



**SCHEME FOR FINANCING SCHOOLS:**

# **SCHOOLS FINANCIAL REGULATIONS**

**2017-18**

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(Updated May 2016)

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## **A. INTRODUCTION**

### **A.1 What These Regulations Cover**

- A.1.1 These regulations form part of the Scheme of Delegation, and apply to all schools that have a delegated budget under the School Standards and Framework Act 1998. These regulations supplement the Brent Scheme for Financing Schools, s.43 – 53 of the School Standards and Framework Act 1998 and s. 14 to the Act as approved by the Secretary of State. It also ensures that schools comply with the requirements of s.151 of the Local Government Act 1972, Contract Procedure Rules, and the Accounts and Audit Regulations.
- A.1.2 The objective of these regulations is to specify a number of procedures and key control measures which ensure the public accountability and high standards of financial integrity to be exercised in the use of public funds and in reducing financial risk.
- A.1.3 The regulations therefore cover the following fundamental areas of financial management and control:
- Setting, monitoring and controlling the revenue budget;
  - Accounting responsibilities;
  - Income and Expenditure controls;
  - Risk management and control of resources;
  - Procurement;
  - Retention of documents.
- A.1.4 The regulations also identify the responsibilities of the Chief Finance Officer, Governing Boards, Head Teachers and all relevant staff in schools. The Chief Finance Officer's responsibilities in relation to schools are mainly exercised through the Schools Finance Team. The Schools Finance Team is therefore the first and primary point of contact on all financial matters.
- A.1.5 For the purposes of this document, the Chief Finance Officer is the officer appointed by the LA in accordance with s.151 of the Local Government Act 1972.

### **A.2 Application of These Regulations**

- A.2.1 These regulations must be followed by all Governing Boards and school officers of schools maintained by Brent, whether they are directly employed, contracted, employed through an agency or volunteer in their conduct of financial and related matters.
- A.2.2 Failure to comply with these regulations may constitute misconduct and lead to formal disciplinary action.

A.2.3 A list of schools maintained by Brent at May 2016, and therefore covered by these regulations, is included in Annex A.

### A.3 Responsibilities

A.3.1 The following describes the overall framework and the main roles and responsibilities in respect of these regulations. This is not an exhaustive list and there are also likely to be some overlap in roles. Ultimately all Governing Boards and school officers are responsible for complying with all regulations.

A.3.2 In discharging their duties and responsibilities all school officers must comply with Brent's Scheme for Financing Schools and any associated regulations including these, and where appropriate financial procedures and standing orders. Where there is inconsistency between these, the relevant Acts shall prevail.

A.3.3 Under the Scheme of Financing Schools, schools do not have any power to borrow money, including no power to enter into any type of lease purchase arrangements.

#### A.3.4 The Chief Finance Officer:

- is the responsible officer for the proper administration of the financial affairs of the LA under s.151 of the Local Government Act 1972;
- is required to approve all accounting procedures, systems and records of the LA, including schools, under his s.151 duties and the Accounts and Audit Regulations;
- is therefore responsible for reviewing these regulations and reporting any breaches to the LA's Cabinet or Full Council;
- puts in place financial standards and practices across the LA, including schools, 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;
- has the right to attend (or a delegated officer) any meeting of a Governing Board to provide advice or report on major financial matters which in his opinion affects the probity and regularity of the LA's financial activities.

The Chief Finance Officer's statutory responsibility for the administration of the LA's affairs cannot be overridden by anything in a Scheme of Delegation or in any set of financial procedures.

Further details of roles and responsibilities are set out in Part 4 of the Constitution <http://www.brent.gov.uk/your-LA/about-brent-LA/LA-structure-and-how-we-work/our-constitution/>

### A.3.5 Other Officers

#### A.3.5.1 The Schools Finance Team:

- is the main point of contact for all financial matters;
- collates financial information;
- monitors implementation of the financial control framework;
- supports the Governing Board, Head Teachers and school finance officers in their financial responsibilities; and
- provides assurance to the Chief Finance Officer, Strategic Director of Children & Young People and Members that adequate controls exist to produce sound financial administration.

#### A.3.5.2 The Audit & Investigations Service:

- provides the LA's internal audit function and anti-fraud services;
- assists the Chief Finance Officer and Strategic Director of Children & Young People to discharge their statutory duties;
- provides Head Teachers with advice and guidance on the system of internal control;
- is responsible for investigations into financial irregularities across all LA services, including schools.

### A.3.6 Governing Boards:

- are responsible for the overall financial management of delegated school budgets. Although some powers can be delegated to Head Teachers with formal approval, the Governing Board will retain overall responsibility for any actions taken;
- must maintain a written record where their powers have been delegated to members of staff;
- shall provide the LA with any reasonable information for the effective discharge of the LA duties and responsibilities;
- should ensure that all existing and new employees of the school are informed of their responsibilities under financial regulations and are familiar with these documents;
- should ensure that all financial regulations or contracts and award procedures are followed by everyone in the school;
- should ensure that relevant records are maintained and retained;
- must consult with the Chief Finance Officer on any matter which is liable to materially affect the finances of the LA, before any provisional or other commitment is incurred or a bid for external funding is made;
- are responsible for securing value for money and compliance with the principles of best value in relation to their activities.

### A.3.7 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;

- are required to keep accurate financial records, comply with the financial control framework and take timely action to keep spend within budget.

*The Governing Board may delegate some of its powers to Head Teachers, but the Governing Board shall retain responsibility for the actions. Many of the requirements of the Governing Board within these regulations may therefore apply to Head Teachers instead, where the relevant powers have been delegated to them.*

#### A.3.8 Schools' Finance Officers:

- collate the financial information about their school;
- provide financial advice to the Governing Board and the Head Teacher of their school;
- provide financial information to the Schools Finance Team;
- support Head Teachers in their financial responsibilities;
- help to implement the financial control framework;
- ensure sound financial administrative systems are in place.

In practice this may be a School Business Manager, Bursar or Finance Officer.

## A.4 Application of Changes

A.4.1 Changes to these regulations may be necessary from time to time to ensure relevance and consistency with the Financial Procedure Rules in the context of a school environment. Any changes required will be in line with national and local regulations and will only be implemented after:

- the agreement of the Chief Finance Officer and the Strategic Director of Children & Young People;
- consultation with the Schools Forum.

## A.5 Other Guidance

A.5.1 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 on financial management practice which may be issued periodically by the Chief Finance Officer or delegated officers – usually by the Schools Finance Team;
- Schools Finance Manual;
- Budget Preparation Guidelines issued annually;
- Schools Closing Guidance issued annually;
- The Scheme for Financing Schools updated annually.

## **B. BUDGET MANAGEMENT**

*A Budget is the numerical representation of an action plan for a specified time period. In the context of a school, this is a numerical statement of the school's development plan (SDP) – a numerical statement of the school's policy, aims, objectives and strategies in financial terms.*

### **B.1 The Importance of Effective Budget Management**

B.1.1 Budget management ensures that resources are used for their intended purposes and that these resources are properly accounted for. Each school is expected to manage their own expenditure within the budget allocated to them to ensure that the school does not overspend against this. Regular reporting of income and expenditure against approved budgets ensures that governors are aware of, and highlights situations where, any actions may be required to ensure spending remains within the budget allocation.

### **B.2 Budgetary Role**

B.2.1 The Governing Board shall be responsible for approving a 3 year budget each year and ensuring that the budget plan is a numerical reflection of the school's SDP and fully reflects the estimated effect of pupil changes and any development decisions.

B.2.2 The Governing Board shall be responsible for reporting without delay to the Schools Finance Team where it appears that the total budget for the school may be exceeded, and taking appropriate action to bring the budget back into balance.

B.2.3 The Head Teacher shall be responsible for maintaining a proper system of budgetary control and preparing all estimates for submission to the Governing Board, Chief Finance Officer and Strategic Director of Children & Young People. These functions shall be discharged in accordance with any guidelines or Codes of Practice issued from time to time by the Chief Finance Officer and the Strategic Director of Children & Young People.

B.2.4 Neither the Governing Board, 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.

### **B.3 Setting the Budget**

*The budget is the school's SDP in numerical form and therefore should be a reflection of the school's policies, aims and actions to be implemented in the duration of the budget period.*

B.3.1 Each school shall be given a budget share calculated in accordance with the formula for funding schools, before the beginning of the financial year.

- B.3.2 The 3 year budget shall be proposed by the Head Teacher and agreed and set by the Governing Board. It is recommended that the budget preparation work and ratification is completed by a committee of the Governing Board, such as a Finance Committee, but the approval of the budget cannot be delegated to a committee. The budget must be approved at a meeting of the full Governing Board. Budgets must be produced in accordance with the Budget Preparation Guidelines issued annually. The format for submission of the 3 year budget plan and the requirements for supporting documents and evidence of approval are also provided annually at the same time and schools must also comply with these. The Governing Board is not permitted to set a budget which plans for a cumulative deficit at the end of any of the financial years, except where the LA has authorised such a budget.
- B.3.3 The Head Teacher shall submit the approved budget to the Schools Finance Team by 1<sup>st</sup> June each year, along with the required supporting documents and evidence of approval. Any extension to the deadline can only be granted in exceptional circumstances because of particular difficulties.
- B.3.4 The school's Finance Officer shall enter the approved submitted budget plan on to the school's computerised financial system within a month of its approval, and ensure that the budget is locked on the system. This will allow an audit trail for any changes made during the year, which should be appropriately approved and documented. It is accepted that this budget will be the best known estimate at the time of setting and will therefore be subject to change – any changes on the system will create an audit trail which should be backed up by minutes to Governing Board meetings approving the changes.

#### **B.4 Monetary Limits**

*The monetary limit of a school is the amount of money available to spend.*

- B.4.1 The inclusion of money in the school's budget approved by the Governing Board shall authorise the Head Teacher to spend up to that sum plus any available school balance brought forward from previous years. The Head Teacher is not authorised to exceed the approved budget.
- B.4.2 Each Head Teacher shall deliver the curriculum and other school services within the resources agreed.

#### **B.5 Budget Virements**

*A virement is the transfer of funds from one budget line to another. It is an administrative exercise that provides a degree of flexibility in spending a school's budget, and allows for changing circumstances and/or unexpected developments.*

- B.5.1 The Governing Board may agree to transfer resources between budgets but are reminded that resources cannot be transferred from capital to revenue due to accounting conventions. Any transfer or resources between budgets should have a

clear rationale, and should be taken into account for forecasting and future year's budget-setting.

- B.5.2 The Governing Board is advised to establish appropriate criteria for virements and financial limits in their Schemes of Delegation, above which the approval of the Governing Board is required. Any such decisions should be recorded in the Governing Board minutes.
- B.5.3 Where additional funds have been allocated to a school for a specific purpose, they shall only be used for that purpose.

## **B.6 Budget Monitoring**

*Budget Monitoring is the examining of the school's monthly spend and income against the budget that has been set.*

*It is important that schools undertake regular budget monitoring, as this:*

- *is essential for effective financial management;*
- *allows Governing Boards and Head Teachers to maintain financial control by reviewing the current position and taking any remedial action necessary;*
- *is a requirement under the Schools Financial Value Standards (SFVS);*
- *enables reasons for significant variances to be established/investigated and reported;*
- *may highlight forecasted overspends and ensure that senior management are able to decide upon a course of action and reassess priorities in the SDP where necessary.*

- B.6.1 Once a budget is agreed, the Governing Board and subject to the school's Scheme of Delegation, the Head Teacher and other staff, must ensure that it is strictly monitored.
- B.6.2 The Governing Board shall agree school performance measures linked to the school development plan (SDP) and review progress and outcomes for the resources allocated. It is good practice for the SDP to be fully costed, and the Governing Board should review such costs against the impact.
- B.6.3 The Governing Board and the Head Teacher must be able to demonstrate that the budgets devolved to the school have been spent on the purposes for which they were delegated.
- B.6.4 The Head Teacher shall provide quarterly budget monitoring returns to the Schools Finance Team in the format requested. These returns must have been reviewed and signed by the Head Teacher and shall clearly show the income and expenditure to date against the approved budget, and a forecasted year end position. For schools that are in deficit, budget monitoring reports shall be submitted to the Schools Finance Team monthly.

- B.6.5 Although budget monitoring returns are required quarterly to the Schools Finance Team, schools are strongly advised that these should be completed and reviewed and signed by the Head Teacher at least monthly. These should also be submitted to the Governing Board or a sub-committee of the Governing Board, at least termly or half-termly. The format and frequency of submission to the Governing Board shall be determined by the Governing Board, but must clearly show the necessary full year forecasts to facilitate decisions.
- B.6.6 The Head Teacher shall submit a monthly FIN1 return (bank reconciliation) to Schools Finance Team in the format requested. These returns provide assurance that appropriate banking controls are in place, and must be reviewed and signed by the Head Teacher in a timely manner. All supporting/backing documents must be submitted to the Schools Finance Team at the same time as the return.

## **B.7 Budget Control**

*Budget control is a continual process enabling the school to review and adjust its budget plans during the financial year. It also provides a mechanism to hold budget holders accountable for defined elements of the budget. By identifying and explaining variances against budgetary targets, the school can identify changes in resource requirements at the earliest opportunity.*

*The key controls for managing and controlling the revenue budget are:*

- All elements of budgeted expenditure and income are allocated to a named budget holder;*
  - Budget holders accept accountability for their budget allocations and the level of service to be delivered;*
  - Budget holders adhere to the approved procedures for the ordering and certifying for payment the purchase of goods and services used in the provision of their service and for the collection of income;*
  - Income and expenditure is completely, accurately and promptly recorded and accounted for;*
  - Service delivery performance levels are monitored in conjunction with financial performance and that necessary action is taken to align service outputs and budget resources.*
- B.7.1 Each Governing Board shall be responsible for maintaining a proper system of budgetary control.
- B.7.2 Strict financial discipline must be maintained and once decisions have been made on the budget for a year, the Head Teacher must seek to ensure that the budget plan is met.
- B.7.3 The Governing Board shall make arrangement to ensure that significant variances from approved budgets are investigated and reported by Head Teachers regularly.
- B.7.4 Each Governing Board shall determine the extent of powers that are to be delegated to the Head Teacher in respect of financial delegation.

B.7.5 The Governing Board and Head Teacher must complete the DfE's Schools Financial Value Standard (SFVS) and submit to the Schools Finance Team by 31<sup>st</sup> March each year.

## **B.8 Budget Overspends**

*An overspend occurs when the school has spent more than is available to spend. An overspend may occur on individual budget heads.*

B.8.1 Overspends in school budgets are not acceptable. An overspend must be dealt with by decisive action of some kind, even if this means changing policy, service levels, and staffing levels.

B.8.2 The Governing Board and the Head Teacher shall take responsibility for their school budgets and shall examine their own capacity to fund new proposals or overspends.

B.8.3 Each Head Teacher must notify the Schools Finance Team immediately if it appears that their overall budget is likely to overspend because approved expenditure is forecasted to be exceeded or income will not be achieved.

B.8.4 The Head Teacher will need to detail the action being proposed to rectify the overspend. This shall include specific and costed proposals, and any service implications must be fully stated. If details are not provided, then the action will not be regarded as satisfactory by the Chief Finance Officer or the Strategic Director of Children & Young People.

B.8.5 Each Governing Board shall ensure that their school does not have a deficit balance except in exceptional circumstances with prior permission through a licensed deficit approval. This process is detailed in the Licensed Deficit Policy. The Governing Board shall ensure that any deficit balance at the year end is carried forward to the new financial year and taken into account in spending plans.

## **B.9 Budget Underspends**

*An underspend occurs when a school doesn't use all the resources available for the school.*

B.9.1 Schools shall carry forward any unspent balance of their budget share at the year end.

B.9.2 The Governing Board shall monitor underspends carefully to ensure that the funds available to spend are being used effectively towards the educational outcomes of pupils.

## **B.10 Withdrawal of Delegation**

*The Governing Board of a school has delegated powers in relation to schools finances. This means that although these funds are owned by the LA, the responsibility for looking after these funds appropriately falls to the Governing Board. Withdrawal of Delegation means that the LA withdraws the powers from a Governing Board to look after these funds, and takes control of the school's finances.*

- B.10.1 Where a school has a delegated budget, the Strategic Director of Children & Young People and the Chief Finance Officer retains the right to suspend delegation, giving one month's notice, where it is considered that the Governing Board:
- has substantially or persistently failed to comply with any requirements of the borough's Scheme for Financing Schools;
  - is not managing the expenditure satisfactorily.
- B.10.2 Financial delegation shall be withdrawn immediately in the event of gross mismanagement of school resources on the part of the Governing Board and/or Head Teacher.
- B.10.3 Where financial delegation has been withdrawn, this shall be reviewed annually.

## **C. LEASING, LOANS & FINANCIAL ARRANGEMENTS**

### **C.1 General Requirements**

- C.1.1 In order to ensure compliance with the prudential framework, the Governing Board 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.
- C.1.2 The Governing Board may not borrow money without the written permission of the Secretary of State. The LA must be notified in advance by any school of its intention to make such an application.
- C.1.3 This however does not fully apply to trusts and foundations provided that these debts are not serviced from the school's delegated budgets. In this instance, the Governing Board is not acting as an agent of the LA in repaying these debts.

### **C.2 Leasing**

*A lease is a contract where a party being the owner of an asset (lessor), provides the asset for use to a school through a rental agreement for a defined period of time.*

*A finance lease is a leasing contract in which the school takes ownership of the asset and is responsible for all maintenance and insurance, but pays for the asset over a period of time. This is effectively a borrowing agreement.*

*An operating lease is a leasing contract in which the ownership for an asset remains with the lessor and they remain responsible for maintenance, insurance and repairs. This is effectively a rental agreement.*

- C.2.1 The Governing Board shall not legally enter into any finance leasing arrangement, as this would constitute borrowing.
- C.2.2 The Governing Board may enter into operating leases only with the written permission of the Chief Finance Officer. Any such requests must be made in the first instance to the Schools Finance Team who will make the appropriate approval request from the relevant delegated officer.
- C.2.3 The Governing Board must take the relevant due diligence before submitting to the Schools Finance Team for approval. Any application to enter into a leasing agreement shall be approved by the Governing Board. The Governing Board shall firstly satisfy itself that the Schools Contract Procedure Rules have been fully complied with and that the proposed leasing agreement represents value for money.

### **C.3 Loans**

*A loan is a form of borrowing, usually cash. This is usually repaid over a period of time, subject to interest.*

- C.3.1 The Governing Board cannot legally enter into any type of external loan agreement.
- C.3.2 This provision however does not apply to loan schemes that have been approved by the Secretary of State. Currently only the Salix loan scheme has such approval.
- C.3.3 This provision also does not apply to loan schemes run by the LA, such as licensed deficits and capital loans.

### **C.4 Credit Cards and Other Financial Arrangements**

*A credit card is a card authorising purchases on credit, chargeable at a predetermined interest rate.*

*An overdraft is an amount that can be spent when there are no funds available in a bank account, and therefore constitutes a form of borrowing.*

*A procurement card is similar to a debit card, allowing schools to make purchases against funds within a bank account.*

- C.4.1 The restriction on borrowing also includes the use of overdraft facilities and credit cards.
- C.4.2 School bank accounts are not permitted to go overdrawn at any time, and overdraft facilities may not be negotiated. Where schools are experiencing cashflow difficulties, schools should refer the Cash Advance Policy.
- C.4.3 The Governing Board is encouraged to use procurement cards as an alternative means of facilitating electronic purchasing, and to allow schools to benefit from significant discounts. Procurement cards should be used and monitored in the same manner as debit cards - refer to section *F.6: Money and Banking* for further details on compliance.

## **D. ACCOUNTING RESPONSIBILITIES**

*Proper accounting records are one of the ways in which the LA discharges its responsibility of stewardship of public resources. The LA has a statutory responsibility to prepare its annual accounts to present fairly its operations during the year.*

### **D.1 Accounting Systems and Procedures**

- D.1.1 The Governing Board is free to use any accounting software they choose, providing they can produce reports in the format required by the LA and other agencies.
- D.1.2 Where the Governing Board plans to change the financial system in use, the Governing Board is required to inform the Schools Finance Team of the change. Schools are strongly advised to only change systems at the beginning of a financial year and to consult with the Schools Finance Team and Audit and Investigations Service prior to implementation.
- D.1.3 Each Governing Board shall establish a scheme of authorisation identifying officers authorised to act on their behalf with respect to payments, income collection and placing of orders, showing limits to their authority.
- D.1.4 The Governing Board shall regularly review their accounting systems to ensure that they report outputs in a timely, accurate, clear and convenient manner which is readily understood by users.
- D.1.5 The Governing Board shall 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. This will ensure that the school is not exposed to any administrative or financial risk due to insufficient training or skills, or in the event of the absence of key staff.
- D.1.6 The Governing Board shall ensure all funds are properly accounted for and are only spent on the purposes for which they were established.

### **D.2 Accounting Policies**

- D.2.1 The Chief Finance Officer is responsible for determining the LA's accounting policies. Each Governing Board and Head Teacher, subject to delegation, is responsible for ensuring that these policies are adhered to and applied consistently in the school's accounts.
- D.2.2 All accounting policies shall ensure that:
- accounts are a fair presentation of the school's financial position and the transactions in respect of that financial year;
  - income and expenditure relate to the services provided in the same financial year, and that provision is made for income and expenditure earned/used irrespective of when the amounts are actually paid or received;

- accounts are prepared on a prudent basis with income only being included to the extent that it is likely to be received, and that proper allowance is made for all known liabilities and losses.

D.2.3 The Schools Finance Team will prepare and issue to all schools annually a Budget Preparation Guidelines and Schools Closing Guidance which will detail all year end reporting requirements as specified by the Chief Finance Officer and the Strategic Director of Children & Young People. Each Governing Board is responsible for ensuring compliance with these.

D.2.4 Other accounting and financial guidance will be issued from time to time as required via circulars on the Schools Extranet. Each Governing Board and Head Teacher must ensure that they access and act on these documents.

### **D.3 Accounting Records**

D.3.1 The Governing Board are required to maintain and securely hold complete and accurate accounting records of all the financial transactions under their control, and ensure that there is an audit trail leading from income/expenditure through to the accounting statements.

D.3.2 The Governing Board shall 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 the LA with such details of statutory additions/deductions as are required to meet the appropriate accounting requirements and enable the submission of statutory returns.

D.3.3 The Governing Board shall ensure that all journal entries (adjustments to the accounts) are properly documented to incorporate adequate explanatory narrative and are cross-referenced to proper working papers. These should be signed by the originator.

D.3.4 The Governing Board shall ensure that all public funds, grants or donations received by the school, and all associated expenditure, is accounted for appropriately within the CFR framework. Earmarked expenditure shall be clearly identified within budget records and only used for approved purposes, and the CFR framework shall be fully complied with.

D.3.5 The Governing Board shall ensure that all accounts are supported by full documentation, which is retained for inspection for a period complying with the rule on retention of documents as detailed in *K: Retention of Documents*. Where documents or records fall due for disposal this shall be undertaken with due regard to confidentiality and Data Protection legislation, according to the nature of the documents or records being disposed of.

D.3.6 The Governing Board shall ensure that adequate procedures are in place to enable accounting records to be reconstructed in the event of system failures.

- D.3.7 The Governing Board shall ensure that key reconciliation procedures are carried out on a regular basis and shall provide evidence as required by the Chief Finance Officer and/or the Strategic Director of Children & Young People. As a minimum:
- All bank accounts must be reconciled monthly and signed for confirmation of review.
  - All accounts, including debtors and creditors, must be reconciled on a monthly basis and at the end of each financial year.
  - Unofficial funds must be accounted for in accordance with the Scheme for Financing Schools.

#### **D.4 Final Accounts – Year End Requirements**

- D.4.1 The Chief Finance Officer is responsible for ensuring that the annual statement of accounts is prepared in line with the requirements of the 2011 Accounts and Audit Regulations, the current Code of Practice on Local Authority Accounting in the UK and the Audit Commission Act 1998, except where specifically stated in the Statement of Accounting Policies.
- D.4.2 The Governing Board shall be responsible for producing detailed final accounts after the end of each financial year (1<sup>st</sup> April to 31<sup>st</sup> March) produced in accordance with codes of practice and agreed timetables and shall provide such information as is required by the Chief Finance Officer and the Strategic Director of Children & Young People to meet statutory accounting requirements.
- D.4.3 The Governing Board shall reconcile and close its accounts and submit its Consistent Financial Reporting (CFR) return by the notified deadline each year, duly authorised by the Head Teacher subject to delegation from the Governing Board.
- D.4.4 The Governing Board shall ensure that year end accounts are produced in accordance with the accruals accounting concept, unless otherwise notified as part of the request for information.
- D.4.5 The Governing Board 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.

## **E. INCOME AND EXPENDITURE CONTROLS**

### **Income**

*Income may be derived both from the provision of supplies and services to customers and from contributions and grants. Income can be a vulnerable asset and effective collection systems ensure that all income due is identified and that all collections are receipted, banked and properly accounted for. It is preferable to obtain income in advance of supplying goods or services as this improves the school's cashflow and avoids the time and cost of administering debts.*

### **E.1 Income – General**

- E.1.1 The Governing Board is responsible for setting a charging policy, conditions of hire and scale of charges for school supplies and services. Where applicable, The Governing Board shall consider the introduction of charges where no charge previously existed. The Governing Board and Head Teacher shall review their charges at least annually. Such reviews shall ensure that the costs incurred by the school are recovered.
- E.1.2 The Governing Board 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;
  - maintenance of all records relating to income collection and debt write-offs.
- E.1.3 The Governing Board shall ensure that income is collected prior to or at the point of delivery of service to external customers such as for lettings. Where invoices are issued for the collection of debts these shall be issued promptly and all action taken for recovery of that debt.
- E.1.4 The Governing Board shall ensure the appropriate charging of VAT.
- E.1.5 The Governing Board shall ensure that all income received on behalf of the school is paid into the appropriate bank account at least weekly. Cash shall be held in a secure place until cashed. All income shall be banked intact – third party and personal cheques must not be cashed from money held on behalf of the school.
- E.1.6 The Governing Board shall ensure that a numbered receipt is issued, or a signed record kept, for all items of income collected on behalf of the school. A copy of all receipts must be kept and all forms of receipts must be treated as controlled stationery, i.e. numbered and kept in a secure place with all issues recorded. All 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 the Audit and Investigations Service.

## **E.2 Income – Bad Debts/Write Offs**

*A bad debt is an amount owed to the school which is found to be irrecoverable and needs to be written off.*

- E.2.1 The Governing Board is responsible for the write-off of debt, property, stock and surplus assets. All write offs should be initiated by a written report from the Head Teacher, and should be formally considered and approved by the full Governing Board, and recorded in the minutes of the meeting. This cannot be delegated to a sub-committee of the Governing Board.
- E.2.2 The Governing Board must notify and obtain approval from the Chief Finance Officer before writing off any debt exceeding £1k. Debts exceeding £25k will also be reported to the LA's Cabinet.
- E.2.3 The delegated budget of the school shall bear the amount of any debt written off, and all appropriate budgets/forecasts shall be amended to reflect this.
- E.2.4 All documentation and evidence relating to the write off must be retained by the school and must be available for inspection by internal and external audit where required.

## **Expenditure**

*Public money should be spent with demonstrable probity and in accordance with the LA's policies. The LA's procedures should help to make sure that services can receive value for money in their purchasing arrangements.*

## **E.3 Expenditure – General**

- E.3.1 The Governing Board and the 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.
- E.3.2 The Governing Board shall ensure that there are effective internal controls over the payment process. There must be a clear division of duties between placing orders, authorising payments and signing cheques/payment authorisations. The Governing Board must keep a record of the officers responsible for these functions and the limits of their authority.
- E.3.3 The Governing Board shall ensure that the following principles apply to the allocation of duties in order to safeguard financial propriety.
- 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.

Where this is not possible (due to a limited amount of staff) these should be countersigned.

- The procedures in place and the responsibility of officers should be in writing and available for examination.

E.3.4 The Governing Board shall ensure that there is a system of authorising payment from bank accounts, which is sufficient to prevent fraudulent or inaccurate payments being made.

E.3.5 The Governing Board shall ensure that an up-to-date list of authorised staff to sign official orders, certify invoices for payment, petty cash claims, timesheets and payroll changes is kept. This list should include specimen signatures and clearly identify the limits of each signatory's authority.

E.3.6 Every governor and school officer must declare any links or personal interests which they have with purchasers, suppliers and/or contractors if they are engaged in contractual or purchasing decisions on behalf of the school. This must be declared at the start of joining followed by annually.

E.3.7 The Governing Board shall ensure that only costs relating to the school's delegated budget are charged to the school. The LA however reserves the right to make additional charges in particular circumstances as detailed in 6.2 of the Scheme for Financing Schools.

#### **E.4 Expenditure – Orders**

E.4.1 The Governing Board shall ensure that official orders are issued for all work, goods or services to be supplied to the school. Where it is not possible to issue an official order prior to procuring, there should be clear documentary evidence or clear notes made for the reason for being unable to do so – this may include emergency situations, absence of key staff to approve, or the use of procurement cards. In such instances orders should be entered retrospectively. Official orders are not required for utilities, i.e. the supply of gas, electricity, telephone or water supplies, or periodical payments such as rent and petty cash purchases. These must however be paid based on actual readings, at least once a year.

E.4.2 The Governing Board shall 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 *G: Procurement and Contracts*.

E.4.3 The Governing Board shall ensure that authorisation of official orders are made by officers authorised to do so. A copy of each official order shall be retained. 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.

- E.4.4 The Governing Board shall ensure that 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.
- E.4.5 The Governing Board should be satisfied that a contractor is technically competent and has sufficient financial standing to carry out the work or produce the work, goods and services to the required quality, before placing any contracts or orders for work to be undertaken.
- E.4.6 The Governing Board must ensure that:
- unique pre-numbered official orders are used for all goods and services (except for supplies of utilities and periodical payments such as rent and petty cash purchases or other circumstances as outlined in E.4.1);
  - orders are only used for goods and services provided to the school and not by individuals for obtaining goods and services for their private use.
- E.4.7 The Governing Board must ensure that ordering books are treated as controlled stationery and are retained securely when not in use.
- E.4.8 School officers authorising orders must be satisfied that:
- the goods and services ordered are appropriate and needed;
  - the purchase is necessary for the educational purposes of the school;
  - adequate budgeting exists;
  - the necessary quotations or tenders for the purchase have been sought and retained.
- E.4.9 The Governing Board and Head Teacher shall ensure that work is not sub-divided to avoid compliance with regulations, i.e. to avoid the obtaining of adequate quotations or tenders.

## **E.5 Expenditure – Paying Invoices**

- E.5.1 The Governing Board shall make arrangements for the payment of properly authorised accounts. No payment shall be made unless supported by an invoice or payment request.
- E.5.2 The Governing Board shall ensure that there is 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.
- E.5.3 School officers authorising payment shall firstly satisfy themselves that such sums are legally and properly payable, and that budgetary provision exists to cover the payment.
- E.5.4 The Governing Board 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 agree with the order and delivery note (where applicable) in respect of quality, quantity and price;
- invoices are checked properly in order for payment, are arithmetically correct and include the appropriate VAT details;
- payments are only made on originals or authorised copy invoices, and are not made on photocopies and faxed invoices;
- a certification slip or payment stamp is used to demonstrate that all the appropriate checks have been carried out;
- all payments are authorised;
- any goods returned or unsatisfactory services are recorded on the delivery note and the copy order at the time to ensure they are not paid for in error;
- payment for goods and services are not made until they have been received;
- the invoice has not previously been paid;
- the invoice is properly coded;
- appropriate entries will be made in accounting records.

E.5.5 The Governing Board shall ensure that a register of periodic (regular) payments is kept to ensure that payments are made accurately and by the due date. Periodic payments include those made for ongoing rents and ground rents.

## **E.6 Expenditure – Payroll**

*Employee costs are the largest item of expenditure in schools. It is therefore important that there are appropriate controls in place to make sure that payments are made only where they are due and that payments accord with the individual's contract of employment.*

E.6.1 The Governing Board shall ensure that:

- payments are only authorised to bona fide employees or former employees;
- payments are only made where there is a valid entitlement;
- conditions and contracts of employment are correctly applied;
- employees' names listed on the payroll are checked at least monthly to verify accuracy and completeness;
- there is an effective system of checking and authorising payroll forms;
- all appropriate payroll records and supporting documentation are retained for the appropriate period.

E.6.2 The Governing Board is responsible for ensuring that suitable arrangements are in place for payroll administration. It is essential that the Governing Board ensures that sufficient controls are in operation to prevent fraudulent or erroneous payments.

E.6.3 The Governing Board shall ensure that all emoluments to staff are only effected through payroll systems. This includes the payment of all salaries, wages, pensions, compensation, car mileage claims, 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 through the payroll. For best practice, all claims in respect of public transport and subsistence costs should be made through the payroll, and not paid directly from petty cash or by cheque. On occasion a member of staff may require an advance where their start date is after the

payroll submission date – in such instances this would be considered a cash advance as their salary would be processed through the payroll in the following month with an appropriate deduction for the payment. If in doubt, please seek advice from the LA.

- E.6.4 The Governing Board is 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.
- E.6.5 The Governing Board 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.
- E.6.6 The Governing Board is 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.
- E.6.7 The Governing Board are responsible for ensuring that all data is input correctly to the payroll system and that all deadlines are met.
- E.6.8 The Governing Board shall ensure that settlement of any loans is agreed when completing the leaving notice.
- E.6.9 The Governing Board shall determine an appropriate staffing establishment in consultation with the Head Teacher, having due regard for available financial resources and the likely demand for teaching resources over the coming years.
- E.6.10 Where a school's payroll is provided by another payroll provider other than the school, the Governing Board shall ensure that:
- all appropriate payroll records are maintained and updated in respect of income tax, national insurance, statutory sick pay and pension contributions;
  - all relevant payments are made by the payroll provider in respect of HMRC, Teachers' Pension Agency (TPS) and other bodies for which deductions from gross pay are made;
  - the payroll provider has in place appropriate insurance cover to indemnify the school against any loss arising from error or fraud during processing of the school payroll.

## **E.7 Expenditure – Petty Cash**

- E.7.1 The Governing Board is responsible for funding their petty cash imprest accounts out of their bank accounts.

- E.7.2 The Governing Board shall ensure that petty cash is properly accounted for and reconciled on a monthly basis (also taking into account VAT where applicable). Head Teachers shall review and sign these.
- E.7.3 School officers administering petty cash must ensure that expenditure conforms to the legal and justifiable tests as for general expenditure. Proof of expenditure must be obtained and retained in all cases and documentation must be retained in accordance with general expenditure items. Where appropriate an official receipted VAT invoice must be obtained.
- E.7.4 The Governing Board 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;
  - to ensure the prompt recording of transactions;

## **E.8 Expenditure – Capital**

*Capital expenditure is money spent to acquire, improve or upgrade physical assets such as buildings and machinery which provides benefits for a period exceeding one year. This may include work on the school site, playing fields, buildings, vehicles or other equipment.*

- E.8.1 Capital expenditure generally falls outside the Scheme for Financing Schools. However, capital expenditure may be financed from delegated budgets. Where the school charges elements of expenditure relating to capital works, to its budget share, these financial regulations shall apply. These financial regulations shall not apply to expenditure which is the responsibility of the diocesan boards or other funding agencies.
- E.8.2 The Governing Board shall ensure that items below £5,000 are not capitalised, in line with the Scheme for Financing Schools.
- E.8.3 The Governing Board shall seek the consent of the LA, where the premises are owned by the LA, for the extension of buildings and any external works that will impact on play areas or playing fields.

## **Income & Expenditure**

### **E.9 Taxation**

- E.9.1 It is the responsibility of the Chief Finance Officer to make arrangements for the completion of all returns to the HM Revenue & Customs (HMRC). Head Teachers must provide information to the Chief Finance Officer in the format and timetable required in order to meet these responsibilities.
- E.9.2 The Governing Board is 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. For details of items attracting VAT, the rates to be applied and the specific accounting arrangements are detailed in Brent's VAT Guide for Schools.

- E.9.3 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 VAT Guide for Schools. This booklet also set out a number of practical guidelines, which must be observed.
- E.9.4 Heavy penalties will be imposed on the LA if it submits incorrect VAT returns. Any penalties resulting from an incorrect declaration will be charged to the school concerned.
- E.9.5 The Governing Board must submit a monthly return to the Schools Finance Team 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.
- E.9.6 Payments to subcontractors for work of a construction nature are subject to HMRC Construction Industry Scheme (CIS) special verification and reporting rules. Schools are exempt where a contract is between the school/Governing Board and the subcontractor (not with the LA). This means the school can pay the subcontractor direct and do not have to report details of payments made for construction operations under the Construction Industry Scheme (CIS). However, where there is work of construction nature on a school and the contract is between the subcontractor and the LA, in this case invoices are paid and reported for CIS purposes by the LA.
- E.9.7 The Governing Board shall ensure that 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 are made through the school's payroll system. These must not be paid out of petty cash, or through the school's payment systems. This is essential to ensure that all statutory deductions and pension contributions are correctly made and paid over.
- E.9.8 The Governing Board shall ensure that all payments to self-employed persons employed by schools, as consultants or temporary workers, are treated with extreme care. The Governing Board is responsible for assessing employment status in respect of any service providers engaged with the school. In practice this may be an individual providing services such as teaching, lecturing, coaching, consulting, training, etc.
- Where the individual concerned represents a bona fide company, the payment should be made directly to the company.
  - Where it is not possible to determine employment status, the school shall seek advice from the LA's Finance Analyst (Tax/ Exchequer & Controls).
  - If there is any doubt, the person must be paid through the payroll.

## **F. RISK MANAGEMENT AND CONTROL OF RESOURCES**

*Risk Management is the process of defining risks that threaten a school, understanding how to handle them and averting the danger in an efficient and cost-effective manner. Good risk management ultimately saves time, assets, income and other important resources, and prevents the risk of loss, fraud and liabilities.*

### **F.1 Risk Management and Insurance**

F.1.1 The Chief Finance Officer is responsible for the preparation and promotion of the LA's risk management policy statement.

F.1.2 The Chief Finance Officer, or under arrangements approved by him, shall effect all insurance, subject to any liability imposed on the LA by statute or other legal obligation.

F.1.3 The Governing Board 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 required.

F.1.4 The Governing Board shall:

- ensure that adequate risk management controls are implemented, monitored and reviewed;
- notify the relevant Insurance Service immediately of any loss, liability or damage that may lead to a claim against the school;
- notify the relevant Insurance Service 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 LA on any terms or any indemnity that the LA is requested to enter into on behalf of the school.

F.1.5 When considering how much liability insurance to ask for from a provider, the Governing Board must ask these three questions first:

- a) What is the worst that could go wrong?
- b) How much would that cost to fix?
- c) Who should be responsible for such costs?

When these are answered, the amount of liability insurance to request will be easy to work out on a case-by-case basis. Governing Boards should contact the Insurance team for advice and guidance if required.

F.1.6 The Governing Board shall ensure that all individuals or bodies who make lettings applications confirm that they have adequate insurance arrangements by signing an appropriate Lettings Terms and Conditions form before the application is accepted. A copy of this document shall be retained by the school.

F.1.7 The Governing Board shall ensure that all school officers that make use of private vehicles in the course of their duties, have arranged appropriate business use cover and such cover is evidenced by the production of certificates of insurance.

## **F.2 Internal Controls**

*Internal Controls include policies and procedures that:*

- *pertain to the maintenance of accurate and reasonably detailed records;*
- *provide reasonable assurance that transactions are properly recorded and authorised;*
- *safeguard assets.*

F.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.

F.2.2 The Governing Board and Head Teacher shall 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.

F.2.3 The Governing Board shall put in place appropriate measures to achieve effective internal financial controls. These may include:

- Adequate operation of budgetary control and accounting systems;
- Adequate supervision;
- Physical safeguarding of property and staff;
- Segregation of duties;
- Maintenance of local information systems;
- Adherence to authorisation and approval process.

## **F.3 Schools Financial Value Standard (SFVS)**

*The SFVS is a self-assessment of the school by the Governing Board on the effectiveness of their financial management. The SFVS will inform the LA program of internal audit and auditors will have access to the standard and will check whether the schools self-assessment is in line with their own judgement. Auditors will report any major discrepancies to the Chief Finance Officer and the Strategic Director of Children & Young People.*

F.3.1 The Governing Board shall comply with the DfE Schools Financial Value Standard (SFVS) by the completion and submission of the self-assessment to the LA.

F.3.2 The Governing Board shall ensure that the SFVS is completed, signed by the Chair of Governors and submitted to the Schools Finance Team prior to 31<sup>st</sup> March each year.

- F.3.3 Where schools fail to complete the self-assessment by 31<sup>st</sup> March, the LA may take the following action:
- Issue a notice of concern;
  - Publish the names of schools who did not submit the assessment in time or not at all;
  - Withdraw financial delegation.

#### **F.4 Audit Requirements**

- F.4.1 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. Audit visits shall examine accounting, financial and operational aspects of school activity.
- F.4.2 The Chief Finance Officer will ensure that the Strategic Director of Children & Young People, the Head Teacher and Chair of Governors receive suitable reports setting out the findings of all internal and external audit reports of a school.
- F.4.3 The Chief Finance Officer, or authorised representative including external auditors, shall have authority to:
- enter any municipal building, land or area where records relating to any activity of the LA, its partners, contractors or any body partly or wholly funded by the LA, 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.
  - access 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 that are partners of the school or are providing services on behalf of the school.
  - request and receive such explanations as are considered necessary concerning any matter under examination.
  - request 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.

For the avoidance of doubt, the authority detailed above includes both foundation and voluntary aided schools, and any other establishment operated within the LA's accounts.

In relation to rights of access, the Chief Finance Officer and his representatives are expected to have a personal responsibility to observe the highest standards of confidentiality and personal integrity.

- F.4.4 The Governing Board must:
- ensure that the Head Teacher and other school officers respond within the given timescale to recommendations in both internal and external audit reports;
  - ensure that agreed actions arising from the audit recommendations are carried out within the given timescales;
  - monitor the reasons for any failure by the Head Teacher or other school officers to implement those audit recommendations.
- F.4.5 It is advised that the Governing Board shall maintain a risk register within the school, informed by regular reviews and assessments of risks and to identify and document actions to mitigate those risks.
- F.4.6 The Governing Board must ensure that new systems for maintaining financial records, or significant changes to such systems, are discussed with the Schools Finance Team and the Audit and Investigations Service prior to implementation.

## **F.5 Financial Irregularities**

*Any matter that arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of the LA or any suspected financial irregularity in the exercise of the functions of the LA. This includes anything that can detrimentally affect the LA's interests.*

- F.5.1 Every school officer has a duty to report any suspected breach of financial regulations, irregularity or suspected irregularity as soon as the matter is identified, to the Head Teacher or the Governing Board, or if circumstances dictate, directly to the Audit and Investigations Service.
- F.5.2 The Governing Board shall ensure that the LA's Whistleblowing Policy is fully distributed and made available to all school officers and governors for reference. This policy applies equally to all school officers and ensures that officers can report their concerns in confidence. The LA has a statutory duty, under the Public Interest Disclosure Act 1998, to protect whistle-blowers from recrimination. Details of the policy can be found on the Schools Extranet or can be obtained from the Schools HR Team or the Audit and Investigation Service.
- F.5.3 The Governing Board has a duty to notify the Chief Finance Officer immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the LA's property or resources. Pending investigation and reporting, the Governing Board should take all necessary steps to prevent further loss and to secure records and documentation against removals or alteration.
- F.5.4 The Governing Board must keep a service-based register of gifts and gratuities received by officers. Offers, gifts or inducements for favour shall be declined, fully recorded by the school officer or governor and reported and minuted at the next meeting of the Governing Board. This requirement does not extend to minor items which are considered to be of token value such as stationery, calendars, pocket diaries, chocolates, etc. The Governing Board must set a policy regarding the

acceptance of any gifts and gratuities, which clearly stipulates a cash limit above which all items must be recorded.

## **F.6 Money and Banking**

- F.6.1 The Governing Board must ensure that adequate security arrangements exist for the holding of cash including controlling access to safes and other receptacles. Cash holdings should be kept to a minimum at all times.
- F.6.2 The Governing Board shall maintain such bank accounts as it, in consultation with the Chief Finance Officer and the Strategic Director of Children & Young People, considers necessary for the efficient operation of the school's finances under arrangements approved by the Chief Finance Officer.
- F.6.3 The Governing Board is responsible for approving the authorised signatories to all bank accounts within their school and for ensuring that there is more than one signatory.
- F.6.4 The Governing Board shall ensure that all transfers between accounts, unless undertaken automatically by the school's bank to optimise investment funds, are authorised in writing by the Head Teacher.
- F.6.5 The Governing Board ensure that all any income relating to delegated public funds are not, at any point, paid into or accounted for by voluntary or non-public funds held by the school.
- F.6.6 The Governing Board shall make arrangements with the bank to provide statements of account, together with supporting documentation, at pre-determined intervals. To enable the LA'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 31<sup>st</sup> March, or the last banking day prior to the 31<sup>st</sup> March.
- F.6.7 The Governing Board are responsible for the effective management of cash flow through their bank accounts.
- F.6.8 The Governing Board shall ensure that all school bank accounts are administered effectively and reconciled to the school's accounting system at least on a monthly basis. This includes investment accounts, bonds and any monies held on deposit with approved banks and building societies and sourced by public funds. The reconciliation shall be reviewed by the Head Teacher and evidenced in writing.
- F.6.9 The Governing Board 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.

- F.6.10 Imprest and petty cash bank accounts must not be overdrawn at any time. The Governing Board must ensure that their bank account(s) remain in credit.
- F.6.11 School officers shall not use their own private bank accounts for the purposes of making payments or banking income relating to the school.

## **F.7 Property, Stock and Equipment**

- F.7.1 The Chief Finance Officer shall maintain an appropriately valued asset register of all the LA's land and buildings.
- F.7.2 The Governing Board must maintain an inventory of valuable goods and equipment. The inventory must be kept in a secure place and should include:
- All items with a value over £1,000 (the LA strongly suggests that all items over £100 should be included);
  - All items with a value under £1,000 if they may be regarded as portable, desirable items that are susceptible to unauthorised removal;
  - A full description of the items including a note of any security markings and identification numbers etc.
- F.7.3 The Governing Board should ensure that a comprehensive inventory check is carried out at intervals of no more than twelve months. These checks shall be evidenced in writing and the Head Teacher shall certify that checks have been undertaken to their satisfaction. A copy of the certified inventory should be presented to the Governing Board.
- F.7.4 All assets should be held in the name of the LA 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 LA's insurance policy may be invalidated if appropriate security measures are not taken.
- F.7.5 The Governing Board 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 the Governing Board feels that special security arrangements are required it should consult the Chief Finance Officer and/or the Strategic Director of Children & Young People.
- F.7.6 The Governing Board 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.

- F.7.7 The Governing Board and Head Teacher shall annually review their use of property for the purpose of identifying surplus or inefficient properties.
- F.7.8 The Governing Board 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 annually.
- F.7.9 Designated school officers shall maintain a record of all stocks and stores and shall provide the Schools Finance Team with such information as required on stocks and stores for year end accounting purposes.
- F.7.10 The Governing Board shall ensure that where school officers are required to take assets or equipment home, this shall be properly recorded on the inventory.

## **F.8 Sale of Assets**

*Land and buildings cannot be disposed of other than in accordance with LA procedures.*

- F.8.1 Where the Governing Board determines 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 for this and all other relevant information concerning the disposal, and kept for future inspection.
- F.8.2 The Governing Board 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 themselves. There must be a clear separation of duties.
- F.8.3 The Governing Board must appoint staff responsible for disposal whose name must be clearly identified in the disposal file. They should be instructed in writing on the disposal and will be accountable to the Governing Board and the Head Teacher for ensuring that disposal is for the best price reasonably obtainable.
- F.8.4 The Governing Board shall ensure that all paperwork in connection with the disposal is kept in the disposal file. The file should be kept for a period of six years after the disposal. The file shall 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.
- F.8.5 The Governing Board shall ensure that all assets are offered to other schools before members of staff or the public. Information about the assets available should be circulated to all schools and with 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.

- F.8.6 The Governing Board shall ensure that official receipts are issued for income received. Moneys must be received and properly accounted for by someone who has not been involved in the disposal.
- F.8.7 The Governing Board must ensure the disposal is recorded on the school's inventory.

## **G. PROCUREMENT AND CONTRACTS**

*Under the International Financial Reporting Standards (IFRS) contracts (works, supplies 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.*

*Leasing, loans and financial arrangements have their own specific approval process outside of the LA’s Contract Standing Orders and as such are contained within Section C.*

*An electronic version of the LA’s Constitution encompassing the Financial Regulations and Contract Procedure Rules can be obtained here:*

*<http://www.brent.gov.uk/your-council/about-brent-council/council-structure-and-how-we-work/our-constitution/>*

*For the purposes of Contract Standing Order 100 schools shall substitute reference to ‘Democratic Services Manager’ to ‘Head Teacher and/or Chair of Governors.’*

- G.1 All procurement on behalf of the LA must, where applicable, comply with EU Public Procurement Legislation (the Public Contracts Regulations 2015), the LA’s Financial Regulations and Contract Standing Orders.
- G.2 The Governing Board shall maintain and supply the Chief Finance Officer with such information as is required for corporate compliance with these rules.
- G.3 The Governing Board has a duty to ensure that appropriate steps are taken to procure contracts in accordance with the procurement procedures set out in the LA’s Contract Standing Orders and Financial Regulations, in order to ensure compliance with the law and achieve value for money. This includes assessing the value of the contract, over the life of the contract including any possible extensions.

The chart below sets out different categories of contracts depending on the value of the contract (over the life of the contract, including any possible extension) for Supplies, Services and Works.

### Contract Value

It is a mandatory requirement to estimate a contract value at the start of a procurement. The value of the contract must be calculated over the entire length of the contract, including any period of extension(s) anticipated.

Supplies & Services		Works	
Very Low Value Contract	£0 < £24,999	Very Low Value Contract	£0 < £24,999
Low Value Contract	£25,000 < £164,175	Low Value Contract	£25,000 < £249,999
Medium Value Contract	£164,176 < £499,999	Medium Value Contract	£250,000 < £499,999
High Value Contract	> £500,000	High Value Contract	> £500,000
<b>EU Threshold Values:</b> <u>Supplies &amp; Services (excluding Schedule 3 Services)</u> from 1 <sup>st</sup> January 2016 > £164,176 <u>Schedule 3 Services</u> from 1 <sup>st</sup> January 2016 > £589,148		<b>EU Threshold Values:</b> <u>Works</u> from 1 <sup>st</sup> January 2016 > £4,104,394	

*A Schedule 3 Service is defined as those social, educational and other specific services listed in Schedule 3 of the Public Contracts Regulations 2015.*

- **Very Low Value Contract** – Although there are no formal procurement procedures for Very Low Value Contracts, the Governing Board must secure best value. The Governing Board is advised that the easiest way to demonstrate best value is either to seek three competitive written quotes, to use an Approved List (where one exists), or to use the Online Market Place. This is not however mandatory, but it is mandatory to keep an auditable record to demonstrate compliance and value for money.
- **Low Value Contract** – The Governing Board must seek at least three written quotations from potential providers and retain the quotes sought and/or obtained, or contracts must be procured through the Online Market Place.
- **Medium Value Contract** – The Governing Board must undertake a competitive tendering exercise. This tendering exercise must be commenced by placing a contract notice (advert) in OJEU (Official Journal of the EU) if the Public Contract Regulations 2015 apply in full to the procurement. Where a Governing Board elects to utilise the LA's e-Tendering system to advertise and run the procurement, they must then comply with Contract Standing Order 101 (e-Tendering and e-Auctions).
- **High Value Contract** – The Governing Board shall obtain approval from the LA's Cabinet before the procurement process is started. In seeking the LA's Cabinet approval to tender, the Governing Board shall address the pre-tender considerations set out in the LA's Contract Standing Order 89, to include details of the criteria for evaluation and award. The tender exercise will be the same as for Medium Value Contracts. Following receipt and evaluation of bids, further

Cabinet authority should be sought prior to awarding the contract.

- G.4 The Governing Board shall ensure that when valuing a rolling contract with no defined termination date, the contract is valued over a period of 48 months.
- G.5 The Chair of Governors and the Head Teacher shall make appropriate arrangements for the receipt and opening of tenders that ensure that each tenderer is treated fairly and equally and the LA's interests are protected. Unless the LA e-Tendering system is used, tenders shall be addressed to the Head Teacher and remain in their custody until the time appointed for opening.
- G.6 For **High Value Contracts**, unless the LA e-Tendering system is used, tenders shall be addressed to the Chair of Governors or the Head Teacher and the tender shall remain in their custody until the time for opening. Tenders for contracts with this value must also be opened and tender details recorded by the Chair of Governors or the Head Teacher and one other officer.
- G.7 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 LA's Chief Legal Officer.
- G.8 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 LA's Cabinet seeking a waiver/exemption from complying with Contract Standing Orders or Financial Regulations in these respects.
- G.9 The LA's Chief Legal Officer and the Chief Finance Officer or his representative must be invited to be advisers to all Tender Panels for evaluation of High Value Contracts, i.e. contracts for services or supplies or works with a value in excess of £500,000.
- G.10 The Governing Board shall maintain a record of all tenders invited and received by them and of all contracts entered into on behalf of the LA 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.
- G.11 The Governing Board shall ensure that no contract subject to the full application of the EU Public Procurement Regulations is awarded without the mandatory 10 days standstill period being complied with.
- G.12 The Governing Board shall ensure that where a contract exceeds £500,000 in value, or is likely to exceed that amount, it shall be contained in a formal document executed as a deed.
- G.13 Every school officer has a legal and personal duty to notify the Chief Executive in writing immediately if they discover that the school 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 LA's Chief Legal Officer.

## **H. INVESTMENTS AND TRUST FUNDS**

- H.1 The Governing Board shall ensure that all investments of money under the school's control are made in the name of the school where legally possible.
- H.2 The Governing Board shall ensure that all securities that are the property of, or in the name of, the school are held in custody under safe arrangements previously made or agreed by the Strategic Director of Children & Young People.
- H.3 The Governing Board shall ensure that all trust funds held by the school are, where legally possible, in the name of the school.
- H.4 The Governing Board shall ensure that all officers acting as trustees by virtue of their official position deposits all securities, certificates and similar documents relating to the trust in accordance with prior arrangements approved by the Strategic Director of Children & Young People subject to advice from the Chief Finance Officer unless any trust deed otherwise provides.

## **I. CUSTODY OF THIRD PARTY PROPERTY**

- I.1 The Governing Board shall ensure that where it becomes necessary to hold property on behalf of a member of the public or other third party, an itemised inventory is maintained of all such items.
- I.2 The Governing Board 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.

## **J. ESTATES**

- J.1 The LA's Chief Legal Officer shall have custody of all title deeds and shall make secure arrangements for their custody.
- J.2 The Governing Board shall ensure that where a school proposes to build another building, the matter is referred to the LA's Chief Legal Officer for advice as to the legal effect of the transaction.

## K. RETENTION OF DOCUMENTS

- K.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 LA or Governing Board.
  - Share certificates, stocks, bonds and other securities together with any appropriate contracts of purchase or sale.
  - Guarantees, indemnities, insurance policies.
- K.2 All other contracts carried out under the seal of the LA must be retained for twelve years after completion of the contract.
- K.3 LAs are required by statute to retain all accounting documents for a minimum of six years plus the current tax year. 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 plus the current tax year:
- 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.
- K.4 The Governing Board shall consult with the Audit and Investigations Service before copying documents not previously copied or before using a new method, to ensure such methods would be accepted for evidence purposes.
- K.5 The Governing Board 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.

## **L. NON-OFFICIAL FUNDS**

*A non-official fund refers to both voluntary and private funds which do not contain official money or delegated funding from the LA. It is controlled wholly or in part by the Head Teacher by reason of their employment by the school.*

These Financial Regulations as a whole does not apply to non-official funds, but the Governing Board is advised to ensure similar standards of accounting are exercised in relation to these funds to ensure an effective control framework.

The following regulations however do apply.

- L.1 The Governing Board shall ensure that non-official funds are never mixed with official (delegated) funds. The Governing Board shall ensure that any income which properly relates to the school's delegated budget is not credited to a non-official fund.
- L.2 The Governing Board shall arrange for voluntary and any other non-public funds to be the subject of an annual independent audit by an auditor appointed by the Governing Board.
- L.3 The Governing Board shall ensure that the audits of non-official funds are completed within three months of the end of each financial year.
- L.4 The Governing Board shall ensure that the auditor is not an employee, and shall be independent of the school, and not associated with the fund in any capacity. Funds in excess of £20k shall be audited by a qualified accountant who will provide a certificate in accordance with published professional standards. Funds below £20k does not need to be audited by a qualified accountant, but must be audited by a suitable individual familiar with the principles of accountancy.
- L.5 The Head Teacher shall ensure that a report of the annual audit is submitted to the Governing Board for review.
- L.6 The Governing Board shall provide annual audit certificates to the LA's internal auditors in respect of voluntary and private funds held by the school.
- L.7 The Governing Board shall ensure its oversight of the management of non-official funds by regularly reviewing reports on income received, major items of expenditure, the balance of the funds, and certified reconciliations.
- L.8 The Governing Board shall not use non-official funds to make overtime payments to school officers or for payment of fees to school officers carrying out additional work as part of their normal school duties.
- L.9 The Governing Board shall not reclaim VAT on non-official funds, unless the fund is separately registered for VAT.

## **M. INFORMATION SYSTEMS**

- M.1 The Governing Board shall retain overall responsibility for data protection, and the school shall be registered under the Data Protection Act 1998.
- M.2 All school officers shall take adequate steps to keep personal records up-to-date and secure in accordance with the terms of the Data Protection Act 1998. This requirement shall also extend to the secure disposal of obsolete records.
- M.3 The Governing Board shall ensure that where CCTV systems are in use at the school for the purposes of preventing and detecting crime, that the Data Protection Act registration shall reflect this purpose.
- M.4 The Governing Board shall ensure that all computer systems employed by the school is adequately secured against unauthorised access and use. Such measures may include:
- Appropriate physical location of equipment and locking of rooms when not in use;
  - Establishment of appropriate system users according to their job descriptions and responsibilities;
  - Use of appropriate and regularly updated passwords to prevent unauthorised access;
  - Use of screensavers and time-out routines to prevent unauthorised access and viewing of data on screen.
- M.5 The Governing Board shall ensure that rigorous procedures exist to secure a regular back-up of data and systems held on computers. Back-up media shall be appropriately secured and should be held remotely from the computers to which they relate. This may include securing off-site copies. Back-up and restore routines shall be regularly tested to ensure that data and systems can be restored if necessary.
- M.6 The Governing Board shall establish a disaster recovery plan which considers the recovery of records and data in the event of a serious incident such as fire. Where possible this plan shall be tested to ensure that school business shall continue as far as is possible. These arrangements shall cover not only reconstitution of records but also the prompt sourcing of appropriate replacement equipment, and ensuring that manual records are stored in as secure a manner as possible.
- M.7 The Governing Board shall ensure that adequate systems exist for the detection and prevention of infection from computer viruses. Such defences shall be subject to regular update, and the Head Teacher shall ensure that such procedures exist which prevent staff from using computers, which are thought to be infected.

## **ANNEX A – LIST OF MAINTAINED SCHOOLS** (at 31<sup>st</sup> May 2016)

### **NURSERY (4)**

COLLEGE GREEN  
CURZON CRESCENT  
FAWOOD  
GRANVILLE PLUS

### **PRIMARY (51)**

ANSON  
BARHAM  
BRAINTCROFT  
BRENTFIELD  
BYRON COURT  
CARLTON VALE INFANTS  
CHALKHILL  
CHRIST CHURCH BROND CE  
CONVENT OF J&M RC INFANTS  
DONNINGTON  
ELSLEY  
FRYENT  
HARLESDEN  
ISLAMIA  
JOHN KEBLE CE  
KILBURN PARK JUNIORS  
KINGSBURY GREEN  
LEOPOLD  
LYON PARK  
MALOREES INFANTS  
MALOREES JUNIORS  
MITCHELL BROOK  
MORA  
MOUNT STEWART INFANTS  
MOUNT STEWART JUNIORS  
NEWFIELD  
NORTHVIEW  
OLIVER GOLDSMITH  
OUR LADY OF GRACE RC INFANTS  
OUR LADY OF GRACE RC JUNIORS  
OUR LADY OF LOURDES RC

PARK LANE  
PRESTON PARK  
PRINCESS FREDERICA CE  
ROE GREEN INFANTS  
ROE GREEN JUNIORS  
SALUSBURY  
SINAI JEWISH  
ST JOSEPH'S RC  
ST JOSEPH'S RC INFANTS  
ST JOSEPH'S RC JUNIORS  
ST MARGARET CLITHEROW RC  
ST MARY MAGDALEN'S RC  
ST MARY'S CE  
ST MARY'S RC  
ST ROBERT SOUTHWELL RC  
STONEBRIDGE  
TORAH TEMIMAH  
UXENDON MANOR  
WEMBLEY  
WYKEHAM

### **SECONDARY (2)**

JFS  
NEWMAN

### **SPECIAL (3)**

MANOR DAY  
PHOENIX ARCH  
THE VILLAGE

### **PRUS (2)**

ASHLEY COLLEGE  
RIVER COLLEGE