be paid by the contractor if it fails to comply with the terms of the contract.

35.3.2 Where under any contract, one or more sums of money are to be received by the Council, the contractor responsible for the payment of such sum or sums must pay interest at the rate stated in the contract from the date when payment is due until the date when payment is received.

35.3.3 In the performance of the contract, the contractor must comply with all statutory requirements relating to discrimination;

35.3.4 The contractor must provide any information reasonably requested relating to the performance of the contract to ensure that the Governing Body meets its statutory obligations under Section 71 of the Race Relations Act 1976.

35.3.5 In the performance of the contract, the contractor must comply with the requirements of the Health and Safety at Work etc Act 1974 and of any other relevant Acts, Regulations or Orders pertaining to health and safety.

35.3.6 All goods, materials, services or work must comply with any appropriate European Union Specification or Code of Practice or British Standard Specification or British Standard Code of Practice or European Union equivalents in force at the date of tender/quotation**.**

35.3.7 The Governing Body is entitled to cancel the contract and to recover from the contractor the amount of any loss resulting from such cancellation, if the contractor or its employees or agents (with or without its knowledge).

35.3.7.1 does anything improper to influence the Governing Body to give the contractor any contract;

35.3.7.2 commits an offence under the Prevention of Corruption Acts 1889 to 1916 or under Section 117(2) of the Local Government Act 1972;

35.3.8 The contractor must provide evidence of adequate insurance to cover both Public and Employers’ liability.

**36 Claims**

* 1. The Governing Body must inform the Legal and Democratic Services Director of all claims by or against contractors which are the subject of dispute between the Governing Body and the contractor.

**37 Contracts where Governors or Staff have an Interest**

37.1 No contractor, in which a Governor or member of school staff has an interest may be chosen or appointed other than by following a competitive tendering process, unless this interest is disclosed in compliance with the Scheme.

**INSURANCE ARRANGEMENTS**

**38 Insurance Cover**

38.1 The Finance Director 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.

38.2 The Finance Director will make a scheme of insurance available to schools in compliance with Regulation 38.1. Where a school does not use this scheme the Governing Body must ensure that they meet the extent of cover identified under Regulation 38.1, and such insurance must be written in the joint names of the School and the Council.

38.3 The Governing Body has the responsibility to effect, maintain and amend as necessary contracts of insurance.

**39 Insurance Claims**

39.1 The Governing Body must ensure that procedures are in place to immediately inform the Finance Director either of any loss or damage which will involve a claim under the cover arranged through the Finance Department or any incident and /or claim which may result in an action for damages against the Governing Body and /or the Council.

39.2 The Finance Director will handle, negotiate and arrange settlement in accordance with the insurance arrangement affected through the Finance Department

**PUBLIC ACCOUNTABILITY REQUIREMENTS**

**40. Rules for Governors and School Staff**

40.1 A member of school staff must not, under colour of his/her office of employment, accept any fee or reward whatsoever other than his/her proper remuneration.

40.2 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.

40.3 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 Body 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.

40.4 A Governor or member of school staff must not subordinate his/her duty to the Local Authority and School to his/her private interests or put himself/herself in a position where his/her duty and private interest conflict.

**41 Cashing of Cheques**

41.1 The cashing of cheques is not allowed except with the specific approval of the Governing Body or their nominee. Such approval can only be given where it necessary to provide effective financial management of the school.

**Appendix 2: 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 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.