

FINANCIAL REGULATIONS - SCHOOLS

CONTENTS

	Page(s)
INTRODUCTION	
County Treasurer's Foreword	1
Purpose of Financial Regulations	1
Structure of Regulations	1-3
REGULATIONS – FINANCIAL MANAGEMENT	
Roles and Responsibilities	6-9
Annual Budget	10-11
Budgetary Planning and Control	12-15
Capital Expenditure and Receipts	16-19
Borrowing	18-19
Legality of Commitments	20-21
REGULATIONS – FINANCIAL ADMINISTRATION	
Arrangements for Financial Administration	24-25
Financial Systems	26-27
Documentation of Systems and Procedures	26-27
Training	28-29
Banking Arrangements	28-29
Financial Information	28-29
Payments	30-31
Contracts	30-31
Declaration of Interests	30-31
Income	31
Taxation & Other Statutory Adjustments	30-31
Petty Cash Accounts	31
Insurances	32-33
Assets	34-35
Intellectual Property	34-35
Commercial Activities	36-37
Investments	38-39
Other School Funds	38-39
Audit	40-41
Irregularities	40-41
External Arrangements - Partnerships	42-43
APPENDIX A	
Model Scheme for the Delegation from Governors to Headteachers of Authority to Conduct Financial Management and Administration	45-58
APPENDIX B	
Standards for Financial Management and Administration	59-70
APPENDIX C	
Schedule of Recommended Financial Limits	71

FINANCIAL REGULATIONS – SCHOOLS

CONTENTS

APPENDIX D

Non-Financial Records – Retention Of 73

APPENDIX E

Capital Accounting – Flow Diagram 75

INTRODUCTION

COUNTY TREASURER'S FOREWORD

Purpose of Financial Regulations

The basic purpose of a school is to provide pupils with a range of educational opportunities within which they can fully realise their individual potential.

The purpose of the Financial Regulations is to facilitate the achievement of a school's basic purpose by providing a framework for the conduct of the school's financial affairs which will :-

- promote security, propriety, efficiency and value for money;
- afford protection for all who are involved with the school's finance and;
- consequently enable governors and teaching staff to concentrate their scarce time on educational priorities.

Structure of Regulations

The Financial Regulations are arranged in four main sections. These four sections are summarised briefly below :-

(a) **Financial Regulations – Financial Management**

This section contains regulations which deal with general aspects of financial management including roles and responsibilities, budgetary matters and legal controls. Each page of regulations is accompanied by a parallel page of explanatory commentary which is intended to clarify the regulations for readers.

(b) **Financial Regulations – Financial Administration**

This section contains regulations which specify key administrative parameters for the governors and the County Treasurer in the event of schools being able to exercise choice in the provision of financial services. An explanatory commentary also accompanies these regulations.

(c) **Appendix A. Model Scheme for Delegation of Authority from Governors to Headteachers**

The Governing Body of each school is responsible in law for managing the finances of the school. In practice governors will have to delegate to the headteacher some of their authority to conduct the management of the school's finances.

Although it is not a legal requirement for governors to adopt such a scheme I would strongly recommend each Governing Body in consultation with its headteacher, to adopt a formal written scheme for the delegation of authority in financial matters. The rationale for this is detailed in the introduction to Appendix A but I think it is worth pointing out here that the potential benefits of a formal scheme include :-

- clarification of the respective roles of governors and heads;
- stability and continuity, especially when key persons are replaced;
- protection for both governors and headteachers.

Appendix A contains a model scheme of delegation for governors and headteachers to consider. There is no one scheme which can meet the widely-differing needs of all schools but the model is intended to :-

- identify the principles which need to be addressed by schools and;
- provide an approach which can be adapted to meet the specific local needs of each school.

(d) **Appendix B Standards for Financial Management and Administration**

The final main section of the Regulations, Appendix B, deals with financial standards. These standards represent good practice for any organisation which needs to account properly for its finances.

The primary purposes of financial standards are :-

- to promote good financial practice;
- to clarify for schools what is expected of their arrangements for financial management and administration;
- to establish criteria for assessing arrangements for financial management and administration.

I have been requested to draw attention here to the third paragraph of the introduction to Appendix B which refers to the outcomes of achieving and failing to achieve satisfactory financial standards in schools. The outcomes are summarised below :-

Achievement of Standards

- frees governors & teaching staff to concentrate on educational priorities;
- sustains/promotes financial confidence and, in turn, morale generally.

Failure to Achieve Standards:

- wastes the time of both governors and staff;
- distracts attention from educational priorities;
- undermines financial confidence and, in turn, morale generally.

Although, as the County Treasurer appreciates, the contents of the Regulations are somewhat dry and legalistic I think that this is inevitable and that the presentation cannot be significantly simplified without a corresponding loss of clarity.

I realise that the length and technical nature of some of the contents may initially appear daunting to colleagues.

However, let me reassure those colleagues that the Regulations are intended for the support and protection of those who are involved with schools' finances and that apart from providing for the possible introduction of choice in the supply of financial services, they involve no fundamental change to existing rules and practice.

In concluding I should like to say that I find the Regulations are a useful reference document which all headteachers and Governing Bodies ought to be aware of – particularly when new financial developments have to be considered.

FINANCIAL REGULATIONS

-

FINANCIAL MANAGEMENT

FINANCIAL REGULATION

FINANCIAL MANAGEMENT

Commentary:

Introduction

These Financial Regulations deal specifically with financial management and financial administration for schools. These regulations are self-contained so that they can be used by governors and staff without reference to the rest of the Council's Financial Regulations – however they should be read in conjunction with a Financial Management Scheme for Schools.

The Education Reform Act 1988, and as amended by the School Standards and Framework Act 1998, conferred on the Governing Body of each school the entitlement to spend their budget as they think fit for the purposes of the school. Additionally, the Act provided Councils with power to set financial conditions on the management of delegated budgets.

At the same time the Secretary of State for Education made it clear that the Government expects Councils to observe the right balance between allowing governors the freedom to exercise their delegated authority and maintaining proper accountability and control over the expenditure of public funds.

By virtue of Section 151 of the Local Government Act 1972, the County Treasurer has overall responsibility for the proper administration of the County Council's financial affairs. Financial Regulations help the County Treasurer discharge this responsibility.

It is intended that these Financial Regulations will achieve a satisfactory balance between freedom and accountability and their purpose is to provide a workable financial framework which will protect the interests of all concerned and promote the sound use of public funds.

Regulations – Financial Management

Roles and Responsibilities

1. Governors and staff shall manage and control the financial affairs of their establishments in accordance with these financial regulations and the Financial Management Scheme for Schools as amended from time to time.

2. The County Treasurer is the Council's financial adviser and, for the purpose of Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988, the County Treasurer is responsible for the proper administration of the Council's financial affairs.

3. The County Treasurer shall have a duty to provide appropriate advice and support, on request, to enable governors and staff to manage their establishments' financial affairs in accordance with these financial regulations.

4. In order to discharge the statutory responsibilities referred to in Regulation 2 the County Treasurer, or a representative, may attend any meeting of governors to give advice or to report on financial matters.

Commentary:

Although governors are responsible for the financial affairs of their establishments they clearly have to delegate day to day management of a range of matters to headteachers and the Education Reform Act provides (Sections 36.5 & 142.6) for such delegation. It is of the utmost importance that both governors and headteachers should clearly understand what authority in the financial affairs of their school is delegated and governors are strongly recommended to adopt a formal scheme of delegation. A model scheme of delegation is set out in Appendix A to these regulations.

Public money should be spent with demonstrable probity and in accordance with the Council's policies. The Council has a statutory duty to achieve best value in part through economy and efficiency. Best Value principles should underpin the Council's approach to procurement and value for money.

This does not necessarily mean procuring the cheapest goods and services available; rather it implies an approach which seeks to find the most appropriate blend of goods and services suitable for local needs having regard to cost. Specialist advice on purchasing issues is available from a range of County Hall staff and enquiries about this may be directed to the County Treasurer's Education Accountancy - LFS Team.

The Education Reform Act (Section 37 & 150) empowers the Council to suspend a Governing Body's right to a delegated budget. Obviously this is a power of ultimate resort which is likely to be invoked only in the most exceptional circumstances. Indeed it is the Council's hope that the adoption of sound financial procedures will eliminate the risk of this eventuality. Nevertheless, the Council feels that it is appropriate to make provision, by means of this regulation, to safeguard itself against a potential situation of this kind.

This regulation aims to ensure that financial regulations are kept up-to-date and in touch with both governors' and the Council's needs.

5. Governors are recommended to adopt a scheme of delegation to headteachers for the day-to-day management and administration of their establishments' financial affairs.

6. Governors and staff shall have due regard for the achievement of economy, efficiency and effectiveness in the discharge of their responsibilities.

7. The County Treasurer shall have a duty to report to the County Council where governors have substantially or persistently failed to comply with the financial provisions of an approved scheme of local management, including these Financial Regulations, or are not managing their finances in a satisfactory manner and the Council, subject to the requirements of the Education Reform Act, may suspend governors' right to a delegated budget.

8. The County Council will revise these regulations promptly in the light of statutory or other relevant changes and in updating the regulations shall consult with governors as necessary.

Commentary:

It is the LEA's intention that each school should receive formal notification of its budget share for the following financial year by 28th February or as soon as possible thereafter, and that governors should notify full details of their projected income and expenditure to the LEA as soon as practicable after that time but no later than the last working day before the summer half-term holiday (end of May/early June).

In line with the School Balances Policy the LEA will provide annually to schools two years of forward indicative budgets in addition to the actual formula budget allocation for the forthcoming year. The annual formula budget will be issued by no later than 31 March and the indicative budgets as soon as possible thereafter.

Governors are recommended to consider establishing a small Finance Committee to liaise with the headteacher in the preparation and monitoring of the budget and to maintain an overview of financial matters on behalf of the full governing body.

Governors are also recommended to adopt clear policies for major areas of expenditure in accordance with which the budget may be drawn up. Obviously the key area will be staffing and it is suggested that governors approve a basic staffing establishment for normal operating conditions. Other areas for which policies might be established are capitation allowances for pupil-related expenditure (such as books), arrangements for the replacement of equipment, and repairs and maintenance. The inclusion of such details in the estimates papers presented to the governors by the headteacher and the minuting of the governors' decisions should provide a clear basis for the day-to-day expenditure of most of the budget so that the need for procedures such as virement is minimised (virement is the transfer of uncommitted funding from one budget heading to other).

Commentary:

It is recommended that in planning their expenditure governors should take account of the long term implications of expenditure decisions beyond the year for which a budget is fixed; obviously prudence should be exercised if, for example, future funding is likely to be reduced due to falling rolls. If there is any doubt about the ability to sustain any planned commitment from within the delegated budget at any stage of its likely duration, governors should consult the County Treasurer about this at the earliest opportunity and in any event before undertaking the commitment.

The forward budget procedure operated for other Council departments involves establishing broad financial plans for a three-year period and this is consistent with the Audit Commission's recommendations for schools' financial planning. Schools may therefore wish to consider preparing a three-year forward budget.

The Council appreciates that local management places considerable budgetary responsibilities on governors and intends that the County Treasurer should at all times give them the best possible support and advice. Governors are encouraged to seek the Treasurer's advice and the Treasurer is expected to respond as creatively as is consistent with reasonable financial prudence.

The Government requires that schools should adhere to their Budget limits and cannot plan for a deficit except under the Licensed Deficits Scheme (Refer to A Financial Management Scheme for Schools).

Governors are recommended to arrange for the headteacher to provide them with regular reports on the progress of actual expenditure against the budget and to secure their approval for any significant unplanned items or variations from the budget.

Commentary:

For the purposes of Regulation 14 the term delegated budget refers to a school's annual budget plus any accumulated balances brought forward from previous financial years; a deficit therefore refers to any excess of expenditure which cannot be paid for from the combined total of annual budget plus accumulated balances.

The "significance" of any deficit will depend on the particular circumstances of each individual cases; for instance in the case of a school whose pupil numbers are increasing the implications of a deficit may be very different from the implications of the same deficit in a school where pupil numbers are declining. Schools should plan to stay within their delegated budget and are recommended to consult with the County Treasurer's Education Accountancy – LFS Team staff if there is any likelihood that their budget will run into unplanned deficit so that the significance of any deficit can be established.

It should be noted that the general right of governors to carry forward the unexpended portion of the budget from one year to the next, subject to the provisions contained within the School Balances Policy, means that schools will not lose money which is unspent at the end of the year and that interest will be receivable in respect of such credit balances.

Regulations 9 - 17 are intended to act as an incentive to balancing the delegated budget and discouraging overspending. They are also intended to be consistent both with the Government's guidance about schemes of local management and with the standards embodied in the regulations which govern the financial management and administration of the Council's other activities.

14. Governors shall inform the County Treasurer immediately if it becomes apparent that their delegated budget is likely to incur a significant deficit at the end of any financial year.
15. The County Treasurer shall require from governors full explanation of any significant overspending against the delegated budget.
16. Any overspending against the delegated budget shall be carried forward to the following financial year and shall be a first charge against the following year's delegated budget.
17. Governors shall be entitled to carry forward any portion of their delegated budget unexpended at the end of a financial year for use in the following financial year subject to compliance with the approved accounting procedures and the School Balances Policy (Refer also to a Financial Management Scheme for Schools).

Commentary:

Central Government's definition of capital expenditure is much broader than a conventional accounting definition and may include, for instance, expenditure in respect of credit arrangements (e.g. finance leases) for the acquisition of assets such as equipment and buildings (Refer also to the flow chart at Appendix E).

Moreover the Government's regulations for its control of Capital expenditure are highly complex and require meticulously careful interpretation, being linked to the control of borrowing and affordable limits, as defined under the Prudential Code for Capital Finance in Local Authorities.

The County Treasurer anticipates that in practice schools are most likely to be affected by those parts of the Government's regulations which deal with leasing and borrowing and wishes to reassure governors that he will provide guidance and advice about these issues on request. In the circumstances the County Treasurer wishes to draw governors' attention to the following points as a basis for them to approach these issues :-

- (a) There is no restriction on purchases, as far the Government's capital controls are concerned, where items are being purchased outright from the delegated budget, including any balance brought forward.
However, items above a specific value (currently £10,000) need to be identified in the accounts as being of a capital nature – the Education Accountancy – LFS Team can advise on the accounting arrangements involved.
- (b) Particular care needs to be taken in relation to any commitment involving the use of an asset, such as equipment, where the financial arrangements involve spreading the cost over more than one financial year i.e. credit arrangements (e.g. finance leases). Such transactions are permitted subject to borrowing and affordability limits, as defined under the Prudential Code, not being exceeded.

Advice must therefore be sought from the County Treasurer before entering into any such arrangement.

- (c) Some schools have substantial private funds and it is possible that capital items could be purchased from these; in certain circumstances it may be possible to obtain VAT relief on equipment purchases. The rules are very strict and you must refer to the Schools VAT Guide first. The Government's controls over capital expenditure do not apply to purchases which are both paid for wholly from private funds and are transacted wholly outside a school's official delegated budget. However if a proposal for the purchase of a capital item involves payment being met partly from private funds and partly from official funds then details of the proposal should be notified to the County Treasurer's staff at an early stage so that any potential conflict with the Government's regulations can be avoided.
Any asset purchased from private funds and donated to the school needs to be registered on the County Council's asset register and insured. Advice on these matters should be sought from the County Treasurer's department.

Formatted Table

Capital Expenditure

18. Unless authorisation has already been granted by the County Council governors shall consult the County Treasurer before incurring any expenditure, over and above the “de minimis” limits, which is deemed to be capital expenditure by virtue of central government’s controls on capital expenditure by local authorities.
In addition, governors shall consult the County Treasurer before entering into any form of finance leasing arrangement.

Commentary:

It is necessary for governors to notify the Treasurer of proposals to sell or otherwise dispose of capital items because of the possible implications of the Government's regulations for both schools and the County Council; for example, a proportion of receipts above a certain level (currently £10,000) may only be used to finance capital expenditure or repay the principal of any amount borrowed . Details of financial limits for sale transactions are referred to in Financial Standard 20.6.

On request, the County Treasurer will, of course, advise governors on the application of the regulations governing capital receipts.

Governors are reminded that land and buildings belong to the County Council with the exception of VA schools and schools within PFI contracts. While schools are encouraged to make the most effective use of all resources any proposals for the disposal or alternative use of land and buildings should be notified to the Chief Executive (Diocesan Board or PFI contractor in the case of VA and PFI schools) at the outset – transactions of this nature should not be undertaken by schools but must be carried out by the County Council.

It has already been explained, in the commentary on Financial Regulation 18, that the Government's control over capital expenditure is linked to strict controls on borrowing including certain forms of credit arrangement. It is therefore not possible for the Council to allow schools to enter into borrowing arrangements, including bank overdrafts, and other forms of credit without prior discussion and approval, except where the arrangements fall into the category of short-term (i.e. up to three months) credit arrangements (excluding bank overdrafts) for the purchase of goods and services; which are exempt from the Government's controls :-

Advice about all of these matters will be available, on request, from the County Treasurer's staff.

Capital Receipts

19.
 1. Governors shall notify the County Treasurer, in advance and in a timely fashion, of any proposals to sell or otherwise dispose of any items, including land and equipment, which are treated as capital items. (See Financial Standard 20.6).
 2. All proposals to deal in any interest in land and buildings should be referred at the outset to the Chief Executive as these are matters for the County Council.

Borrowing

20. Governors shall not enter into any arrangements for borrowing or credit other than arrangements approved by the County Treasurer. Where schools operate their own bank accounts they shall, under normal circumstances, maintain a credit balance on each such account. If in exceptional circumstances the need to use overdraft facilities is likely to arise the County Treasurer should be notified of this in advance so that arrangements can be made which will enable both the schools and the County Council to meet their respective obligations.

Commentary:

In managing their finances governor's responsibilities extend beyond compliance with routine legal requirements such as accounting properly for VAT. Where they are contemplating financial proposals which are of an unusual kind or which are intended to avoid known financial constraints, governors are expected to exercise due legal prudence; examples of unusual or avoidance proposals which merit caution include proposals for schemes involving private developers or commercial activities.

Particular attention is drawn to the need, for all those involved with matters having any financial implication, to comply with the provisions of the Education (School Government) Regulations 1989 relating to the issue of "pecuniary interest" – governors are strongly recommended to make adequate arrangements to ensure compliance with the regulations.

The purpose of this regulation is to advise governors of the need for due caution and to require them to seek advice from the Council's officers in cases of doubt.

Legality of Commitments

21. Governors shall have proper regard to the legality of their commitments and if there is any doubt they shall consult with the Chief Executive or the County Treasurer at the earliest opportunity.

FINANCIAL REGULATIONS

-

FINANCIAL ADMINISTRATION

FINANCIAL REGULATIONS

FINANCIAL ADMINISTRATION

Commentary:

The term Financial Administration is used to refer to the process of carrying out a range of essential financial functions which have to be undertaken by schools, or indeed any organisation which employs staff, purchases goods and services and generates income; such functions include the payment of staff salaries and wages, the payment of creditors, the collection of income due and the generation of appropriate accounting records. Traditionally, administration of the main financial functions has been organised around a centrally based set of services operated by the County Treasurer.

Responsibility of Governors in respect of Arrangements for Financial Administration:

The freedom of choice which governors acquire with delegation of the budget for financial services would be accompanied by responsibility for ensuring that services, irrespective of how they are provided, must be integrated into a co-ordinated system of financial administration. This system must be capable of performing adequately all the financial tasks involved in the financial administration of schools. Responsibility for the success or failure of financial administration therefore resides with the governors because they will decide, within certain agreed parameters, how the various delegated financial functions will be carried out.

Responsibility of County Treasurer in respect of Arrangements for Financial Administration:

The County Treasurer has an overall responsibility for the proper administration of the Council's financial affairs and it is important to be clear about what this entails in relation to financial administration in schools.

Essentially the County Treasurer is responsible for :-

- 1) Producing an outline specification of the main financial functions for which governors must make provision in determining their arrangements for financial administration;
- 2) Providing advice, on request, to governors concerning the standards of their systems, including associated working procedures and records, for financial administration;
- 3) Maintaining an effective internal audit of schools' financial affairs.

Regulations – Financial Administration

22. The County Treasurer shall specify, in outline, the minimum functions which shall be provided for under the arrangements for financial administration adopted by governors.

23. Governors shall be responsible for ensuring that their arrangements for financial administration lead to the satisfactory performance, in accordance with standards of good practice, of the financial functions specified by the County Treasurer.

(The broad standards of good practice which schools are expected to meet are set out in Appendix B of these Regulations which is entitled “Standards for Financial Management and Administration”.)

Commentary:

As a public body, the Council is subject to a high degree of accountability and there is a clear responsibility to maintain sound and proper arrangements for the financial administration which accord with “good practice”, meet any statutory requirements, and minimise the risk of loss.

Good Practice

“Good Practice” implies adopting nationally accepted standards and procedures in relation to, for example, the processing and recording of financial transactions, arrangements for the authorisation of commitments, verification of invoices for payment and the physical security of assets.

Statutory Requirements

Examples of statutory requirements are :-

- (a) Section 42 of the Education Reform Act 1988. This requires the governing body of a school to make available for inspection at the school the annual statements of expenditure which the Treasurer has to supply.
- (b) Tax has to be deducted from payments to certain sub-contractors and accounted for to the Inland Revenue. Additionally, details of payments to other categories of sub-contractor have to be returned to the Inland Revenue at regular intervals and tax officials may inspect the records held by schools in connection with any of these matters.

Risk of Loss

The most obvious cases of loss of public money arise from deliberate financial impropriety. In addition, however, slack procedures and/or inadequate financial systems can contribute to, or cause, losses arising, from errors, inefficiency, or poor decisions based on inadequate financial information.

Regardless of how good financial systems and procedures might be on the day of implementation, there is an on-going requirement to maintain standards of operation, particularly given the inevitability of staff turnover. It is essential, therefore, to ensure that systems and procedures are properly documented and that up-to-date notes of guidance are available for staff.

Financial Systems

24. Governors shall ensure that all financial systems, including associated working procedures and records, accord with good practice, enable schools to meet any statutory requirements and minimise the risk of loss. This includes ensuring that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document are maintained together with appropriate controls to ensure that all input and output is genuine, complete, accurate, timely and not previously processed. Governors shall also comply with such directions as the County Treasurer may issue regarding the use and operation of financial information and accounting systems.

25. The County Treasurer shall have a duty to advise governors concerning the adequacy of existing and proposed financial systems and procedures.

Documentation of Systems and Procedures

26. Governors shall ensure that arrangements for the operation of all financial systems, procedures and records are supported by proper documentation and appropriate notes of guidance. (See Financial Standard 8). In addition, Governors shall also ensure that a documented and tested disaster recovery plan is in place and that staff are trained accordingly in such procedures.

Commentary:

It is important to meet ongoing staff training needs particularly when systems and procedures are modified or replaced. Training for the use of financial systems and procedures can be provided by the County Treasurer's staff who are accustomed to designing training packages specific to users' needs.

For the purposes of Financial Regulation 28 the term bank account includes building society accounts and any other account in which County Council funds are placed.

Official school monies should not be confused with other unofficial school funds, such as PTA or School Private Fund, which are covered by a separate Regulation – see Financial Regulation 40 on page 39.

The County Treasurer's duties include responsibility for the maintenance of the Council's official financial records which of course include data relating to schools. Where schools maintain their own local accounting systems they will obviously use these to monitor their budgets; additionally, these systems will supply data to the County Treasurer for inclusion in the central accounting systems which alone produces the complete official accounts of the County Council.

Delegation of the budget for financial services means that since governors will choose how their financial services are supplied they will automatically be responsible for supplying to the Council the financial data which the Council requires to meet its accounting requirements relating to schools.

The requirement for governors to provide information is consistent with the provisions of the Education Reform Act 1988 which states for instance (Section 144.12) that :-

“The governing body of any institution required to be covered by a scheme shall give to the local education authority concerned such information as the authority may from time to time require for the purpose of the exercise of their functions under this chapter.”

Training

27. Governors shall ensure that the staff involved in financial management and administration have the appropriate level of training for their duties. (See Financial Standard 9).

Banking Arrangements

28. All banking arrangements in respect of official school monies shall be agreed with the County Treasurer so as to ensure that the requirements of Section 151 of the Local Government Act 1972 are satisfied and governors shall ensure that bank accounts are operated in accordance with arrangements approved by the County Treasurer. (See Financial Standards 14.1 – 14.9).

Financial Information

29.
 - 1 The Council's central accounting system, operated by the County Treasurer, shall be the sole source of the official financial accounts of the Council;
 - 2 The County Treasurer shall be responsible for the production of the financial statements which the Education Reform Act 1988 requires the Council to prepare;
 - 3 The County Treasurer shall specify the financial information which the Council requires from schools in order to discharge its financial responsibilities;
 - 4 Governors shall ensure that the Council is supplied, in a timely fashion, with such information relating to their delegated budget as the County Treasurer specifies.

Commentary:

Regulation 30 applies only to payments chargeable to a school's budget; chargeable items include, for example, employer's contributions to teachers' pensions but not the normal pensions which are paid by the Paymaster General. Governors are advised to consider arrangements for the making of payments very carefully. Furthermore it is emphasised that the making of payments should be viewed as a late stage in an integrated financial process within which priorities are clearly identified, carefully planned and systematically implemented – payments should flow from a budget which is based on clear policies and programmes.

All contracts made on behalf of the Council shall be subject to the Council's Contract Procedure Rules.

Every Governor and member of staff has a responsibility to declare any links or personal interests that they may have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the school. In addition, any member of staff or governor with a direct or indirect Pecuniary Interest in a particular decision should declare that interest accordingly. Anyone with a pecuniary interest in a potential contract should not take part in drawing up specifications and/or tender document.

As a result of the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003 the County Treasurer issued a policy statement to the effect that under no circumstances should an amount in **cash** in excess of £5,000 (five thousand pounds) be received by anyone on behalf of the County Council in payment for any goods or services supplied without obtaining prior approval of the County Treasurer.

It is unlikely that schools would receive large amounts of cash from any one individual or organisation in respect of say school trips or the sale of surplus assets. However, there is the possibility that a large donation in cash could be made to a school, as a result of fundraising, for which the Head Teacher should satisfy his/herself that this is from a legitimate source.

The Anti Money Laundering Policy can be found on the Council's website.

The main forms of taxation which currently effect school finance are tax on employees' salaries, tax on payments to sub-contractors and value added tax in respect of both relevant expenditure and income. Other statutory adjustments include national insurance and various court orders for items such as deductions relating to maintenance costs.

Failure to account properly for taxes in any one school may be construed by the tax authorities as evidence of failure in all schools and in addition to tax deemed recoverable severe penalties, based on relevant expenditure in all schools, may be payable. Such penalties would, of course, be charged to the delegated budget involved but it is clearly not in anyone's interests for such a situation to arise.

It is pointed out that the County Treasurer's department has considerable experience of dealing with financial systems designed to meet Government requirements in these areas and that his staff maintain regular contact with e.g. the Inland Revenue for this purpose. Governors are therefore reminded the Financial Regulations provide for the County Treasurer to advise and support governors, on request, (see Financial Regulation 12 plus supporting commentary) about financial matters and that the Treasurer will endeavour to provide the best support possible having regard to resources available.

Payments

30. Governors are responsible for all payments certified by them or on their behalf for payment from their delegated budget, including payments in respect of routine purchases of goods and services, salaries, wages, pensions, gratuities and other emoluments to employees or former employees of schools, and claim for expenses such as travelling and subsistence. (See Financial Standard 15).

Contracts

31. Governors are required to abide by the authority's financial regulations and contract procedure rules in tendering and contracting matters. In addition, governors are also recommended to adopt a code of practice to be followed by any persons involved in making arrangements on behalf of governors for the letting of contracts. Any code of practice should make adequate provision to promote value for money, secure propriety and minimise the risk of corruption.

Declaration of Business and Pecuniary Interests

32. *Business Interests:* The governing body of each school is required to establish a register which lists for each member of the governing body, the head teacher and any other members of staff who are engaged in contractual or purchasing decisions on behalf of the school, any business interests they or any member of their immediate family have; to keep the register up to date and available for inspection by governors, staff, parents and LEA representatives.
Pecuniary Interests: Similarly, a register of pecuniary interests whether direct or indirect should be maintained. For clarity, where no interest exists then a nil declaration should be made.

Income

33. Governors shall make safe and efficient arrangements for determining the charges which may be levied in connection with activities which can generate income for the school and shall be responsible for all income which is receivable by their school.
In addition, Governors and Head Teachers should be aware of the County Council's Anti Money Laundering Policy.
In addition, Governors and Head Teachers should be aware of the County Council's Anti Money Laundering Policy. (See Financial Standard 18).

Taxation and Other Statutory Adjustments

34. Governors shall be responsible for ensuring that adequate arrangements are made to account to the appropriate Government departments or agencies for taxation and other statutory adjustments relating to their income and expenditure. This should also include School's Private Funds.

Commentary:

The Council is legally responsible for meeting any claims which may arise in connection with certain risks; for instance the Council is the employer of staff and may be liable for any negligent acts of staff committed in the discharge of their duties.

It is considered appropriate for the Council to ensure that adequate minimum levels of insurance cover are provided for in respect of risks for which it may be liable.

Participation in the Council's scheme for the bulk purchase of insurance cover for all Council establishments is, in the opinion of the County Treasurer, the most economic way for schools to obtain insurance cover; additionally this option relieves schools of administrative burdens, such as negotiating with insurers or ensuring that policies are renewed promptly. Governors will, however, have freedom to purchase insurance cover from suppliers other than the Council, provided such cover meets the requirements determined by the County Council.

Petty Cash Accounts

35. The County Treasurer, or, where appropriate the governors, may make advances of petty cash to designated officers and governors shall ensure that petty cash advances are administered in accordance with good practice. (See Financial Standard 17).

Insurances

36. 1 Risks Which Must Be Covered

- (a) The County Council's Executive Committee, advised by the County Treasurer, shall determine the risks for which schools must have insurance cover and minimum levels of cover for these risks;
- (b) Governors shall be responsible for ensuring that:
- (i) proper cover is maintained at all times in respect of all risks specified by the County Council.
 - (ii) Prompt notification is given to the County Treasurer of all new risks, properties or vehicles for which insurance is required and of any alterations affecting existing risks or insurance's and of any properties or vehicles which have passed out of the Council's possession.
 - (iii) The County Treasurer is notified in writing without delay of any loss, liability or damage or any event likely to lead to a claim, and shall provide such information and explanations required by the County Treasurer or insurers.

2 Requests for Indemnities

Governors shall consult the County Solicitor and the County Treasurer concerning the terms of any indemnity which the Council is requested to give.

3 Review of Insurances

The County Treasurer shall periodically review all insurances required by the council and in conducting such review shall consult governors as appropriate.

4 Administration of Insurances Effected Through County Treasurer

The County Treasurer shall issue notes of guidance detailing the requisite procedures for the administration of such insurances and governors shall be responsible for ensuring that schools comply with these.

5 Administration of Other Insurance

Where governors effect insurances otherwise than through the County Treasurer, they shall be responsible for ensuring the proper administration of such insurances. (See Financial Standard 19).

Commentary:

The security requirements of schools will vary widely according to their circumstances, but proper awareness of and provision for security needs on the part of all schools are obviously highly desirable. Governors are encouraged to consult their local police crime prevention unit for advice about the security of school premises. However, due consideration must also be given to the council's insurance requirements and the security of confidential data under the Data Protection Act.

Governors are advised to consider having programmes for the replacement of assets drawn up as an aid to financial planning and the authorisation of significant items of expenditure.

Intellectual property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property; certain activities undertaken within the Council may give rise to items that may be patentable, for example, software development. These items are collectively known as intellectual property.

Assets

37.
 - 1 Governors shall be responsible for the care and custody of all assets within their establishments and shall maintain proper security for all buildings, vehicles, plant, stocks, stores, furniture, equipment, money and other valuables;
 - 2 Governors shall ensure that adequate arrangements are developed for dealing with the acquisition, maintenance, replacement and disposal of assets (excluding land and buildings which are dealt with by the County Council). (See Financial Standard 20.1 – 20.7).
 - 3 Governors shall ensure that an inventory is maintained for all moveable non-capital assets, excluding furniture.

Intellectual Property

38.
 - 1 Governors shall ensure that contracts are in place to ensure that staff do not carry out private work in Council time and
 - 2 That staff are aware of an employer's rights with regard to intellectual property.

Commentary:

In practice the provision of education may involve scope for generating income of a commercial nature such as the use of facilities when they are not required for normal educational purposes.

Broadly speaking, schools are entitled to make reasonable charges in connection with such items provided that the expenditure incurred is necessary for the educational purposes entailed and does not involve enhancements which, though perhaps desirable for purely commercial purposes, are not strictly necessary for educational purposes. Expenditure arising from lettings for items such as additional caretaking or cleaning required, does not conflict with educational purposes as premises have to be maintained for educational purposes and no enhancement of the premises is involved.

The situation, however, becomes considerably more complicated when the expenditure involved in educational activities which generate income exceeds the level which is strictly necessary for educational purposes and begins to be incurred for purely commercial purposes – at this point schools' freedom to act is constrained by legislation.

Thus, for example, it would be a straightforward matter for a school to charge for the hire of a netball court in a school playground when it was not required for the use of students and indeed such lettings have been carried on for some time.

However, it is quite a different matter for the school to consider incurring expenditure on alterations or enhancements (including the supply of related equipment) to the playground to enable it to be used for a primarily commercial venture, not required by the educational process, such as the provision of specialised skateboarding facilities. In such a case proposals for the venture would have to be agreed in advance with the County Treasurer who would consult with the County Solicitor about the legal and other implications of the expenditure involved.

Governors clearly have a strong incentive to maximise returns from income-generating activities. The Council wishes to ensure that arrangements for income-generating activities not only maximise income but also comply with the law and adequate standards of financial control. The purpose of the Financial Regulations governing commercial activities in schools is therefore not to discourage such activities but to ensure that adequate provision is made for the input of financial and legal advice to the process of planning for the conduct of such activities.

Commercial Activities

39. 1 **General**

- (a) Governors shall be responsible for protecting the interests of schools in relation to any activities having a commercial content which they undertake.
- (b) In connection with any activity having a commercial content, governors shall not enter into any arrangement which involves a school in the creation of a company or a partnership or a joint venture or other joint arrangements for the operation of commercial activities, without the agreement of the County Treasurer.

2. **Expenditure for Purpose other than Educational Purposes**

- (a) If, in connection with activities having a commercial content, governors wish to incur expenditure which is primarily for commercial purposes or which exceeds the level which is necessary to sustain the educational purposes involved in such activities, governors shall submit detailed proposals for such expenditure to the County Treasurer before any commitment is undertaken and proposals shall not proceed without his agreement.
- (b) In considering any such proposals for expenditure on commercial activities the County Treasurer shall consult with the County Solicitor as necessary and shall seek the instructions of the County Council's Executive Committee where proposals involve any change in financial policy.

Commentary:

The County Treasurer will issue guidelines for the maintenance of prudence in the investment of public funds.

Various types of “voluntary” funds (e.g. PTA or School Private Fund), which do not form part of the delegated budget, are often operated within schools. Such funds should not be confused with official school monies which are generated under the auspices of the County Council – see also Financial Regulation 28 on page 29 and the accompanying commentary.

Governors are advised that adequate accounting procedures should be adopted by staff, pupils or students who are involved in the handling of funds associated with school activities.

It is worth noting that in certain circumstances it may be possible to obtain VAT relief on equipment purchases, for example, if the private funds are donated to the school. The rules are very strict and you must refer to the Schools VAT Guide appendix C first.

Investments

40. All arrangements concerning the investment of funds shall be made upon direction of the County Treasurer or, where appropriate, in accordance with guidelines approved by the County Treasurer.

Other School Funds

41.
 - 1 Governors shall ensure that all voluntary funds, donations or other monies not forming part of their delegated budget, with the administration of which governors, staff or pupils may be involved by virtue of their connection with their school, are properly administered in accordance with good practice.
 - 2 Governors may not withdraw any Council resources, including resources which form part of the delegated budget, for deposit in private funds, personal accounts, or any other account not approved by the County Treasurer.
 - 3 Governors shall ensure that safe and efficient arrangements are made for the discharge of any duties imposed on them under the terms of any trusts or prize funds connected with their school.

(See Financial Standards 22.1 – 22.7)

Commentary:

The County Treasurer is required by a statutory instrument known as “The Accounts and Audit Regulations” to maintain an adequate and effective internal audit of the Council’s accounts. This regulation acknowledges the Treasurer’s statutory responsibility.

It is anticipated that audit matters should normally be capable of being resolved through consultations with the headteacher and appropriate school staff. Where any significant matter cannot be resolved satisfactorily by such means, or where the County Treasurer considers that significant matters should be brought to the attention of governors, the Treasurer shall arrange for such matters to be reported to the governors.

It is considered good management practice for governors to maintain a general overview of audit activity. Governors are recommended to obtain such an overview by making arrangements, appropriate to their own local needs, for their headteacher to report to them, promptly, on the results of each audit and the head teacher’s response. Clearly such arrangements could be incorporated in a local scheme for the delegation of authority from governors to the headteacher.

Internal Audit will obviously be concerned to monitor compliance with Financial Regulations and compliance with any scheme of delegation for the exercise of authority in financial matters which may be approved by governors. Governors and those who exercise financial authority on their behalf should therefore be aware that audit activity will include appraisal of school’s financial performance in relation to the standards set out in Appendix B of the Financial Regulations.

(The County Council’s external auditors are appointed independently of the County by the Audit Commission; it is recognised as good professional practice for the internal and external auditors to cooperate in planning audit work so as to maximise coverage of work and avoid duplication as far as is reasonably possible.)

Irregularities may have legal, financial and disciplinary implications which are the proper concern of both the Council and the governors; e.g. legal advice about the most appropriate course of action may be required, pending which payments may have to be stopped or staff may have to be suspended. Clearly it is in the best interests of all parties for action to be prompt, soundly based and properly co-ordinated and this is the concern of this regulation.

Audit

42.
 - 1 The County Treasurer shall make appropriate arrangements for the effective implementation of an adequate programme of internal audit in respect of the accounting and financial operations of schools.
 - 2 In making such arrangements the County Treasurer shall take due account of the external auditor's programmes and shall consult with him as necessary.
 - 3 Where appropriate, the County Treasurer shall report to chair of governors on the result of any audit.
 - 4 The County Treasurer, or an authorised representative, shall have authority, in connection with any audit, to :-
 - (a) have, at all times, reasonable access to all assets of the County Council including land owned, leased or similarly held by the Council;
 - (b) have, at all times, reasonable access to all records, documents, correspondence and computer held data relating to any financial and related transactions of the Council or transactions undertaken by its employees in connection with their official duties;
 - (c) require any employee of or other person accountable to the Council to produce money or any other assets under their control in connection with official duties;
 - (d) require and receive such explanations as may be necessary from any Governor or employee of the County Council.
 - 5 Governors shall ensure that audit reports are dealt with promptly.

Irregularities

43. The governors shall ensure that if a matter arises which may involve financial irregularity in any form, the County Treasurer shall be notified of this immediately.
44. Governors are encouraged to adopt the Council's "Anti-Fraud and Corruption Policy" and "Code of Conduct and Confidential Reporting Procedure" ("Whistle blowing").

Commentary:

Local authorities have historically, often worked “in partnership” with third parties to secure some shared objective. In recent years there has been an increasing recognition, within both central and local government, of the importance of this partnership working. An example of this is the role of the early Years Service through the Neighbourhood Nursery Initiative (NNI) in providing nursery provision in partnership with the private sector, at various schools throughout the county. Almost certainly, partnership working will raise many issues that need to be addressed, for example, legal and financial matters. For these reasons, proper controls and checks need to be in place.

External Arrangements – Partnerships

45. The County Treasurer will:
- (a) advise on the effective controls that need to be in place to ensure that resources are not wasted.
 - (b) advise on the key elements of funding a project. They include:
 - a scheme appraisal for financial viability in both the current and future years;
 - risk appraisal and management;
 - resourcing, including taxation issues
 - audit, security and control requirements;
 - carry forward arrangements
 - (c) ensure that the accounting arrangements are satisfactory

Governors shall be responsible for:

- (a) compliance with any relevant Codes of Practice or Partnership Protocols and to obtain advice on the legal and taxation consequences **before** setting up any partnership/joint venture arrangements with outside bodies.
- (b) maintaining a register of all contracts entered into with external bodies in accordance with procedures specified by the County Treasurer.
- (c) ensuring that, before entering into agreements with external bodies, a risk management appraisal has been prepared for the County Treasurer.
- (d) ensuring that such agreements and arrangements do not impact adversely upon the services provided by the school or Council.
- (e) ensuring that all agreements and arrangements are properly documented.
- (f) providing appropriate information to the County Treasurer to enable a note to be entered into the Council's statement of accounts concerning material items.

SCHOOLS

Model Scheme for the Delegation from Governors to Headteachers of Authority to Conduct Financial Management and Administration in Schools;

CONTENTS

	Page(s)
I. Introduction	46 –48
II. Checklist of Areas of Authority	49 – 51
III. Model Scheme of Delegation	52 – 58
	Paragraphs
General	1 – 7
Budgets & Forward Planning	8 – 10
Budgetary	11 – 16
Legality of Commitments	17
Capital Expenditure & Receipts	18 – 19
Borrowing	20
Training	21
Banking Arrangements	22
Financial Information	23
Payments, Contracts & Petty Cash	24 – 26
Income	27 – 28
Taxation & Other Statutory Adjustments	29
Audit & Irregularities	30 – 31
Investments	32
Best Value	33
Other Financial Matters	34

I. INTRODUCTION

Good working relationships between governors and their headteachers are essential for the effective operation of schools. In practice governors will have to delegate, as they think appropriate for the management of the school, to the headteacher authority to maintain the financial operation of the school.

It is suggested that it would be in the best interests of good working relationships for arrangements for the delegation of authority in financial matters to be set out in writing and approved by governors – headteachers would clearly have an important role in advising governors about this.

The main advantages of doing this are that it:

- enables both parties to understand more clearly their roles in relation to finance and this should help minimise the risk of conflict of roles;
- promotes continuity and stability in arrangements for the management of schools since the scheme of delegation would still remain even if the governors and headteacher left the school;
- affords protection for both governors and headteachers as it specifies what the headteacher is authorised to do or not to do.

The County Treasurer believes that, given the wide range of school populations, budgets and operating circumstances, a single organisational structure for the delegation, from governors to headteachers, of authority to deal with financial matters is neither feasible nor desirable. Whilst in a large school a Head of Department may be given authority by the head to expend part of a budget this would simply not be an issue in a small school which did not have a departmental structure.

Nevertheless, it is legitimate to expect that, irrespective of factors such as size or organisational structure, schools should achieve certain standards of financial performance, that these standards should be reasonably explicit and that both governors and headteachers should understand as clearly as possible :-

- their respective roles in relation to financial matters and;
- what authority to act in relation to financial matters is delegated from governors to headteachers.

The model scheme of delegation should therefore be viewed in terms of the overall context of financial roles, standards and authority of which it is a part; this context is generally delineated by the County Council's Scheme For Local Management and in particular by the Financial Regulations.

It must be emphasised that, although it is strongly recommended that governors should adopt a scheme for the delegation of authority to headteachers, it is not compulsory for governors to adopt such a scheme. However, the County Treasurer firmly believes that it would be in the best interests of both governors and headteachers for them to have a scheme of delegation which sets out clear ground rules for the exercise of authority in financial matters.

Additionally, it is recommended that governors, advised by headteachers, should develop clear policies and programmes for all key areas of financial activity so that

both parties share a clear understanding of the purposes for which the delegated authority should be exercised and avoid the risk of authority being inadvertently used for purposes not intended by the governors.

It is pointed out that the model scheme addresses the delegation of authority in relation to its exercise by one person only, namely the headteacher. Obviously the headteacher may not be able to exercise all the authority alone but may have to delegate some of her/his authority. The model scheme makes provision for this subject to the approval of the governors (see para. 3.) since the authority is derived from the governors and it is suggested that they should ensure that the headteacher's arrangements for the exercise of delegated authority on his/her behalf are acceptable to them.

(In practice, of course, it would be prudent for governors to make suitable provision for the exercise of authority in the absence of the headteacher.)

While it is for governors to choose what arrangements for the delegation of authority are most appropriate for their particular needs it is recommended that :-

- the headteacher should always remain accountable to the governors for the exercise of ALL delegated authority;
- all persons who are authorised to exercise delegated authority on behalf of the head should be accountable to him/her for their actions in the first instance.

Since, as has already been illustrated above, the need to delegate authority may vary widely among schools it is simply not possible for one model scheme of delegation to cater for all the needs of all schools. Rather, the model scheme seeks to identify for governors and headteachers general principles, which the County Treasurer believes need to be addressed by all governing bodies and heads, and to suggest a general approach to these.

A further point is that certain areas of school activity may combine significant financial and non-financial features; a good example of this is the appointment of teaching staff where educational, personnel management and financial implications may be involved. Obviously it is for governors to decide how authority should be exercised in such an area but it is reasonable for the County Treasurer to suggest, without prejudice to governors' authority, that, in the interests of sound financial management, authority in such matters should be clearly defined and understood by all concerned.

Irrespective of who exercises authority in respect of financial management and administration it is essential that its exercise is consistent with, and facilitates the achievement of, satisfactory financial standards. Standards for the conduct of financial management and administration are set out in Appendix B of the Financial Regulations and those who exercise authority in these areas should be familiar with the standards which apply to them. Provided that they draw attention to the standards in a proper fashion governors are entitled to expect that those who exercise authority on their behalf ensure compliance with standards.

A list of the main areas where authority needs to be defined is set out below as an aide-memoire for governors and headteachers in considering the difficult and sensitive matter of delegation. Governors, advised by headteachers, will have to decide what arrangements are appropriate to their needs having regard to the Financial Regulations and Financial Standards which form part of the approved

scheme of local management. Essentially governors will have to decide who will be able to exercise authority on their behalf and what limits need to be imposed on the exercise of that authority.

II. Checklist of General Areas of Authority:

A Budgets:

Authority to:

- (1) hold a budget
- (2) approve virement (virement is the transfer of funds from one budget vote to another budget vote)

B Staff:

Authority to:

- (1) appoint staff
- (2) determine the pay and conditions of staff
- (3) vary staff pay and conditions
- (4) admit staff to payroll records
- (5) certify payments to staff and variations in payments to staff

C Orders and Payments for Goods & Services:

Authority to:

- (1) certify orders, invoices and other financial control documents relating to commitments and payments
- (2) control official stationery
- (3) approve petty cash disbursements
- (4) hold and disburse cash from petty cash
- (5) sign cheques drawn on petty cash

D Banking Arrangements:

Authority to:

- (1) order cheques
- (2) sign cheques
- (3) give instructions to the bank concerning items other than cheques such as standing orders, withdrawal of cash or special services

E Security of Money:

Authority to:

- (1) hold key/spare key to safes, cash boxes, tills or other lockable money receptacles
- (2) deal with the banking of money

- (3) make advances of money

F Income:

Authority to:

- (1) determine fees & charges/profit margins
- (2) determine arrangements for the control of credit
- (3) control official stationery
- (4) raise invoices
- (5) collect and receipt income
- (6) write off income outstanding
- (7) waive income/charges receivable

G Assets:

Authority to:

- (1) sell assets
- (2) write off assets
- (3) rent or lease assets

H Financial Systems and Records

Authority to:

- (1) manage or operate or have access to or alter financial systems and records, including computer systems and records

I Financial Information

Authority to:

- (1) certify as being correct financial information which has to be supplied to the County Council.

J Deputy/Standby Arrangements:

Authority to deputise in the absence of any person who is authorised to exercise delegated authority.

It is suggested that governors should consider seeking advice about the issues involved in the delegation of authority from sources such as governors of other similar schools, the Secretary for Education and the County Treasurer.

K Private Funds:

Authority to:

- (1) administer funds
- (2) sign cheques

- (3) list bank accounts
- (4) confirm year end arrangements

III. Model Scheme for the Delegation from Governors to Headteachers of Authority to Conduct Financial Management and Administration in Schools .

GENERAL

1. The Scheme of Delegation shall be operated within the terms of the Financial Regulations (Schools) and of the appropriate Scheme of Local Management.
2. The headteacher shall not have authority to deal with financial matters otherwise than in accordance with the Scheme of Delegation. Also, the headteacher shall not have authority to take any action which would contravene, or be likely to cause governors to contravene, the Financial Regulations (Schools) or the appropriate Scheme of Local Management.
3. If the headteacher wishes any other member of the school's staff to exercise any of the delegated authority on his/her behalf, the headteacher shall submit details of any arrangements for this to the governors for their information and approval. Any subsequent variations to the approved proposals should also be approved by governors.
4. The headteacher shall seek the advice of the governors if he/she has any doubt about the respective responsibility and authority of either party in relation to the financial management of the school.
5. Where action is urgently required in circumstances where the headteacher does not have delegated authority to act then the headteacher should obtain specific authorisation for appropriate action from the Chair of Governors and Chair of the Schools' Finance Committee, or their authorised deputies. Each such authorisation should be reported to the next meeting of governors.
6. The headteacher shall have authority to expend resources from within the budget duly approved by the governors provided that such expenditure does not :-
 - involve a change in or extension to the governors' existing policies and/or service objectives;
 - involve a net increase in expenditure in future years;
 - conflict with any limits/controls over income and expenditure specified by governors;
 - involve a commitment which cannot reasonably be expected to be sustained from future budgets.

Economy, Efficiency and Effectiveness

7. The headteacher shall have due regard for the achievement of economy, efficiency and effectiveness in the operation of financial management and administration and shall ensure that the need for this is suitably notified to all staff.

(See Financial Regulation 6)

Budgets

8. The headteacher shall submit for determination by the governors draft estimates of income and expenditure in accordance with policies and a timetable approved by the governors.
9. The draft estimates shall be in a form which will both meet the information requirements of the governors and enable the governors to provide the information relating to the estimates which the County Treasurer requires.

(See Financial Regulation 10)

Forward Planning

10. To assist governors to plan reasonably for medium-term developments the headteacher shall submit with the draft estimates for the consideration of governors a report detailing the broad financial implications of foreseeable developments for the two years following the year for which the draft estimates have been prepared.

(See Financial Regulation 11)

Virement

11. The headteacher may authorise the virement of funds ** within the approved budget provided that :-
 - each such virement is within limits specified by the governors and
 - is for purposes which are consistent with the governors' policies and
 - shall be reported to the next meeting of the governors.

** Governors are recommended:-

- (1) not to permit virement of funds between staffing votes and other votes without their approval;
- (2) to set a limit for the headteacher in respect of the amount which can be vired between budget votes without the governors' approval;
- (3) not to permit staff other than the headteacher to vire funds between votes.

Given the wide variation in the size of school budgets the County Treasurer believes that different limits on virement will be appropriate for different schools.

It is suggested, however, that governors should adopt, in respect of .2 above, a limit within the range specified at para. 1 of Appendix C of the Financial Regulations.

12. The headteacher shall not utilise any portion of any credit balances brought forward from one financial year to another or of any contingency provision

within the budget without :-

- the prior authorisation of the governors or
- in circumstances of urgency, the approval of the Chair of Governors and the Chair of the Schools' Finance Committee or their authorised deputies, provided that such approval is reported to the next meeting of governors

Budget Monitoring and Reporting

13. The headteacher shall monitor and report to governors the progress of expenditure and income in relation to estimates in a form and at intervals specified by the governors **

(See Financial Regulation 13)

** It is recognised that the precise arrangements for the monitoring and reporting of the progress of expenditure will vary according to the differing circumstances and organisational needs of different schools. However, as a general guide, it is recommended that the following minimum requirements should be met :-

- monthly budget analysis reports, compiled on an accruals basis, should be produced which will enable actual expenditure and income to date to be meaningfully compared with expected expenditure and income to date;
- the headteacher should review such reports each month and the reports should be available to governors if they wish to consult them;
- Governors should, not less than termly, consider an up-to-date report from the headteacher on the progress of actual expenditure/commitments against expected progress.

(Governors may feel that they need more than the suggested minimum level of reporting and in this case one fairly simple option would be for them to arrange for the headteacher to report monthly to the Chair of the School's Finance Committee.)

Likelihood of Budget Deficit

14. The headteacher shall inform the Chair of Governors and the Chair of the Schools' Finance Committee immediately if it becomes apparent that the delegated budget is likely to incur a significant deficit at the end of any financial year.

(See Financial Regulation 21)

Explanations of Expenditure

15. The headteacher shall provide the governors with such explanations as they may require in connection with expenditure from the delegated budget.

(See Financial Regulation 15)

Treatment of Overspendings

16. The headteacher shall make appropriate arrangements for any likely overspending against the delegated budget to be treated as a first charge when governors consider the following year's delegated budget.

(See Financial Regulation 16)

Legality of Commitments

17. The headteacher shall have proper regard to the legality of commitments entered into in the exercise of the delegated authority and if there is any doubt about legality the headteacher shall consult with the County Solicitor or County Treasurer.

(See Financial Regulation 21)

Capital Expenditure

18. The headteacher may place before governors proposals for expenditure which is deemed to be capital expenditure by virtue of central government's controls on capital expenditure by local authorities, but no proposal may proceed except in accordance with the provisions of Financial Regulations 18 and 20.

Capital Receipts

19. The headteacher may place before governors proposals for the sale or other disposal of capital items, but no proposal may proceed except in accordance with the provisions of Financial Regulation 19.

Borrowing

20. The headteacher may present proposals to governors if she/he wishes to enter into any form of borrowing or credit or other financial arrangement other than routine or short-term trade credit but no proposal may proceed except in accordance with the provisions of Financial Regulation 20.

Training

21. The headteacher shall make adequate arrangements for the training of staff involved in financial management and administration.

(See Financial Regulation 27)

Banking Arrangements

22. The headteacher shall, on behalf of the governors, operate any bank accounts of the school in which official monies are held in accordance with arrangements agreed with the County Treasurer.

(See Financial Regulation 28)

Financial Information

23. The headteacher shall arrange for the production of the information relating to the delegated budget which the governors are required to supply to the Council.

(See Financial Regulation 29)

Payments

24. The headteacher shall have authority, subject to the provisions of this scheme of delegation, to make payments on behalf of governors from the delegated budget. In the exercise of this authority the headteacher shall ensure that arrangements for the making of payments comply with the standards set out in Appendix B to the Financial Regulations. Additionally, no payment in excess of a limit * approved from time to time by the governors shall be released without being certified in writing by the Chair of governors or an authorised governor from the governing body ** – such limit shall be notified in writing to the school's bank. (See Financial Regulation 30).

* It is suggested that governors should adopt a limit equal to or less than the limit specified in para. 2 of Appendix C of the Financial Regulations.

** All cheque signatories must be authorised by the County Treasurer prior to inclusion on the authorised signatories list.

Contracts

25. The headteacher shall make suitable arrangements to ensure compliance with any code of practice for the letting of contracts adopted by the governors.

(See Financial Regulation 31)

Petty Cash

26. The headteacher shall make arrangements for any advance of petty cash to be operated in accordance with the standards set out in Appendix B to the Financial Regulations.

(See Financial Regulation 35)

Income

27. The headteacher shall, not less than annually, prepare for governors' consideration proposals for revising the charges which may be levied in connection with the activities (including commercial activities) of the school.
28. The headteacher shall have authority to administer the school's income subject to the provisions of this scheme of delegation. In the exercise of this authority the headteacher shall ensure that income is administered in accordance with the standards set out in Appendix B to the Financial Regulations.

(See Financial Regulation 33)

Taxation and Other Statutory Adjustments

29. The headteacher shall ensure that the school's financial systems produce adequate information to account properly for taxation and other statutory adjustments and that the requirements of the appropriate Government departments or agencies are satisfied in a timely fashion.

(See Financial Regulation 34)

Internal Audit

30. The headteacher shall make appropriate arrangements to facilitate the internal audit of the school in accordance with Financial Regulation 41 and shall, on behalf of governors, ensure that audit reports are dealt with promptly. **

(See Financial Regulations 42 & 43)

- ** Governors are recommended to maintain a general overview of audit activity by making arrangements, appropriate to their own local needs, for their headteacher to report to them promptly on the results of each audit and the headteacher's response.

Arrangements for reporting could be incorporated in a local scheme for the delegation of authority from governors to the headteacher by the insertion of an appropriately worded clause such :-

Following each audit the headteacher and or chair of governors shall report on the result of the audit and his/her response, to such governors and at such interval and by such means as may be determined by the Governing Body.

Irregularities

31. The headteacher shall, on behalf of governors, ensure that if a matter arises which may involve financial irregularity in any form, the County Treasurer shall be notified of this immediately.

(See Financial Regulation 43)

Investments

32. The headteacher shall not have authority to invest any official funds except where a school has its own bank account and arrangements for investments have been agreed with the governors and the County Treasurer.

(See Financial Regulation 40)

Best Value

33. Governors are encouraged to adopt Best Value principles determined by the LEA. (Refer also to "A Financial Management Scheme for Schools")

Other Financial Matters

34. The headteacher shall be accountable to the governors for ensuring the satisfactory management and administration of the school's financial affairs for the purpose of the financial regulations :-

	Financial Regulation:
Arrangements for Financial Administration	23
Financial Systems	24
Documentation of Systems and Procedures	26
Insurances	36
Assets	37
Commercial Activities	39
Other School Funds	41

In conducting such management and administration the headteacher shall ensure compliance with the standards set out in Appendix B of the Financial Regulations.

SCHOOLS

STANDARDS FOR FINANCIAL MANAGEMENT AND ADMINISTRATION

CONTENTS	Page(s)
INTRODUCTION	60
STANDARDS	61-70
	Paragraph(s)
General	1 – 4
Preparation of Budgets	5
Control of Budgets	6
Review of Budgets	7
Documentation of Systems and Procedures	8
Training	9
Computing Arrangements	10
Financial Stationery	11
Financial Records (Retention of)	12 - 13
Operation of Bank Account	14
Payments – General	15
Contracts	16
Petty Cash	17
Income – including Money Laundering	18
Insurances	19
Assets	20
Intellectual Property	21
Other School Funds	22

INTRODUCTION

Relationship to Financial Regulations

Financial Regulations place various financial duties on governors in relation to their delegated budgets. Essentially financial standards specify operational norms which ought to be incorporated in the governors' arrangements for the discharge of those duties.

Primary Purposes of Financial Standards

the primary purpose of financial standards are :-

- to promote good financial practice;
- to clarify for governors, and those to whom governors delegate their authority in financial matters, what is expected of their arrangements for financial management and administration;
- to establish criteria in accordance with which arrangements for financial management and administration may be assessed.

Achievement of Standards

It is suggested that the satisfactory achievement of financial standards is likely to :-

- enable governors and teaching staff to concentrate on educational priorities;
- sustain/promote financial confidence – confidence breeds confidence;
- sustain/promote morale generally.

By contrast failure to achieve satisfactory standards is likely to :-

- waste the time of both governors and staff;
- distract attention from educational priorities;
- undermine morale generally.

Applicability of Standards

In principle standards ought to be universally applicable and this principle applies, for instance, in relation to reconciliation of bank accounts; thus bank accounts ought to be reconciled irrespective of whether they are operated by school staff, the County Treasurer's staff or staff of any other County Council department.

In practice some standards, while having general validity, may not be feasible in all operational circumstances; thus separation of duties, though desirable, may simply not be possible in a very small school.

Equity demands that, subject to differing external requirement (e.g. government rules), the same financial standards should be set for both schools and comparable County Council establishments.

STANDARDS FOR FINANCIAL MANAGEMENT AND ADMINISTRATION

General

1. Authority to deal with financial management and administration should be clearly defined and effectively communicated to those who are directly involved with them.
2. Arrangements for financial management and administration should ensure that they are fully integrated into the overall management framework of the school.
3. All systems of financial management and administration should, so far as is reasonably possible, incorporate adequate controls designed to promote the orderly, secure and efficient processing of financial activities. In particular systems should, where possible, incorporate the principle of “internal check” or separation of duties; this means that duties should be structured in such a way that the work of one person automatically acts as a check on the work of another.

(An example of internal check is where one employee maintains records of debtors' invoices but money received in respect of the invoices is receipted and banked by another employee – by separating the duties the risk of manipulation of records and money is reduced.)

4. Arrangements for the management and administration of a school's finances should ensure that adequate provision is made to maintain a satisfactory level of cover for the absence of key staff.

Preparation of Budgets

5. Budgets should be prepared :-
 - (a) in accordance with the provisions of the Council's Financial Management Scheme for Schools;
 - (b) within the limit of the approved overall budget share;
 - (c) in accordance with properly approved and clearly stated plans and policies for the school's activities;
 - (d) in a format which will meet managerial needs and be readily intelligible to users;
 - (e) in accordance with sound accounting principles; these imply that financial estimates should :-
 - be based on the most up-to-date and reliable information available;
 - include provision for all approved activities;
 - include provision for contingencies;
 - be arithmetically correct;

- be consistent with recognised accounting practice;
 - meet requisite time limits;
- (f) in such a way as to facilitate the subsequent monitoring and control of actual expenditure;
- (g) in such a way that they can be related meaningfully to relevant non-financial information.

Control of Budgets

6.1 Arrangement for the control of budgets should seek to ensure that :-

- (a) expenditure is maintained within approved budgetary provisions;
- (b) funds are expended for approved purposes only.

6.2 Such arrangements should include adequate procedures for :-

- (a) the safe comparison and monitoring of the progress of actual expenditure in relation to estimated expenditure – it is emphasised that reports of actual expenditure should be based on complete, accurate and up-to-date financial records which are properly reconciled to the bank account;
- (b) the investigation of differences (variances) between actual and estimated expenditure;
- (c) appropriate action to correct differences (variances);
- (d) the approval of changes to the budget;
- (e) the prevention of unauthorised expenditure.

6.3 The administration of such procedures implies the existence and proper operation of an accounting system which is capable of producing, for every level of budgetary control, accurate, up-to-date, timely and appropriate financial information which facilitates the comparison and monitoring of actual and estimated expenditure.

Review of Budgets

7. Arrangements for financial management and administration should incorporate adequate provision for the review of budgets to establish whether the school's delegated budget is being deployed in the most effective manner for the purpose of achieving managerial objectives.

Documentation of Systems and Procedures

8. Up-to-date records of how systems and procedures ought to be operated should always be maintained and such documentation should :-

- (a) specify system objectives;

- (b) describe clearly how the system, including any related procedures, works;
- (c) indicate who has authority to operate the system or any part of it;
- (d) include specimen system documents;
- (e) specify arrangements for dealing with system problems or failure;
- (f) enable any reasonably competent person to understand the system.

Training

- 9. Training, whether on or off-the-job, should enable staff to discharge their duties, efficiently and effectively through time.

Computing Arrangements

- 10. Where computing facilities are used for financial management and administration, arrangements for their use should :-
 - (a) include registration, by each individual school, in accordance with the Data Protection Act
 - (b) conform with the requirements of Data Protection legislation from time to time in force; ensuring also that staff are aware of their responsibilities under the legislation.
 - (c) secure the accuracy and integrity of all financial data relating to the school.
 - (d) comply with copyright, designs and patents legislation and in particular, to ensure that:
 - (i) only software legally acquired and installed is used
 - (ii) in developing systems, due regard is given to the issue of intellectual property rights.

In particular, such arrangements should make proper provision for :-

- (e) the physical security of computer equipment and software;
- (f) the restriction of access to the means of processing or reading data to authorised personnel only;
- (g) procedures for the control of input and output;
- (h) procedures for the reliable reconstruction of records in the event of system failure;
- (i) procedures for the processing of data by alternative means in the event of other than temporary breakdown.

Financial Stationery

- 11.1 Financial stationery should be designed to be suitable for the purposes for which it is to be used and to incorporate adequate control features where appropriate (e.g. serial numbering, inclusion of key data such as VAT number).
- 11.2 Safe and efficient arrangements should be made for the delivery, receipt, storage, issue and return of financial stationery.
- 11.3 In particular proper records should be maintained in respect of the location and movement of serially numbered stationery.

Financial Records – General Requirements

12. All financial records, including computer records, should be :-
 - (a) in a form which is consistent with standards of good operating practice for the systems to which they relate;
 - (b) subject to proper security at all times while they are in the care or custody of the school ;
 - (c) retained for periods specified by the County Treasurer as necessary for the protection of the Council's interest;
 - (d) available for inspection, at reasonable times, by those who are duly authorised to inspect them.

Financial Records – Retention Of

13. The County Council is required by statute to retain documents and records for varying degrees of time. The statutory requirements are those as laid down by the Inland Revenue, Customs and Excise and the Limitations act 1980. Financial records, including computer records, should be retained in suitably protective containers as follows :-

- (a) **Income Records**

These include items such as receipt books, income analysis sheets and bank paying-in books. All income records should be retained for a minimum period of the current financial year plus the preceding Six financial years.

- (b) **Expenditure Records**

These include items such as cash books, contracts, annual accounts, copy orders, cheque books, bank statements and paid invoices. Such records should be retained for a minimum period of the current financial year plus the preceding Six financial years. It is also recommended that files of key documents relating to major financial matters should be retained for not less than this minimum period.

(c) **Year-end Record**

At year-end the following records should be produced from the financial system:

- Bank history
- Trial Balance
- Full VAT reports

Such records should be retained for a minimum of six years

(d) **Salaries and Wages Records**

All records should be retained for a minimum period of the current financial year plus the preceding ten financial years.

(e) **Trust Funds**

These should be kept indefinitely.

(f) **Grants**

Invoices in respect of EC Grant funded projects must be retained for 3 years after the end of the programme; in practice this could mean retention in excess of 10 years. (If in doubt consult your Group accountant).

(g) **Non-Financial Records – Retention of**

Refer to Appendix D

Operation of Official Bank Account

- 14.1 Official bank accounts should be held jointly in the names of the school and of the County council – accounts should not be opened in the name of any individual.
- 14.2 Authority to order, sign, or countermand cheques should be restricted to an approved person or, where more than one signature is required, persons, or in the absence of such persons an approved deputy/deputies.
- 14.3 In respect of transactions other than remuneration of staff, all cheques, or other withdrawals, above a predetermined limit should be authorised by two approved signatories and the bank should be notified accordingly. (Governors are recommended to adopt a limit within the range specified in para. 3 of Appendix C of the Financial Regulations.)
- 14.4 No authorised signatory should sign a cheque payable to himself/herself. Each cheque payable to an authorised signatory should be signed independently of the payee. (This may need to be varied in emergency circumstances.)
- 14.5 Instructions to the bank concerning the account should be conveyed in writing and authority to give instructions should be restricted to the approved

manager or, in her/his absence, an approved deputy.

- 14.6 No cash withdrawal should exceed a predetermined limit and the bank should be instructed accordingly. (Governors are recommended to adopt a limit within the range specified in para. 4. of Appendix C of the Financial Regulations.)
- 14.7 The amount of the school's official funds held as cash should not exceed a predetermined limit; additionally the balance of all official funds not held as cash should be held in the school's bank account. (Governors are recommended to adopt a limit within the range specified in para. 5. of Appendix C of the Financial Regulations.)
- 14.8 The balance of money per the bank's official statement should be reconciled with school's cash book records at least monthly, or in the case of weekly statements within a few days from the date of receipt; the results of each reconciliation, including a list of any un-reconciled items, should be recorded and reported promptly to the headteacher or authorised deputy.
- 14.9 Official monies should not be withheld for the private use of any person and personal cheques should not be encashed from official monies.

Payments – General

15. Systems for making payments should incorporate suitable controls designed to ensure in respect of all payments that :-
 - (a) commitment to them is made in accordance with approved procedures and within approved budgetary provision;
 - (b) adequate supporting records are completed at all stages and are retained safely after payment for periods specified by the County Treasurer for the purpose of protecting the Council's interests;
 - (c) they are properly payable;
 - (d) they are correct in all respects;
 - (e) they are passed for payment in a timely fashion and in accordance with approved authorisation and processing procedures;
 - (f) they are paid only once;
 - (g) all statutory requirements are met;
 - (h) they are promptly and accurately recorded in the school's financial information system.

Contracts

16. All contracts made on behalf of the Council shall be subject to the Council's Contract Procedure Rules.

Petty Cash

17. Payments from petty cash should meet the general requirements for all payments set out in para. 15. above. Additionally :-
- (a) petty cash records plus cash balances (in hand or at a bank) should be reconciled regularly to the value of the total petty cash advance; (It is suggested that petty cash should be reconciled at least monthly.)
 - (b) petty cash should generally be used only for small, incidental purchases for which routine credit is not available;
 - (c) remuneration of employees should not be disbursed from petty cash.

Income

18. Arrangements for dealing with income should incorporate suitable controls designed to ensure in respect of income that :-
- (a) adequate records are maintained to substantiate all income transactions;
 - (b) receipts are issued for all cash income received;
 - (c) prudent terms for credit are approved and communicated to debtors and satisfactory procedures (including, where necessary, withdrawal of credit facilities) are adopted for dealing with breaches of terms;
 - (d) invoices are raised in respect of all credit income and all such income is collected in accordance with approved instructions;
 - (e) all income received at the school's premises is held securely and banked promptly and intact;
 - (f) amounts due are calculated in accordance with approved charging policies which include provision for annual review of charges;
 - (g) where special conditions apply to the use or receipt of income, such conditions are adhered to;
 - (h) every person paying money into a bank account shall enter on the paying-in slip and on the counterfoil or duplicate thereof, particulars of such payment including, in the case of each cheque, particulars which will connect each cheque to the transaction to which it relates;
 - (i) all income transactions are recorded promptly and accurately in the school's financial information system;
 - (j) income due is not written off unless the write-off is properly authorised in accordance with approved policies.
 - (K) Money Laundering – The County Council's policy on money laundering is: "Under no circumstances should an amount in cash in excess of £5,000 (five thousand pounds) be received by anyone on behalf of the County Council in payment for any goods or services supplied or provided to any customer of the authority unless approval has been

prior obtained from the County Treasurer or his representative since such acceptance would have serious implications under the legislation governing criminal activity of money laundering, including the need to register the Council as a High Value Dealer, as defined by legislation”.

Governors and Head Teachers should also be wary of accepting and banking cheques that are clearly gross overpayments; for example, if a parent were to pay the sum of £1,500 instead of £150 for a school trip then the cheque should be returned to him/her with a request for a new cheque to be issued for the correct amount. By banking the original cheque for £1,500 and issuing a refund of £1,350 one could unwittingly facilitate the laundering of money.

Insurances

19. Insurances, however arranged, should be managed so as to :-
- (a) provide adequate cover for the risks insured;
 - (b) maintain cover up-to-date at all times;
 - (c) ensure compliance with the insurers' requirements;
 - (d) enable incident reports and claims to be processed promptly and effectively;
 - (e) enable claim proceeds to be reimbursed and banked promptly;
 - (f) ensure regular review of the need to insure risks, the cost and suitability of the policies maintained and the adequacy of the cover selected.

Assets

- 20.1 Proper security should be maintained for all buildings, vehicles, plant, stocks, stores, furniture, equipment, money and other valuables.
- 20.2 Maximum limits for cash holdings should be approved by the governors and should not be exceeded without their approval.
- 20.3 Safe and efficient arrangements should be made for the reception, storage, issue and return of assets. Such arrangements should include the maintenance of appropriate records and inventories and periodic checks of equipment and stores against the relevant records and inventories. Any substantial surplus or deficiency revealed as a result of such checks should be reported to the County Treasurer.
- 20.4 Assets coming into the ownership of schools, by purchase or otherwise, should, so far as is reasonably practicable be effectively marked to identify them as Council property. They should not be removed from the school premises otherwise than in the ordinary course of official business except in accordance with a policy approved by the governors.
- 20.5 Where assets become obsolete or are damaged so as to render further use, for any reason, inappropriate they should be written off, provided they have no net resale value, in accordance with a policy approved by the governors.

Adequate arrangements should be made for the recording and reporting of write-offs (which should be certified by two authorised persons) and governors are recommended to :-

- limit authority to write off items to either the Governing Body or the headteacher or an authorised deputy;
- limit the authority of the headteacher (or authorised deputy) to items with an original cost or likely sale value within the range specified in para. 6. of Appendix C of the Financial Regulations;
- require all write-offs to be reported to the Governing Body.

20.6 Safe and efficient arrangements should be made for the disposal of surplus goods, materials, vehicles and equipment which have a net resale value. Adequate provision should be made for the recording and reporting of all such disposals. The precise arrangements for disposal will depend on the nature and value of the assets involved; the state of demand for them and the cost of their disposal. However, arrangements for the disposal of any asset should meet the following requirements :-

- they should be legal and in conformity with any Government requirements from time to time in force;
- they should be in accordance with governors' policy;
- they should promote scope for competition among potential purchasers;
- they should ensure that appropriate steps are taken to establish properly the value of the items to be disposed of;
- they should be demonstrably fair and open and should avoid creating an unfair advantage for any interested party;
- they should be appropriate having regard to the nature, value and current state of demand for the item(s) involved;
- no asset which originally cost more than the amount specified in para. 7. of Appendix C of the Financial Regulations or which is likely to have a sale value in excess of the amount specified in para. 8. of Appendix C of the Financial Regulations should be disposed of without reference to the County Treasurer as such a transaction may have capital implications.

20.7 Safe and efficient arrangements should be made for the reception recording, storage and return or disposal of found property.

Intellectual Property

21 In respect of Intellectual Property, governors should ensure that:

- Controls are in place to ensure that staff do not carry out private work in Council time and

- that their staff are aware of an employers' rights with regard to intellectual property.

Other School Funds

- 22.1 Voluntary or private funds should be accounted for separately from official Council monies and separate banking arrangements should be made for them.
- 22.2 Money belonging to a private or voluntary fund should be deposited in a bank or similar account and should not be used for purposes other than fund purposes. In particular money received on behalf of the fund should be banked at the earliest opportunity and no money should be withheld from the bank for private purposes.
- 22.3 One person shall have overall responsibility for each fund.
- 22.4 Final accounts should be produced for each fund at the end of each annual period of account or on the closure of a fund where the fund operates for less than a whole year.
- 22.5 All final accounts should be audited and the audited accounts should be reported to governors within a specified time after the end of the annual period of account or the closure of the fund if that precedes the end of the period of account.
- 22.6 Adequate insurance cover should be arranged for such funds.
- 22.7 Two signatures should be required for each cheque drawn on the fund bank account.

SCHOOLS

SCHEDULE OF RECOMMENDED FINANCIAL LIMITS

Para		No. of approved Signatories
1.	Virement: Range up to £10,000	
2.	Cheque Signatory limits:	
	Up to £1,000 (Secondary and Primary over 400 pupils in size)	1
	Up to £500 (All Special and Primary up to 400 pupils in size)	1
	£1,001 to £20,000 (Secondary)	2
	£1,001 to £5,000 (Primary over 400 pupils in size)	2
	£501 to £5,000 (All Special and Primary up to 400 pupils in size)	2
	Above £20,000 (Secondary)	3*
	Above £5,000 (All Special and Primary Schools)	3*
	* must include a governor	
3.	Withdrawal of Cash from Bank: Range up to £500	
4.	Petty Cash Limits:	
	Primary - £250	
	Secondary - £400 (or an estimated one terms normal usage, whichever is the smaller).	
5.	All Official Funds held as Cash: Range up to £1,000 – but see note below.	
	The Council's insurers require that cash holdings up to £1,000 must be held in a locked receptacle and that amounts of cash in excess of £1,000 but up to a maximum of £3,000 must be held in a safe or strongroom. Very few of the Council's establishments ever need to hold cash in excess of £1,000 at any time; however if any headteacher thinks it may be necessary to exceed the £1,000 limit she/he should check with the County Treasurer's insurance section to ensure that the school's security arrangements comply with the insurers' requirements.	
6.	Head's authority to Write Off Assets: Range up to £2,000	
7.	Original Cost of Asset: £5,000	
8.	Likely Sale Value: £1,000	
9.	Bad Debts – Governors £1,000 (Debts over £1,000 must be referred to the County Treasurer for a decision).	

APPENDIX D

NON-FINANCIAL RECORDS – RETENTION OF

The table below summarises the type of record and the period for which they need to be retained

Record	Retention Period (years)
Absence Records	6
Accident Books	Pupil records until age 26; 3 years for the rest
Admission Registers	3 (then to Archivist)
Attendance Records	3
Child Protection Issues	To be held centrally
Circulars to Parents	3 years
Complaints – Parental/Pupil/Employees	Until 26 years old (Pupils/Parents) Until 75 years old (Employees)
DfES returns and supporting paperwork	6 + 1
Employment Application Forms	Successful applicants – see Personnel Records Unsuccessful applicants – 6 months
Exam Results	6
Free School Meals	6 + 1
Form 4/Form 7 returns	6 + 1
Governors' Meetings minutes	6 (then to Archivist)
Home Tuition	Until 26 years old
HSW5	Until 26 years old for pupil records, 3 + 1 for all others
Log Books	To Archivist upon completion
Personnel records	Generally 5 years after employee has left, but records of anyone leaving under unusual circumstances to be kept indefinitely
Prospectus	Keep until youngest child that year is 26 years old
Punishment Books	3 (then to Archivist)
Pupil records	6 + 1
Payroll & Travel records	10 + 1
School Meals	3 (as long as needed for Admin purposes) registers returned to Internal Audit at end of each term.
SEN records	75 years
Staff Meetings minutes	To Archivist after use
Statistical Returns	6 + 1 (held centrally)
Student Services Student Record Card	5 + 1
Supply Cover Insurance	6 + 1 (Shred)
Syllabus	Keep between Ofsted Inspections
Teachers' Files	Generally 5 years after employee has left, but records of anyone leaving under unusual circumstances to be keep indefinitely
Theft & Vandalism Scheme	6 + 1 (Shred)
Timetables	Keep between Ofsted inspections

Capital Accounting – Flow Diagram

Is the total cost of the project in excess of £10,000
 Note: the project may involve the purchase of a single item e.g. a minibus, or several items such as an IT suite.
This guidance does not apply to Devolved Capital and Seed Challenge – lower financial limits apply. Separate guidance is supplied by the Transportation & Estates Dept.

→ **NO** → Does **not** need to be treated in the accounts as Capital Expenditure

YES

Will the expenditure yield benefits to the school and the services it provides for a period of more than one year

→ **NO** → Does **not** need to be treated in the accounts as Capital Expenditure

YES

Does the project involve any of the following criteria :-

- Acquisition, reclamation, enhancement or laying of land;
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels;

Note : in this context, enhancement means the carrying out of works which are intended to :

- Lengthen substantially the useful life of the asset; or
- Increase substantially the open market value of the asset; or
- Increase substantially the extent to which the asset can or will be used for the purpose of or in conjunction with the function of the local authority concerns.

Under this definition, improvement works and structural repairs should be capitalised, whereas ordinary jobbing maintenance to buildings, including painting and decorating will not be included.

→ **NO** → Does **not** need to be treated in the accounts as Capital Expenditure

YES

This is almost certain to be capital scheme which must be recorded in the accounts using the appropriate codes. These being :-

Capital Expenditure

10120	-	Land & Buildings) Non T & E Dept
10207	-	Vehicles & Plant) invoices.
10306	-	Furniture & Equipment)

08341 - Revenue Financed Capital – to be used to record expenditure invoiced by Transportation & Estates Dept.

Capital Income

11513	-	Capital Grants
11517	-	Capital Contributions – Public Donations
11508	-	Other Capital Contributions

- Other relevant notes :-**
1. If the capital scheme involves land or buildings the **property landlord** must be consulted. Please speak to your Client Project Manager or David Hastings (01872 322736) within the Transportation and Estates Department or for church schools the Diocesan Board.
 2. The capital spending met from a school's budget share must be notified to the LEA.
 3. Capital income must be recorded in accordance with the available codes.
 4. If the school is considering entering into a **leasing** arrangement in order to fund, whether partially or wholly, the capital scheme this may affect the County Councils borrowing allowances. In such cases contact must be made with the Treasury Management Officer at County Hall (01872 322212) before any lease is signed. Contact must also be made with the Treasury Management Officer in all cases where leasing arrangements are involved even in circumstances where the scheme is not considered a capital project.
 5. Reference should be made to the Council's **Contract Standing Orders** to ensure suitable compliance with those standing orders.
 6. Please contact your local **Education Accountancy** Representative should you require further clarification