

FINANCIAL REGULATIONS

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FINANCIAL REGULATIONS

INTRODUCTION

1.1 What This Section Covers

1.1.1 These Regulations form part of the Scheme of Delegation. They must be followed by all staff and governors in a school whether directly employed, contracted, employed through an agency or volunteers in their conduct of financial and related matters. They cover the following fundamental areas of financial management and control:

- setting, monitoring and controlling the revenue and capital budget
- accounting responsibilities
- controlling income and expenditure
- risk management and control of resources
- procurement
- retention of documents

1.2 To Whom the Regulations Apply

1.2.1 For the purposes of this document, the Chief Finance Officer is the Officer appointed by the Council in accordance with Section 151 of the Local Government Act 1972. (Further details of roles and responsibilities are set out in Part 4 of the Constitution).

1.2.2 These Regulations apply to all staff and governors working in all schools maintained by the LA. Head Teachers are under a duty to ensure that their staff and governors comply with these regulations. Failure to comply with the regulations may constitute misconduct and lead to formal disciplinary action.

1.2.3 The following describes the overall framework and the main roles and responsibilities in respect of the Regulations. This is not exhaustive and there will be overlaps. The Chief Finance Officer is responsible for reviewing these regulations and reporting any breaches to the Executive or Full Council. Ultimately all staff and governors are responsible for complying with all Regulations:

- The Chief Finance Officer puts in place financial standards and practices across the Council to deliver a framework for financial control, provide accurate, timely and consistent monitoring information, and sound advice on financial decisions to be made by officers and members.
- Head Teachers must ensure that their school promotes, enacts and monitors adherence to the necessary financial control framework and keeps spending within budget, indicating where necessary, conflicts between current service policy and plans and resource allocation.
- Head Teachers are required to keep accurate financial records, comply with the financial control framework and take timely action to keep spend within budget.
- Finance & Corporate Resources and staff in the Children and Families Department collate financial information, monitor implementation of the financial control framework, support school finance officers and Head Teachers in their financial responsibilities, and give assurance to the Director of Children and Families and Members that adequate controls exist to produce sound financial administration.

- School finance officers collate the financial information about their school, provide financial advice to the Head Teacher and governors in the school, provide financial information to the Children and Families Department, Finance and Corporate Resources, support Head Teachers in their financial responsibilities, help to implement the financial control framework and ensure sound financial administrative systems are in place.
- Audit and Investigations provide the Council's internal audit function and anti-fraud services. They assist the Chief Finance Officer and Director of Children and Families to discharge their statutory duties and provide Head Teachers with advice and guidance on the system of internal control. They are responsible for investigations into financial irregularities across all Council services.

1.2.4 These Regulations are supplemented by, and should be read in conjunction with:

- Technical Standards, setting out more detailed requirements for financial arrangements, which may change from time to time.
- Guidance notes or memoranda on good financial management practice which may be issued periodically by the Chief Finance Officer.
- Financial Information for Schools Under Devolved Funding booklet.
- The Scheme for Financing Schools.
- Budget Preparation for Schools booklet.
- The Scheme of Delegation.

SETTING, MONITORING AND CONTROLLING THE REVENUE BUDGETS

2.1 Head Teacher – Budgetary Role

2.1.1 The Head Teacher shall be responsible for maintaining a proper system of budgetary control and preparing all estimates for submission to the Governing Body and the Director of Children and Families. These functions shall be discharged in accordance with any guidelines or Codes of Practice issued from time to time by the Director of Children and Families and the Chief Finance Officer.

2.1.2 The estimates of income and expenditure shall be prepared by the Head Teacher in accordance with the requirements of the Director of Children and Families.

2.1.3 The inclusion of money in the approved Budget Share of the School shall authorise the Governing Body concerned to spend that sum.

2.1.4 Neither the Governing Body, an individual Governor, nor the Head Teacher shall commit the School to any expenditure for which there is not sufficient budget provision or which will cause an overall budget deficit.

2.1.5 Each Governing Body shall be responsible for:-

- (i) reporting without delay to the Director of Children and Families where it appears that the total budget for the school may be exceeded, and
- (ii) taking action to bring the budget back into balance.

2.1.6 Transfers between budget heads may be agreed by resolution of the Governing Body.

2.2 Setting the Budget

2.2.1 The budget is the financial representation of the school's development plan. It will be proposed by the Head Teacher and agreed by the Governing Body. The Budget and Policy procedure rules are set out in the Financial Information for Schools and Budget Preparation booklets. Each Head Teacher shall be responsible for:

- Maintaining a proper system of budgetary control.
- Preparing estimates within the overall criteria and policy framework formulated.
- Setting performance measures linked to School Development Plans and reviewing progress and outcomes for the resources allocated.
- Delivering the curriculum and other school services with the resources agreed.

2.2.2 Budgets must be produced in accordance with the Budget Preparation for Schools booklet, which is issued annually.

2.3 Monetary Limits

2.3.1 The inclusion of money in the School Budget approved by the Governing Body shall authorise the Head Teacher to spend up to that sum. Head Teachers are not authorised to exceed their approved budget.

2.4 Transfer of Resources between Budgets

2.4.1 Head Teachers may transfer resources between budgets (virements) provided they comply with any conditions set by their governing body and follow the advice provided by the Director of Children and Families and the Chief Finance Officer.

2.5 Monitoring the Budget

2.5.1 Once the budget is agreed Head Teachers must ensure that it is strictly monitored.

2.5.2 Head Teachers must provide termly returns to the Director of Children and Families in a format required by him, as well as year end returns in a format and to a time-scale set by the Chief Finance Officer and the Director of Children and Families.

2.6 Controlling the Budget

2.6.1 Strict financial discipline must be maintained and once decisions have been made on the budget for a year Head Teachers must seek to ensure that the budget plan is met.

2.6.2 Governing Bodies shall make arrangements which ensure that significant variance from approved budgets are investigated and reported by Head Teachers regularly.

2.6.3 Each Governing Body shall determine the extent of powers that are to be delegated to the Head Teacher in respect of financial delegation.

2.6.4 Head Teachers and Chairs of Governors must complete the Department for Education and Skills (DfES) Financial Management Standard Self Assessment Tool by 1st September 2006 at the latest. This must then be reviewed annually and sent to the Director of Children and Families in accordance with requirements set by the Chief Finance Officer.

2.7 Overspends

- 2.7.1 Overspends in school budgets are not acceptable. An overspend must be dealt with by action of some kind, even if this means changing policy, service levels and staffing levels, or virements from elsewhere in the school's budget. Each Head Teacher must notify the Director of Children and Families immediately if it appears that their overall budget is likely to overspend due to an estimate or approved expenditure being exceeded, or income not being achieved.
- 2.7.2 The Head Teacher will be required to detail the action they propose to take to correct the overspend. Specific and costed proposals will be expected.
- 2.7.3 Head Teachers and Governing Bodies have to take responsibility for their school budgets and to seriously examine their own capacity to fund new proposals or overspendings.
- 2.7.4 Where action is to be taken to control overspends then precise budget heads must be identified and detailed. Any service implications must be fully stated. If details are not provided then the action will not be regarded by the Director of Children and Families as satisfactory.
- 2.7.5 If a school budget is in deficit at the year end, the school will be required to submit a recovery plan to the Director of Children and Families and Chief Finance Officer in accordance with the Scheme of Delegation.

2.8 Underspends

- 2.8.1 Schools may carry forward any underspent balance of their Budget Share at the year end in accordance with the provisions of the Scheme of Delegation.

2.9 Withdrawal of Delegation

- 2.9.1 Where a school has a delegated budget, the Director of Children and Families by one month's notice, may suspend the delegation where the Director of Children and Families considers that the Governing Body:
 - (a) has substantially or persistently failed to comply with any of the requirements of the borough's LMS scheme;
 - (b) is not managing the appropriation or expenditure of money satisfactorily.
- 2.9.2 Financial delegation shall be withdrawn immediately in the event of gross mismanagement of school resources on the part of the Governing Body/Head Teacher.
- 2.9.3 The withdrawal of financial delegation shall be reviewed annually.

3. LEASING, LOANS AND FINANCING AGREEMENTS

3.1 General Requirements

- 3.1.1 In order to ensure compliance with the prudential framework, Head Teachers may not enter into any leasing agreements or any other loan or financing arrangements for the acquisition of property, vehicles, plant or equipment without the prior written consent of the Chief Finance Officer.

4. ACCOUNTING RESPONSIBILITIES

4.1 Accounting Systems and Procedures

- 4.1.1 The Chief Finance Officer and Director of Children and Families are responsible for approving the accounting systems that shall be used by schools. New financial systems or changes to existing systems should not be introduced or made without the prior approval of the Director of Children and Families. This will only be withheld if it appears that the system will not deliver proper financial management or will not provide financial or other data in the current format required by the Council and/or Central Government.
- 4.1.2 Each Head Teacher shall establish a scheme of authorisation identifying officers authorised to act upon their behalf in respect of payments, income collection and placing orders, including variations, and showing limits of their authority.
- 4.1.3 Head Teachers must regularly review their accounting systems to ensure that report outputs are timely, accurate, clear, convenient and readily understood by users.
- 4.1.4 Head Teachers will be responsible for ensuring that officers involved in operating accounting systems and undertaking financial procedures receive proper assessment of their financial skills and learning and development needs.

4.2 Accounting Policies

- 4.2.1 The Chief Finance Officer is responsible for determining the Council's accounting policies. Each Head Teacher is responsible for ensuring that these policies are adhered to and applied consistently in School accounts. The underlying principles include:
- the accounts should be a fair presentation of the school's financial position and transactions in respect of that financial year.
 - income and expenditure should relate to the services provided in the same accounting period (the financial year). In revenue accounts, provision must be made for income and expenditure earned/used irrespective of when the amounts are actually paid or received.
 - the accounts should be prepared on a prudent basis with income only being included to the extent that it is likely to be received; proper allowance should be made for all known liabilities and losses.
- 4.2.2 The Director of Children and Families will prepare and issue to all schools the "*Budget Preparation for Schools*" document on an annual basis. In addition, the Director of Children and Families will issue guidance to schools on an annual basis via a Circular on the School Extranet that will detail all end of year reporting requirements as specified by the Director of Children and Families and Chief Finance Officer. Each Head Teacher is responsible for ensuring compliance with this document.
- 4.2.3 Other accounting and financial guidance will be issued from time to time as required via Circulars on the Schools Extranet and Head Teachers must ensure that they access and act on these documents.

4.3 Accounting Records

- 4.3.1 Each Head Teacher is required to maintain and securely hold complete and accurate accounting records of all the financial transactions under their control.
- 4.3.2 Head Teachers must also ensure that VAT, Income Tax and other statutory additions and deductions are properly calculated and accounted for on all transactions where appropriate and must supply to the Director of Children and Families such details of statutory additions/deductions as are required to meet the appropriate accounting requirements and enable the submission of statutory returns.
- 4.3.3 Any adjustments to the accounts (journal entries) must be properly documented to incorporate adequate explanatory narrative and cross-referenced to proper working papers. They should be signed or identified by the originator.
- 4.3.4 Head Teachers must ensure that all accounts are supported by full documentation, which is retained for inspection for a period complying with the rules on retention of documents as detailed in section 11.
- 4.3.5 Head Teachers must ensure that adequate procedures are in place to enable accounting records to be reconstructed in the event of systems failures.
- 4.3.6 Head Teachers must ensure that prime reconciliation procedures are carried out on a regular basis and shall provide evidence as required by the Director of Children and Families and Chief Finance Officer. As a minimum:
- All bank accounts under their control, including client and purchasing accounts, must be fully reconciled and reported to them on a monthly basis.
 - All Accounts, including Debtors and Creditors Accounts, must be reconciled on a regular monthly basis and at the end of each financial year.
 - Unofficial funds must be accounted for in accordance with guidance set out in the Financial Information for Schools Under Devolved Funding booklet.

4.4 Final Accounts - Year End Requirements

- 4.4.1 The Chief Finance Officer is responsible for ensuring that the annual statement of accounts is prepared in accordance with the Code of Practice on Local Authority Accounting in the UK: A Statement of Recommended Practice and for ensuring proper arrangements are made for the audit of the accounts in accordance with the Accounts and Audit Regulations 1996.
- 4.4.2 Each Head Teacher shall be responsible for producing detailed final accounts after the end of each financial year (1st April to 31st March) produced in accordance with codes of practice and agreed timetables and shall provide such information as is required by the Director of Children and Families and the Chief Finance Officer to meet statutory accounting requirements.
- 4.4.3 Head Teachers must maintain full supporting documentation and audit trail to justify all figures contained in their accounts and be able to present for internal and external audit as required.

5. CONTROLLING INCOME AND EXPENDITURE

5.1 Income - General

5.1.1 Each Head Teacher is responsible for the:

- collection of all income due to the school in respect of services provided by that school;
- safe custody of all income;
- effective recovery action;
- establishment of performance management systems to monitor the recovery of income;
- maintaining all records relating to income collection and debt write-offs.

Further guidance on income collection is included in the Financial Information for Schools Under Devolved Funding booklet.

5.1.2 Any proposals to enable on-line income collection or payment facilities must be approved by the Chief Finance Officer and Director of Children and Families prior to implementation.

5.1.3 Wherever possible, income should be collected prior to or at the point of delivery of service. Head Teachers must ensure the appropriate charging of VAT. Further advice is set out in the Financial Information for Schools under Devolved Funding booklet.

5.1.4 Where invoices are issued for the collection of debts these shall be issued promptly and all necessary action taken for recovery of that debt.

5.1.5 All income received on behalf of the school shall be paid into the appropriate bank account without delay. Third party and personal cheques must not be cashed from moneys held on behalf of the school.

5.1.6 Each Head Teacher and Governing Body shall review their charges at least annually. Such reviews shall take account of any advice from the Director of Children and Families.

5.1.7 A numbered receipt must be issued for all items of income collected on behalf of the school. With the exception of tickets, Head Teachers must keep a copy of each receipt. All forms of receipt must be treated as controlled stationery, i.e. numbered and kept in a secure place with all issues recorded.

5.1.8 Receipts must be properly accounted for and accounts reconciled on a regular basis. Any major discrepancies in income collected against that banked must be immediately investigated and notified to Audit and Investigations.

5.1.9 Cash should be banked as soon as possible after receipt and should be held in a secure place until banked. Where the insurance cover is provided by the council each Head Teacher must advise the Chief Finance Officer of their arrangements so that insurance cover can be effected on cash in transit and income limits on safes etc. can be observed.

5.1.10 The responsibility for raising an invoice must be separate from that of determining amounts due. Head Teachers are responsible for taking prompt action for the recovery of outstanding debts including legal action where appropriate.

5.2 Income – Bad Debts and Write Offs

5.2.1 Where Head Teachers feel that they should write off a bad debt, advice must be sought from the Director of Children and Families and approval obtained from the Governing Body where appropriate.

5.2.2 Following approval to write-off debt, Head Teachers must ensure that the appropriate accounting and budgeting adjustments are made.

5.3 Expenditure – General

5.3.1 Head Teachers are responsible for ensuring that all expenditure under their control is incurred lawfully, is within budget provision and that the best value has been obtained in procuring goods and services. Head Teachers must ensure that only relevant expenditure is charged against an approved budget head.

5.3.2 It is essential that Head Teachers ensure there are effective internal controls over the payment process. There must be a clear division of duties between placing orders, authorising payment and signing cheques/payment instructions. Head Teachers must keep a record of the officers responsible for these functions and the limits of their authority.

5.3.3 In order to safeguard financial propriety, the following principles shall be observed in the allocation of duties:

- the duty of providing information regarding sums due to or from the school and of calculating, checking and recording these sums shall be separated as completely as possible from the duty of collecting or disbursing them.
- employees charged with the duty of examining and checking the accounts of cash transactions shall not themselves be engaged in any of these transactions.
- the procedures in place and the responsibility of officers should be in writing and available for examination.

5.3.4 Head Teachers must also ensure that there is a system of authorising payment from bank accounts, which is sufficient to prevent fraudulent or inaccurate payments being made.

5.3.5 Further advice is contained in the Financial Information for Schools Under Devolved Funding booklet booklet.

5.4 Expenditure – Official Orders

5.4.1 Official orders must be issued for all work, goods or services to be supplied to the school. Official orders are not required for the supply of gas, electricity, telephone or water supplies. These must be paid on actual readings, at least once a year. Head Teachers should take appropriate steps to ensure value for money in the purchasing of all goods and services and must comply with the procurement regulations – see section 7 below

- 5.4.2 Official orders shall be signed only by officers authorised by the Head Teacher. A copy of each official order shall be retained by the issuing Unit. Any subsequent variation or amendment to an order shall be made only by those staff authorised to sign orders and should be noted on the copy of the order.
- 5.4.3 The function of placing an order (i.e. determining the supplier and issuing a physical order for the supply) should, as far as possible, be separated from the function of receiving and inspecting the supply.
- 5.4.4 Before placing any contracts or orders for work to be undertaken, a Head Teacher must be satisfied that the contractor is technically competent, has sufficient financial standing to carry out the work and can produce work, goods and services to the required quality.
- 5.4.5 Head Teachers must ensure:
- that unique pre-numbered official orders are used for all goods and services;
 - that orders are only used for goods and services provided to the unit and not by individuals for obtaining goods and services for their private use.
- 5.4.6 School staff authorising orders must be satisfied that the goods and services ordered are appropriate and needed, that adequate budgeting exists and that the necessary quotations or tenders have been received.

5.5 Expenditure - Paying Invoices

- 5.5.1 Head Teachers shall make arrangements for the payment of properly authorised accounts. No payment shall be made unless supported by an invoice or payment request. There must be a clear division of responsibility between placing orders and paying invoices and those authorising payment and signing cheques must be satisfied that the expenditure is valid.
- 5.5.2 School staff certifying sums to be due for payment shall first satisfy themselves that such sums are legally and properly payable, and that budgetary provision exists to cover the payment.
- 5.5.3 Head Teachers must put in place arrangements which ensure that:
- Invoices are matched to orders raised. This should be done as soon as possible as this is the school's protection against any dispute.
 - The goods/services delivered or work carried out must agree with the order and delivery note (where applicable) in respect of quality, quantity and price.
 - Invoices are checked to ensure they are properly payable, are arithmetically correct and include the appropriate VAT details.
 - Except in cases of absolute emergency, payments are not made on photocopies and/or faxed invoices.
 - In order to demonstrate that all the appropriate checks have been carried out it is advisable to use a certification slip or payment stamp.
 - All payments must be authorised.
 - Any goods returned or unsatisfactory services must be recorded on the delivery note and copy order at the time to ensure they are not paid for in error.

- No payment for goods and services can be made until they have been received, unless contractually required.
- The invoice has not previously been paid.
- The invoice is properly coded.
- Appropriate entries will be made in accounting records.

5.5.4 There are certain payments where invoices are not available as the payment is generated internally, e.g. payments to other schools of a sum received by a co-ordinating school. These payments never attract VAT. The payment of these items needs to be set out in an internal payment document, a copy of which must be retained to support the transaction.

5.5.5 Periodic payments are those made for rents, ground rents, way leaves etc. for many years. A register of periodic (regular) payments should be kept to ensure that payments are made accurately and by the due date.

5.6 Expenditure – Payroll

5.6.1 The payment of all salaries, wages, pensions, compensation, other emoluments and the deductions from salaries for tax, superannuation and other deductions to and/or from all employees and former employees of the school shall be made under arrangements approved by the Chief Finance Officer. Where schools wish to use a payroll provider other than the Council the Chief Finance Officer's approval will only be withheld if there are doubts about the ability of the provider to deliver a proper service. Head Teachers are under a duty to ensure that all appointments, resignations, absences, overtime or other circumstances affecting the salary, wage or emoluments of an employee in their school are acted upon immediately.

5.6.2 Head Teachers must ensure that all appointments are in accordance with appropriate grades and scales of pay, are consistent with agreed arrangements and that adequate budget provision is available.

5.6.3 Head Teachers are responsible for ensuring that suitable arrangements are in place for payroll administration. It is essential that Head Teachers ensure that sufficient controls are in operation to prevent fraudulent or erroneous payments. Head Teachers are responsible for ensuring that only authorised payments are made. In particular, effective authorisation procedures are needed in respect of new starters, leavers, absences and variations to pay. They should include a proper division of duties between staff authorising payments and those checking payroll output. In no circumstances may a member of staff authorise or process a transaction in relation to their own remuneration.

5.6.4 Head Teachers are responsible for ensuring that all data is input correctly to the payroll system and that all deadlines are met.

5.6.5 Where the Council's Payroll Service is used, all car mileage payments must be made through the payroll. Car mileage claim forms must be sent to Payroll Section with a valid cost code. Where another payroll supplier is used, car mileage must be processed through them.

5.6.6 It is the responsibility of the Head Teacher to ensure that settlement of any Council loans is agreed when completing the leaving notice. A copy of the notice must be sent to Exchequer Services if the Leaver has an outstanding loan.

5.7 Expenditure - Petty Cash

- 5.7.1 Head Teachers are responsible for funding their petty cash imprest accounts out of their bank accounts. A separate bank account may be held specifically for the purposes of petty cash. Details regarding Imprest Accounts can be found in the Financial Information for Schools Under Devolved Funding booklet.
- 5.7.2 Petty Cash must be properly accounted for and reconciled on a monthly basis (also taking into account VAT where applicable). School staff administering petty cash must ensure that expenditure conforms to the legal and justifiable tests as for general expenditure. Proof of expenditure must be obtained in all cases and documentation must be retained in accordance with general expenditure items.
- 5.7.3 Head Teachers must make adequate arrangements:
- for the safe custody of cash held;
 - to ensure the float is never used to cash personal cheques or to make personal loans.

5.8 Income and Expenditure Taxation Returns

- 5.8.1 It is the responsibility of the Chief Finance Officer to make arrangements for the completion of all returns to the HM Revenue & Customs. Head Teachers must provide information to the Chief Finance Officer in the format and timetable required in order to meet these responsibilities. The Financial Information for Schools Under Devolved Funding booklet covers these areas.
- 5.8.2 Head Teachers are responsible for VAT on expenditure and income. A number of school services attract VAT, which must be passed on to customers and separately accounted for. Details of items attracting VAT, the rates to be applied and the specific accounting arrangements are contained in the Financial Information for Schools Under Devolved Funding booklet.
- 5.8.3 The majority of payments made to suppliers and contractors will be subject to VAT. In these cases an original VAT invoice must always be obtained. A supplier not registered for VAT is not entitled to charge VAT. VAT invoices must contain certain information, details of, which are set out in the Financial Information for Schools Under Devolved Funding booklet. This booklet also set out a number of practical guidelines, which must be observed.
- 5.8.4 Heavy penalties will be imposed on the Council if it submits incorrect VAT returns. Any penalties resulting from a misdeclaration will be charged to the school concerned.
- 5.8.5 Head Teachers must submit a quarterly return to the Director of Children and Families providing details of VAT charged and paid. These returns will be in a format notified by the Chief Finance Officer and must be submitted within specified timescales.
- 5.8.6 Payments to subcontractors employed by the school for work of a construction nature are subject to special verification and reporting. These arrangements are set out in the Financial Information for Schools Under Devolved Funding booklet. Each Head Teacher must submit returns in a prescribed format to the Chief Finance Officer providing details of payments made for construction operations under the Construction Industry Scheme.

- 5.8.7 All payments to employees and former employees of salaries and wages - including London Weighting, overtime, fees, commissions, bonuses, performance related pay, contract additions, leased car allowances, honoraria, sickness payments (including SSP and SMP), holiday pay, pensions compensation, other emoluments and other taxable and/or superannuable payments must be made through the school's payroll system. They must not be paid out of petty cash, or through school payments systems. This is essential to ensure that all statutory deductions and pension contributions are correctly made and paid over.
- 5.8.8 Any payments made to employees, which are taxable benefits but are not made through the payroll system, must be declared to the HM Revenue & Customs annually.
- 5.8.9 Payments to self-employed persons employed by schools, as consultants or temporary workers, must be treated with extreme care. Before paying an invoice to a self employed person the paying school must satisfy themselves of the status of the person by completing the questionnaire included in Finance Technical Standards – Income Tax. Advice should be sought from Exchequer Services if required. If there is any doubt, the person must be paid through the payroll.

6. RISK MANAGEMENT AND CONTROL OF RESOURCES

6.1 Risk Management and Insurance

- 6.1.1 The Chief Finance Officer shall be responsible for the preparation and promotion of the Council's risk management policy statement.
- 6.1.2 Subject to any liability imposed on the Council by statute or other legal obligation, all insurance shall be effected by the Chief Finance Officer or under arrangements approved by him/her. Head Teachers shall be responsible for ensuring that assets under their control have appropriate insurance cover within the overall guidance issued and must review on an annual basis the level of risk cover.
- 6.1.3 Head Teachers must:
- ensure that adequate risk management controls are implemented, monitored and reviewed;
 - notify the Chief Finance Officer and the Director of Children and Families immediately of any loss, liability or damage that may lead to a claim against the Council or the school;
 - notify the Chief Finance Officer and Director of Children and Families of all new risks, properties or vehicles that require insurance and of any alternations affecting existing insurances;
 - consult with the Chief Finance Officer and the Solicitor to the Council on any terms or any indemnity that the Council is requested to enter into on behalf of the school.

6.2 Internal Controls

- 6.2.1 The Chief Finance Officer shall make arrangements for the production and publications of an annual independent statement on internal control and risk management.

6.2.2 Head Teachers and Governors must ensure that:

- adequate systems of internal control are established, adhered to, tested and reviewed in order to be confident in the areas set out in the annual assurance matrix;
- staff have a clear understanding of the consequences of lack of control and knowledge of Financial Regulations.

6.3 Audit Requirements

6.3.1 The Chief Finance Officer will ensure that a strategic and annual audit plan is prepared by the Head of Audit and Investigations which takes account of the characteristic and relative risks of the activities involved. The Chief Finance Officer is responsible for ensuring that adequate arrangements are made for the effective delivery of this plan.

6.3.2 The Chief Finance Officer will ensure that the Director of Children and Families, the Head Teacher and Chair of Governors receive suitable reports setting out the findings of internal and external audit reports of a school.

6.3.3 The Chief Finance Officer, or authorised representative, shall have authority to:

- Enter any municipal building, land or area where records relating to any activity of the Council, its partners, contractors or any body partly or wholly funded by the Council, are, or may be, held. This includes maintained schools. If necessary they can conduct searches of those areas, including cabinets, workspaces, desks for the purposes of locating documents or other material relevant to any matter under investigation. Where necessary they can remove and examine IT equipment.
- Have access to all records, data, computer systems, correspondence and any other source of information relating to any matter under examination and remove any documents and records as deemed necessary. This will include documentation held by schools in respect of organisations who are partners of the school or are providing services on behalf of the school.
- Require and receive such explanations as are considered necessary concerning any matter under examination.
- Require any person holding or controlling cash, stores or any other school property to produce such items for examination. These may be removed as deemed necessary.

6.3.4 The Chair of Governors must:

- consider and ensure Head Teachers and other school staff respond promptly to recommendations in both internal and external audit reports;
- ensure that agreed actions arising from the audit recommendations are carried out in a timely and efficient fashion;
- report to the Governing Body the reasons for any failure by Head Teachers, other school staff or governors to implement those audit recommendations.

6.3.5 Head Teachers must ensure that new systems for maintaining financial records, or changes to such systems, are discussed and agreed by the Head of Audit and Investigations prior to implementation.

6.4 Financial Irregularities

- 6.4.1 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of the Council or any suspected financial irregularity in the exercise of the functions of the Council, every employee has a duty to report such matters to their Manager. This includes anything that can detrimentally affect the Council's interests. The Manager concerned shall, as soon as the matter becomes identified, notify Audit and Investigations in line with the **anti-fraud framework** agreed at the full Council meeting in September 2008. Employees who feel unable to report matters to their line Manager are encouraged to contact the Audit and Investigations team directly. This applies equally in relation to Head Teachers and school staff.
- 6.4.2 In addition the Council has a Whistleblowing scheme, whereby employees can report their concerns in confidence. The Council has a statutory duty, under the Public Interest Disclosure Act 1998, to protect whistleblowers from recrimination. Details of the scheme can be found on the intranet or obtained from the Human Resources or Audit and Investigation teams.
- 6.4.3 Head Teachers must keep a service based register of gifts and gratuities received by officers.

6.5 Money and Banking

- 6.5.1 Head Teachers must ensure that adequate security arrangements exist for the holding of cash including controlling access to safes and other receptacles. At all times cash holdings should be kept to a minimum.
- 6.5.2 Each Head Teacher shall maintain such bank accounts as he/she, in consultation with the Chief Finance Officer and Director of Children and Families, consider necessary for the efficient operation of the school's finances under arrangements approved by the Chief Finance Officer.
- 6.5.3 Head Teachers are responsible for approving the authorised signatories to all bank accounts within their school and for ensuring that there is more than one signatory.
- 6.5.4 Arrangements should be made with the bank to provide statements of account, together with supporting documentation, at pre-determined intervals. To enable the Council's statutory accounts to be closed on a proper basis it is essential that a statement is obtained showing the position at the close of business on 31st March, or the last banking day prior to the 31st March.
- 6.5.5 Head Teachers shall maintain a cash book and other records of all transactions passing through those bank accounts and shall ensure that such records are balanced and reconciled at periods of no less than one month and that prompt action is taken on any discrepancy. A monthly bank reconciliation must be prepared as part of the financial reporting arrangements. Head Teachers are responsible for the effective management of cash flow through their bank accounts.
- 6.5.6 Imprest and petty cash bank accounts must not be overdrawn at any time. Head Teachers must ensure that their bank account(s) remain in credit.

6.6 Property, Stock and Equipment

- 6.6.1 Each Head Teacher is responsible for maintaining the security at all times of all land, buildings, stores, equipment and other property under their control. Head Teachers must ensure that land and buildings are adequately secured to prevent against unauthorised access or possession. Where Head Teachers feel that special security arrangements are required they should consult the Chief Finance Officer and/or the Director of Children and Families.
- 6.6.2 Head Teachers and Governors should annually review their use of property for the purpose of identifying surplus or inefficient properties.
- 6.6.3 The Chief Finance Officer shall maintain an appropriately valued asset register of all the Council's land and buildings. Head Teachers must maintain an inventory, of valuable goods and equipment. The inventory, which must be kept in a secure place, should include a full description of the items including a note of any security markings and identification numbers etc. Head Teachers should ensure that a comprehensive inventory check is carried out at intervals of no more than twelve months.
- 6.6.4 All assets should be held in the name of the Council or school and not in the name of individual officers or their post titles. It is important that valuable items are held in a secure environment commensurate with the value of the items and the cost of security. Large cash holdings should be kept in a suitable locked safe. Keys should be kept in a secure place or retained by the key-holder at all times. All officers should be aware that many documents such as cheque books, savings books, securities and order pads are the equivalent of cash and must be treated accordingly. It is not acceptable to leave safes unlocked during working hours or to leave cash holdings in unlocked desk drawers or filing cabinets. The Council's insurance policy may be invalidated if appropriate security measures are not taken.
- 6.6.5 Each Head Teacher shall be responsible for the care and custody of the stores held in their school, which should not be held in excess of economic requirements.
- 6.6.6 Each Head teacher shall make arrangements for a periodical test check of stocks under their control by a person independent of the 'store-keeper' and shall ensure that all stocks are checked at least once in each financial year.
- 6.6.7 A record shall be maintained by the designated member of staff (15.1) of all stocks and stores in a form approved by the Chief Finance Officer.
- 6.6.8 Each Head teacher shall provide the Director of Children & Families with such information as required on stocks and stores for accounting purposes.
- 6.6.9 Where it becomes necessary to hold property on behalf of a member of the public or another third party, an itemised inventory shall be maintained of all such items. Each Head Teacher shall make secure arrangements for such property and shall arrange for periodical checks by a person other than the employee responsible for the custody of the property.
- 6.6.10 Where school staff are required to take assets or equipment home, this shall be properly recorded on the inventory.

6.7 Sale of School and Council Assets – General Requirements

- 6.7.1 Land and buildings cannot be disposed of other than in accordance with Council procedures.
- 6.7.2 Head Teachers who determine that any asset with a resale value is surplus to requirements must record that fact in writing giving the reason. A disposal file must be held by all schools in which this and all other relevant information concerning the disposal is kept for future inspection.
- 6.7.3 Head Teachers must ensure that a member of school staff who determines that an asset is surplus to requirements or is involved in the disposal must never attempt to purchase it or take it for himself or herself. There must be a clear separation of duties here.
- 6.7.4 Head Teachers must appoint a single person responsible for disposal whose name must be clearly identified in the disposal file. He or she should be instructed in writing on the disposal and will be accountable to the Head Teachers and Governing Body for ensuring that disposal is for the best price reasonably obtainable.
- 6.7.5 All paperwork in connection with the disposal must be kept in the disposal file. The file should be kept for a period of six years after the disposal. The file should include at least:
- the Head Teacher's written record declaring the asset surplus, and instructions to the person appointed as responsible for the disposal;
 - the independent valuation;
 - the advertisement;
 - the offers made; and
 - the receipt.
- 6.7.6 In order to achieve the best price reasonably obtainable all assets for disposal with a value exceeding £500 must be subject to independent valuation and/or disposed of by way of either:
- competitive bids following advertisement;
 - auction;
 - or both.
- 6.7.7 Where the estimated value of the asset is less than £500, an independent valuation alone is acceptable provided the person giving the valuation is qualified to judge, is clearly identified in the disposal file, and is properly independent.
- 6.7.8 All assets should be offered to other schools before members of staff or the public. Information about the assets available should be circulated to all schools and adequate time allowed for them to make a bid. A sale may proceed to any person offering at or above the valuation. If there is competition, the sale should be to the highest bidder.

- 6.7.9 Where the estimated value of the asset exceeds £500, it should be advertised in such a way as to facilitate bids by other schools and potential purchasers outside the Council. Sale should proceed by way of submission of written bids, which name the purchaser. The sale may proceed to the highest bidder, unless this does not reflect the proper value of the asset.
- 6.7.10 Official receipts must be issued for income received. Moneys must be received and properly accounted for by someone who has not been involved in the disposal.
- 6.7.11 The Head Teacher must ensure the disposal is recorded on the school's inventory.

7. PROCUREMENT and CONTRACTS

- 7.1. Under the International Financial Reporting Standards (IFRS) contracts (works or services) may contain “embedded leases” that need to be disclosed. Contracts that require the use of specific assets (as defined by IFRS) are at risk and may contain such leases. These leases may not be visible or apparent and so contracts must be assessed by the Chief Finance Officer before being signed.
- 7.2 All procurement on behalf of the Council must, where applicable, comply with the EU Procurement Legislation, the Council’s Financial Regulations and Contract Standing Orders. Each Head Teacher shall maintain and supply the Chief Finance Officer with such information as is required for corporate compliance with these rules.
- 7.3 Where the estimated value of a proposed contract is less than £20,000 over the life of the contract (including any possible extension) each school has a duty to ensure that appropriate steps are taken to ensure value for money. This may be by obtaining three competitive quotes or another method that will ensure value for money.
- 7.4 Subject to all relevant legislation and EU procurement rules (where applicable) where the estimated value of a proposed contract falls between £20,000 and the threshold for services and supplies contracts under the EU Procurement Legislation (currently £156,442) over the lifetime of the contract (‘Low Value Contracts’) schools are required to seek at least three written quotations from potential providers and record the quotes sought and/or obtained.
- 7.5 Where the estimated value of a proposed contract exceeds the threshold for services and supplies contracts under the EU Procurement Legislation (currently £156,442) over the lifetime of the contract, there is a requirement that a competitive tendering exercise must be undertaken. This tendering exercise must be commenced by placing a contract notice in OJEU (Official Journal of the EU) where the EU Procurement Regulations apply in full to the procurement or where the Regulations do not apply in full, by advertising in a local newspaper and relevant trade journal in accordance with the Council’s Contract Standing Orders.
- 7.6 In the case of contracts for services or supplies with an estimated value exceeding £500,000 or £1 million for works (‘High Value Contracts’), the Executive is required to approve the procurement process before it is started (including authorising the invitation of expressions of interest and the criteria for short listing and evaluation) and the award of the contract.
- 7.7 When valuing a rolling contract with no defined termination date, the contract should be valued over a period of 48 months.

- 7.8 Decisions to invite expressions of interest, agree shortlists, invite tenders and award contracts for services or supplies with an estimated value of between £156,442 and £500,000 over the lifetime of the contract or works contracts with an estimated value of between £156,442 and £1 million ('Medium Value Contracts') may be made by the Governing Body or the Head Teacher (if he or she has been delegated power in that respect). Head Teachers and the Democratic Services Manager shall make appropriate arrangements for the receipt and opening of tenders that ensure that each tenderer is treated fairly and equally and the Council's interests are protected.
- 7.9 Where the estimated value of the contract exceeds £500,000 in the case of services and supplies or £1 million in the case of works, tenders shall be addressed to the Democratic Services Manager and the tender shall remain in his or her custody until the time for opening. Contracts with this value must also be opened and tender details recorded by the Democratic Services Manager and one other officer.
- 7.10 Contracts with an estimated value of between £156,442 and £500,000 for services or supplies or between £156,442 and £1 million for works over the term of the contract shall be addressed to the Head Teacher and remain in his/her custody until the time appointed for opening.
- 7.11 Subject to compliance with the EU Procurement Legislation, in cases of extreme urgency, e.g., where there is an immediate danger to life, limb or property, competitive tenders need not be invited in order to deal with the immediate urgent situation provided that advice is sought from the Director of Legal and Procurement.
- 7.12 Subject to compliance with the EU Procurement Legislation, where schools consider that there are good operational and/or financial reasons for not procuring and/or awarding a contract in accordance with Contract Standing Orders or Financial Regulations, a report should be submitted to the Executive seeking approval not to comply in these respects.
- 7.13 The Director of Legal and Procurement and Chief Finance Officer or his/her representative must be invited to be advisers to all Tender Panels for evaluation of High Value Contracts, i.e., contracts for services or supplies with a value in excess of £500,000 and works with a value in excess of £1 million.
- 7.14 Each Head Teacher shall maintain a record of all tenders invited and received by them and of all contracts entered into on behalf of the Council and shall record the reasons for non acceptance of a tender or the rejection of a contractor who has not been included in a tender short list.
- 7.15 No contract subject to the full application of the EU Regulations shall be awarded without the mandatory 10 days standstill period being complied with.
- 7.16 Where a contract exceeds £500,000 in value or is likely to exceed that amount it shall be contained in a formal document under seal.
- 7.17 Every member of staff has a legal and personal duty to notify the Chief Executive in writing immediately if he or she discovers that the school or the Council has entered or intends to enter into a contract in which he or she has a direct or indirect pecuniary interest. Further guidance on this matter can be sought from the Director of Legal and Procurement.

8. INVESTMENTS AND TRUST FUNDS

- 8.1 All investments of money under its control shall be made in the name of the school where legally possible.
- 8.2 All securities being the property of, or in the name of, the school shall be held in custody under safe arrangements previously made or agreed by the Director of Children and Families.
- 8.3 All trust funds held by the school shall, where legally possible, be in the name of the school.
- 8.4 All officers acting as trustees by virtue of their official position shall deposit all securities, certificates and similar documents relating to the trust in accordance with prior arrangements approved by the Director of Children and Families subject to advice from the Chief Finance Officer unless any trust deed otherwise provides.

9. CUSTODY OF THIRD PARTY PROPERTY

- 9.1 Where it becomes necessary to hold property on behalf of a member of the public or other third party, an itemised inventory shall be maintained of all such items.
- 9.2 The Head Teacher shall make secure arrangements for the custody of such property, including cash, and shall arrange for periodic checks by a person other than the employee responsible for its custody.

10. ESTATES

- 10.1 The Director of Legal and Procurement shall have custody of all title deeds and shall make secure arrangements for their custody.
- 10.2 Where a school proposes to build another building, the matter shall be referred to the Director of Legal and Procurement for advice as to the legal effect of the transaction.

11. RETENTION OF DOCUMENTS

- 11.1 The following items must be retained indefinitely or during the whole of the school's possession of the relevant asset and for **twelve** years afterwards:
- Property deeds, contracts and leases relating to land and buildings in the ownership or occupation of the Council or Governing Body.
 - Share certificates, stocks, bonds and other securities together with any appropriate contracts of purchase or sale.
 - Guarantees, indemnities, insurance policies.
- 11.2 All other contracts carried out under the seal of the Council must be retained for **twelve** years after completion of the contract.
- 11.3 Local authorities are required by statute to retain all accounting documents for a minimum of six years. The statute of limitations for contracts not under seal applies for six years after completion of the contract. In addition HM Revenue & Customs may inspect documents for periods of six years. Officers can be held personally liable where documents required are not available. In order to give effect to these requirements the following documents must be retained for a minimum of **six** years:

- All accounting documents including invoices, contract certificates, paid cheques, bank statements;
 - Debtor accounts, income receipts and associated documents;
 - All contracts not under seal for works, goods or services (six years after completion of the contract);
 - All tender and related documents (six years after completion of the contract);
 - Details of salaries, wages and superannuation payments including particulars of pay calculations, copy payslips, P60 documents.
- 11.4 Audit and Investigations must be consulted before Head Teachers copy documents not previously copied or use a new method to ensure such methods would be accepted for evidence purposes.
- 11.5 Head Teachers shall nominate a member of school staff to make safe arrangements for the storage and review of information. All records must be properly indexed to allow efficient recovery.