

HARINGEY COUNCIL

Schools Financial Manual

Version 3
2007

Haringey Schools Financial Manual

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ACCOUNTABILITIES, FINANCIAL DUTIES AND RESPONSIBILITIES

1. INTRODUCTION

Schools financial regulations reference 75-79 set out the key accountabilities, duties and responsibilities relating to the financial administration of schools.

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with the regulations.

1.3 This section of the manual also sets out the statutory and other financial duties of the local authority and its key officers, as well as responsibilities specifically with schools.

1.4 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.5 If a school has difficulty in interpreting the regulations or this corresponding financial manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management.

1.6 As well as the Schools Financial Regulations, the following statutory regulations are relevant:

- Code of Practice on Local Authority – School Relations
- Section 151 of the Local Government Act 1972
- The Local Government Finance Act 1988
- The Local Government and Housing Act 1989
- The Accounts and Audit Regulations

2. BACKGROUND

2.1 Responsibility for the maintenance of sound financial management within schools on a day to day basis sits with the Governing Bodies and Headteacher. Overall responsibility across the local authority for the stewardship of public funds, including those held by schools, sits with the local authority's Director of Finance.

2.2 This section of the school's financial manual sets the main details relating to the statutory and regulatory background that drives the financial controls and relationships between the Director of Finance, schools, and the Dfes.

2.3 Standards imposed by both the Director of Finance and the Dfes are therefore both referred to within this section. Throughout the rest of this manual the internal control processes outlined together with the associated Schools Financial Regulations and Scheme for Financing Schools, if followed, should greatly assist schools in complying with regulations such as the Dfes Financial Management Standard in Schools.

2.4 This section is structured as follows:

Section 3. The Role of the Local Authority's Finance Officers

Section 4. Schools Duties and Financial Management Standards.

Section 5. Best Value

Section 6. Traded Services

3. The Role of the Local Authority's Finance Officers

3.1 Role of the Director of Finance

3.1.1 The Director of Finance has responsibilities under Section 151 of the Local Government Act 1972, essentially ensuring that the Council fulfils its role in the stewardship of public funds, including funds delegated or devolved to schools.

3.1.2 This is achieved through the accountability of local authority staff, in particular the Head of Finance for the Children and Young People's Service and the staff that support that role.

3.1.3 The statutory duties are defined in the Schools Standards and Framework Act (SSFA) 1998 updated by statutory Instruments- The Financing of Maintained Schools (England) Regulations 2001

3.2 Role of the Head of Finance for the Children and Young People's Service

3.2.1 The Head of Finance for the Children and Young People's Service has an advisory and supporting role, and a regulatory and monitoring role. The duties, via the S.151 responsibilities, for the Head of Finance for the Children and Young People's Service and those supporting officers, include:

- Section 151 function, essentially ensuring that the Council fulfils its role in the stewardship of public funds devolved to schools

- Introduction and implementation of Dfes and other government bodies policies and recommendations, supporting schools in their introduction.
- Preparation of the Annual Budget Pack
- School bank account advances of Section 52 Budget
- Provision of accounting framework and procedures as set out in the Schools Financial Manual and Schools Financial Regulations which are regularly reviewed and updated.
- Ensuring that the school's budgets and actual spending are accurately recorded in the Council's Financial Accounting System
- Monitor schools accounts with support to schools causing concern
- Report on consolidated schools performance
- Support and inform the school in the implementation of such things as recommendations from audit reviews and implementing the RM Budget Planning Tool, guidance and support on the CFR framework.
- Training and 'advice in person' e.g. CFR advice & budget planning workshops, meetings of Schools Financial with heads/governors to plan and review performance.

3.3 Role of the School Funding Policy Manager

3.3.1 To support the formulation of strategic policies, plans and programmes for fair funding and school governance. To implement, maintain, develop and review in consultation with schools, the Authority's Scheme for Financing Schools and formula and related matters, in order to meet legislative requirements and changing needs for the ongoing provision of:

- Scheme for the Financing of Schools maintained by the local authority. (Section 48 Financial Scheme, SSFA 1998)
- Section 52 Budget and out-turn Statements, SSFA 1998 (Annual Education Regulations);
- Section 52 Outturn Statement, SSFA 1998 (Annual Education Regulations);
- Individual School Budgets (ISB) (Section 46 SSFA 1998);
- In year budget adjustments / re-determination to schools - contingency payments to schools;
- Provision of Standards Grants/Funds to schools in consultation with the Schools Standards and Inclusion Team.
- Provision of cashflow to schools
- Quality Standards – Financial Management in Schools

3.4. Role of the Schools Financial Advisors

3.4.1 The role of the schools financial advisers is to appropriately support schools in developing their own financial management processes and skills, and to assist schools in their budget planning and monitoring, reviewing and checking schools' management of resources.

3.4.2 Schools' Financial Support Advisors also have a particular role in advising and supporting the schools compliance with required financial returns and the associated reporting and reconciling of accounts. They will not undertake a bursary type role; this will remain the responsibility of the school.

4. Schools Duties and Financial Management Standards

4.1 General

4.1.1 Accountability and responsibility for timely and accurate reporting within deadlines set by the local authority, the DfES or the responsible government department lies with the Governing Body and the Headteacher.

4.1.2 If an externally provided bursary service is used to assist with financial procedures and processes, then accountability and responsibility remains with Governors and the Headteacher; it does not pass to the service provider.

4.2 Local Authority Regulations

4.2.1 The statutory duty of schools is to provide quality educational services within a structured finance plan. Schools must adhere to the local authority's financial regulations, maintain effective and efficient accounting processes and reporting procedures. These are outlined within Schools Financial Regulations and throughout this Manual, both documents should be formally adopted by the Governing Body and used as a basis for any local school's financial procedures.

4.3 Dfes Financial Management Standard

4.3.1 The foundation for this standard was introduced by the Dfes during 2005. The quality and soundness of financial control achieved by each school will be measured by an external assessor or Internal Audit to ensure the school is meeting the Dfes standard and indicating areas where improvement is necessary.

4.3.2 Each school may also gauge whether they are meeting the standard through use of the self-assessment tool provided on the web site at www.teachernet.gov.uk. The requirements of the standard have been reflected wherever possible within this manual.

4.3.3 Meeting the Standard will be compulsory for Secondary Schools from March 2007 and for other schools at a date to be announced.

4.3.4 The standard is comprised of five key areas:

- Leadership and Governance
- People Management
- Policy and Strategy
- Partnerships and Resources
- Processes

4.3.5 The school is expected, through self assessment and external assessment, to be able to meet the criteria and requirements set out in each of the above five areas. Application of the Standard ensures that schools adhere to a uniform set of skills and criteria in their application of financial management and administration.

4.4 Audit Commission and OFSTED

4.4.1 The Audit Commission and OFSTED also have a remit to review the school's administration. 'Keeping Your Balance' sets out the principal standards of a sound approach to the financial administration and control of schools funds which schools are required to follow. (These principles are also bound up within the Dfes standard.)

4.5 Financial Planning

Financial planning is essential for good financial management. It provides the school with a clear view of how it will utilise its resources in the most efficient and effective way. It has two interrelated elements:

- *School Improvement Plan (SIP)* - this identifies the school's educational priorities for raising standards. The SIP should reflect the resource implication of each priority and initiative. An evaluation framework should also be built into the SIP to assess the success of each initiative.
- *School Budget* – The budget should set out how resources are allocated and provide a mechanism for monitoring expenditure through the year. Details on this aspect of the schools financial management process are contained within this Manual

719 Financial Controls

4.6.1 Schools will have many systems for processing and recording financial transactions. These systems are needed to protect the school's resources from loss or fraud and also to provide information to interested parties about how the budget is being spent. Governing bodies and Headteachers will only be able to make sound decisions when they are based upon accurate and reliable information and therefore will ensure that their financial controls are sound.

4.6.2 Good internal financial controls enable the interested parties to have confidence that transactions have been properly processed and that errors or fraudulent activities are detected or prevented.

The application of internal control runs throughout this manual. Examples of such internal controls are:

- Internal checks - one person authorising another person's work
- Separation of duties - distribution of work so that key tasks are not handled by the same person
- System manuals - clear, legible description on how the system functions and available to all relevant staff. Such Manuals should be reviewed annually to ensure their currency.
- System of authorisation - each transaction has evidence to have been authorised before being passed on to the next process
- Audit trail - tracking all stages of a transaction
- Accounting records are all securely retained and access is controlled.

These controls safeguard staff and governors by ensuring that for example:-

- payments are only made to bona fide and legitimate suppliers and employees
- payments are made only for actual goods and services received
- cash transactions are secure in all respects

5. Best Value

5.1 'Best Value' is a policy, which applies to the way local authorities, provide services. Schools are not currently directly covered by best value legislation. However, given the very high proportion of local authority spending which flows through delegated budgets, it is a requirement of the Dfes Financial Management Standard that schools should demonstrate that they have applied the principles of best value in their expenditure.

5.2 To meet this intention, when submitting the annual budget plan, the governing body of each school should be asked to submit a statement setting out what steps it will be taking in the course of the year to ensure that expenditure, particularly in respect of large service contracts, will reflect the principles of the best value regime.

5.3 The basic principles of Best Value are:

- **Challenge** involves questioning why, how and by whom activities are carried out.
- **Comparison** of performance against other schools and between parts within each school e.g .benchmarking.
- **Consult** with stakeholders, especially pupils, parents and staff about key issues to foster partnership working..

- **Competition**, means using competition as a means of securing more efficient and effective services. wherever practicable, to secure efficient and effective services.

5.4 Headteachers will be considering the following generic application of Best Value activities within their schools:

- Develop a programme of performance and activity review, which will aim for continual improvement linking to the School Improvement Plan and post-inspection action plans.
- Activity reviews following the principles of the 'four Cs' including comparison with others.
- The development of a framework of performance indicators and targets, used by the school to compare with others and provide a clear practical expression of a school's performance, taking national requirements into account.
- The inclusion in the School Improvement Plan of a summary of objectives and strategy for the future including consultation arrangements with linking forward targets on an annual and longer-term basis

More detailed illustrations are contained on the Dfes best value web site www.dfes.gov.uk.valueformoney

6. Traded Services - Service Level Agreements (SLA)

6.1 Government policy seeks to promote the autonomy of schools by encouraging them to make informed decisions on providing their own in-house financial services or purchasing from another provider. This may be the local authority or any other external provider of financial services.

6.2 Schools are required to apply the principles of Best Value and to employ support services in the context of this responsibility.

6.3 There are no statutory duties, but expectations about the nature and standards of traded services are defined in the Best Value Accounting Code of Practice.

6.4 As a minimum, schools engaging the services of external Finance and accounting officers could expect provision of the following:

- Assistance with setting a detailed school budget within the total individual school funds allocated.
- Financial planning and 3 year budget forecasting.
- Financial advice.
- Financial training.
- Bank reconciliation support.
- Bookkeeping support.
- Management accounting support and advice.

- Support using school-based financial packages or software.
- Payroll service.
- Advice on the payment of creditors.
- Support on collection of income from debtors.

6.5 All schools are expected to deliver financial accounts that are accurate and reliable within the timeframe stipulated by the local authority. It is the school's ultimate responsibility, not the External Finance/Accounting officer's, to ensure that the above requirements are satisfied.

7. Haringey Services - Supporting Schools Brochure

This brochure provides an outline of the Authority's traded services on offer to Haringey schools. It is distributed annually, to all schools. The local authority has developed, as part of its overall performance management plan, a range of approaches to meet the needs of schools for quality support services. Some of the services provided include:

- School Standards and Inclusion Service
- Continuing Professional Development
- Governor Support and Training
- Governing Body Clerking Service
- Drugs Education
- NQT Recruitment Service
- Education Support Service
- Music and Performing Arts Service
- The Schools Library Service
- Finance and School Support Service
- Schools ICT Support Service
- School Swimming and Transport Service
- Insurance
- Maternity Insurance
- Property and Contracts Services
- Corporate Finance
- Fixed Play Service
- Grounds Maintenance Service
- Occupational Health & Welfare Unit
- School Cleaning Service
- Schools Staff Absence Insurance
- Schools Catering service

AUDIT ARRANGEMENTS

1. Introduction

1.1 Schools financial regulations referenced 102-111 set out the internal controls and procedures to be followed by schools in relation to the audit of their financial and other records.

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with the regulations. This part of the Schools Finance Manual explains the role that Internal /External /Audit has in respect of the individual school, governing bodies, and the Local Authority. Examples are also given where process compliance by schools can assist and ease the audit process.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding financial manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management.

2. BACKGROUND

2.1 The primary responsibility of a school is to provide the best education possible for its pupils. Much of the finance to do this is provided with public funds, delegated from the Local Authority. The school therefore has a responsibility to ensure that it has proper financial management procedures in place in order to demonstrate that it is using its delegated funds appropriately.

2.2 Good financial management and controls over income and expenditure are essential to schools, because they provide an effective framework for financial planning and accountability and safeguard the use of public funds.

2.3 All schools maintained by a local authority must ensure that their financial arrangements comply with the current financial regulations, standing orders and schemes of delegation issued by their local authority. Whilst some information must be provided in a certain way at specific times (e.g. VAT returns), schools may adopt their own systems to comply with other requirements (e.g. maintaining an asset register) provided they meet at least basic control standards.

3. STATUTORY AND REGULATORY REQUIREMENTS

3.1 Haringey Council needs to comply with various statutory requirements in relation to financial matters. One of the key pieces of legislation is the **Local Government Act 1972**, which stipulates (in Section 151) that *“Every Local Authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for those affairs.”*

3.2. Within Haringey, this responsibility (the S151 Officer) rests with the Director of Finance and cannot be overridden, or delegated to any other officer or school. The S151 Officer is responsible for ensuring that high financial standards are maintained. The Director of Finance therefore has to ensure that there is effective financial administration and control within schools.

3.3 The Accounts and Audit Regulations 2003 (as amended 2006) require that *“A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and accounting control systems in accordance with the proper internal audit practices, and any officer or member of that body shall, if the body requires, make available such documents of the body which relate to its accounting and other records as appear to that body to be necessary for the purpose of the audit and shall supply the body with such information and explanation as that body considers necessary for that purpose.”*

4. INTERNAL AND EXTERNAL AUDIT

The Council is required to have both internal audit and external audit. The following section summarises the role of each:

4.1 External audit

(a) The Council is required to have its accounts, financial statements, and internal control arrangements approved on an annual basis. School accounts form part of the overall Council income and expenditure records of the Council and therefore need to be included in the review process. Approval that the Council's financial statements are accurate and comply with relevant legislation is given by external auditors.

(b) External auditors are completely independent of the Council and are appointed by the Audit Commission. The Audit Commission prepares a Code of Audit Practice, which external auditors follow when carrying out their audits.

4.2 Internal Audit

(a) Internal auditors review the management of the school's finances on behalf of the local authority. Internal Audit operates as an independent division within the Council, and provides assurance to the Director of Finance that there is an adequate and effective system of internal control across the Council. This assists the Director of Finance to comply with the requirements of S151 of the 1972 Local Government Act.

(b) The Head of Audit and Risk Management is responsible for the strategic management of the whole internal audit service and supervision of all fraud matters.

(c) The Council works in partnership with an external provider, currently Deloitte & Touche, to provide the majority of the internal audit function, including the audit of its schools. The in-house internal audit team is responsible for the investigation of all financial irregularities, including those within schools.

(d) Internal auditors will give assurance to all levels of management, including school governors and Headteachers, about the efficiency and effectiveness of operations, compliance with laws and regulations, and accuracy and reliability of management reporting. Internal audit also act as a source of impartial and professional advice specifically to help-line management improve the school's risk management, control and governance

4.3 FACILITATING EXTERNAL/INTERNAL AUDITS

(a) The accounts of schools with delegated budgets will be subject to regular internal audit and must be made available for inspection as necessary by the Local Authority's external auditor. The Council's Constitution/Financial Regulations set out the various authorisation and access rights which auditors have in relation to records, information, monies, accounts, staff, buildings etc. During the course of, and in response to, an audit:

- the governing body and staff of a school should give internal and external auditors access to such premises, documents and assets as the auditors consider necessary;
- the governing body and staff should provide auditors with any explanations they consider necessary;
- the Headteacher should consider and respond promptly to recommendations in audit reports and report to the governing body the results of audits and any action to be taken by the school;
- the Headteacher shall immediately notify the auditors of any suspected irregularity.

(b) Auditors will, under normal circumstances, give schools advance notice of an audit visit.

(c) Auditors may provide information directly to the Local Authority, if necessary and appropriate, without the knowledge of the Governing Body, in order that the Local Authority is able to fulfil its responsibilities under the Accounts and Audit Regulations

(d) The Governing Body of each school in receipt of a delegated budget has the same responsibilities to Internal and External Auditors and must:-

- Monitor the adequacy of the system of internal control within the school.
- Consider Audit Reports.
- Approve action plans in response to Audit Reports.
- Monitor the implementation of such action plans.
- Allow the Auditors to attend meetings or report on matters affecting their audit responsibilities

(e) The Governing Body would normally delegate to its Headteacher responsibility to:-

- Ensure the day to day maintenance of internal controls.
- Check and confirm the identity of the Auditor at the beginning of an audit in their area of responsibility.
- Give auditors access for the purposes of the audit to premises, land, staff records, documents and correspondence relating to the operations being audited.
- Ensure that all financial records are stored in a secure and easily retrievable manner.
- Ensure that all staff co-operate with the Auditors during audits and explanations are provided as necessary.
- Nominate a member of staff to liaise with the Auditors.
- Provide timely responses to audit reports and draft suitable action plans in response to audit reports.
- Organise the proper implementation of audit recommendations to the agreed timetable

(f) In instances where a school wishes to seek an additional source of assurance at its own expense, a governing body is permitted to spend funds from its budget share to obtain external certification of its accounts, separate from any Council or internal audit process. Where a school chooses to seek such an additional audit it does not remove the requirements that the school must also co-operate with the Local Authority's internal and external auditors.

4.4 INTERNAL AUDIT APPROACH AND SERVICE DELIVERY

The internal audit approach will be aimed at assisting school Governors, Headteachers and the Local Authority to establish and maintain effective systems of financial management and control. However, it will also seek to

assess the risks at the schools and adapt the audit approach accordingly. The audit approach will aim to:

- Audit all schools identified as having (or having the potential for) high risk issues, within a three year period;
- Ensure all schools which continue to be identified as having high risk areas are subject to a formal follow up visit within 12 months; and
- Introduce a more risk based approach to audit visits, in conjunction with, where appropriate, control self-assessment techniques.

The Council will conduct the internal audit of each school in accordance with the CIPFA Code of Practice for Internal Audit in Local Government, particularly:

- Ensuring that internal audit are independent from the school and have personal objectivity.
- Seeking to foster a constructive working relationship with the school and with external review agencies e.g. external audit, auditors of private funds and OFSTED.
- Employing appropriately qualified and experienced staff.
- Planning, completing and recording the audit work to relevant professional standards.
- Exercising *Due Care* in fulfilling responsibilities.
- Basing conclusions and recommendations on sufficient and relevant evidence.
- Reporting findings, conclusions and recommendations promptly to the school's Headteacher and Governors and the Local Authority and to seek actively a response from them to recommendations.

4.5 SCOPE OF INTERNAL AUDIT REVIEWS

(a) The audit work at each school will be based on an assessment of the risks and audit needs at the school. Regard will be had to the DFES Financial Management Standards in Schools. However, as a guide a strategic audit approach will be developed that covers the controls and risks in place in relation to:-

- Management of the organisation;
- School Improvement Plan and OFSTED inspections;
- Budget setting, monitoring and control;
- Staffing;
- Disbursement accounting records;
- School meals;
- School journey accounting records;
- Asset Management;
- School Unofficial Funds;
- Data protection and IT security;
- Income – lettings and donations;
- Other significant risk areas identified by the author at the planning stage or by the school management's own risk assessment processes.

(b) The Council's Internal Auditors need to carry out a level of detailed work that will enable the Local Authority to form an opinion on whether the controls in place at the school are appropriate enough to manage the identified risks. As a guide they will assess the risks associated with the following areas, as appropriate, and assess the internal controls in place to ascertain if:-

- Governance arrangements were adequately designed and operated.
- Financial planning, budget setting and monitoring controls were adequate and linked to the development plan.
- The books of account were accurate, up to date and in the DfES *Consistent Financial Reporting Framework* format throughout the year.
- Standards funds were adequately controlled.
- Non-Local Authority funds donated to the school or raised by it/for it were adequately controlled.
- Personnel controls over the appointment/departure of staff, the payment of salaries, wages and other staff payments were adequate.
- Controls over the ordering of goods and services, the payment of invoices and the recording of expenditure were adequate.
- Controls over the annual pupil census PLASC (Pupil Level Annual School Census, formerly known as form 7) were adequate.
- Controls over the receipt, recording, secure storage and banking of income were adequate.
- Controls over the recording, use and security of assets were adequate.
- Controls over the use and security of ICT and the data stored on it were adequate.
- (If applicable) controls over bank accounts operated by the school were adequate.
- Adequate controls exist (including external insurance where appropriate) to manage "other" risk areas identified by the school.
- Adequate controls exist (including external insurance where appropriate) to manage any other risk areas identified at the audit planning stage.

4.6 REPORTING

(a) Once the audit work is completed, the auditor will discuss the key findings with the Headteacher and/or their nominated deputy. A draft report will then be prepared and sent to the Headteacher in order to prepare responses to any recommendations made. These responses will be incorporated into the draft report as a formal 'management response'. When responses have been agreed, a final report will be issued and addressed to the Governing Body.

(b) Internal Audit provides an overall opinion within the report on the financial and management controls in place at the school. Four classifications are used, which are explained below:

Full Assurance:

Definition: There is a sound system of control, designed to achieve the system objective.

Substantial Assurance:

Definition: While there is a basically sound system of control, there are weaknesses that put some of the system objectives at risk.

Limited assurance:

Definition: Weaknesses in the system of control are such that the system objectives are at risk.

No Assurance:

Definition: Control is generally weak leaving the system open to significant error or abuse.

(c) For audits which have been issued with a 'No Assurance' opinion, a decision will be made in conjunction with the Children and Young People's Service/Director of Finance as to whether the school will be issued with a warning and an action plan of recommendations, or if financial control will be taken from the school.

(d) Recommendations on how satisfactory control can be achieved cost effectively will be made and discussed with the Headteacher at the conclusion of the audit visit. To assist in using reports, recommendations are categorized according to their level of priority.

Priority 1: major issues for the attention of senior management.

Priority 2: other recommendations for local management action.

Priority 3: minor issues.

(e) A deadline for completion of the school's responses will be set, which is normally three weeks from the issue of the draft report, but the school is able to negotiate a deadline which is more suitable if necessary.

(f) A copy of the final report will be provided to the Children and Young People's Service (Head of Finance) in order to assist with monitoring and control processes.

(g) Outcomes of audits and implementation of audit recommendations (and any subsequent follow up audits) will be reported to the Children and Young Person's Service. In addition, all reports are provided to the Local Authority's Audit Committee on a quarterly basis. The Audit Committee has the power to require officers to attend meetings to discuss relevant audit reports.

5. Retention of Records

5.1. All copy orders, vouchers/invoices, receipts for income, paying in books, inventories of equipment and any other records, including computerised records, supporting either income or expenditure transactions through official school funds shall be retained for possible use by internal/external auditors. In the absence of specific guidance on individual records within Schools

Financial Regulations or the Schools Financial Manual, these should be retained for a minimum period of the current year plus six further years.

6 FRAUD, CORRUTION OR IRREGULARITIES

6.1 BACKGROUND

This section deals with the prevention, detection, investigation and reporting of fraud and corruption and relates to Schools Financial; regulations 112-114.

(a) Fraud and corruption can have significant financial implications for the Council and can cast severe doubt on its credibility. Schools are responsible for public money delegated to them and the Council has a statutory duty to prevent the fraudulent use or misappropriation of the income and expenditure it controls.

(b) Ensuring that an adequate system of internal control is in place is the responsibility of the Governing Body. The Governing Body and/or its delegated representative is responsible for ensuring compliance with statutory and other regulations, including those in relation to the prevention and detection of irregularities, including fraud.

(c) Internal Audit is able to carry out investigations into alleged fraud, irregularity or corruption independently of any request from, or report by, individual schools.

(d) The school is required (by the Council's Constitution) to report all cases of suspected irregularities including fraud and corruption to the council's Head of Audit and Risk Management. The Head of Audit and Risk Management will agree the appropriate course of action in conjunction with either the governing body, Headteacher, and/or Director of Children and Young People's Service. All officers are required to co-operate fully with the council's Investigation Officers.

(e) The Head of Audit and Risk Management has the right to determine, in consultation with the Governing Body, Headteacher, and/or Director of Children and Young People's Service, the objectives, scope, timing and methodology of any internal investigation of fraud or irregularity.

6.2 SUSPICION OR EVIDENCE OF ANY IRREGULARITIES

(a) Any staff member or party involved in the school's activities who suspects or has evidence of the existence of fraud, corruption or any other irregularity must immediately inform the Headteacher or the Chair of Governors.

(b) If the Headteacher or Chair of Governors appears to be implicated or involved in the matter, then it would be appropriate to directly notify the Head of Audit and Risk Management. The Head of Audit and Risk Management has

the authority to report the matter to the Police and other external agencies as necessary, where there is prima facie evidence of fraud or other criminal activity.

6.3 MINIMISING FRAUD AND CORRUPTION

(a) Each staff member and Governing Body with delegated powers is responsible for ensuring that all reasonable steps are taken to prevent and detect occurrences of fraud and corruption.

(b) Minimising the risk of fraud and corruption can be achieved *for example* by ensuring that:

- Staff are recruited in accordance with recognised best practice recruitment and selection procedures, and all the necessary pre-employment checks (including CRB and/or police checks, qualification checks and reference checks) are performed. Advice on these issues can be obtained from the Head of Schools Personnel.
- Internal controls to prevent and detect fraud are designed, established and regularly monitored. Advice on these issues can be obtained from the Head of Audit and Risk Management and should cover areas such as procurement, payments, cash income and portable equipment .
- The school has an anti-fraud and corruption policy which has been circulated to all parties involved in the school's activities. Advice on these issues can be obtained from the Head of Audit and Risk Management.
- All employees and Governors have received and are aware of the council's whistleblowing policy (which is also available on the council's website).

7. Retention of Records - Fraud, Corruption or Irregularities

7.1 Original records necessary to assist with any Fraud or Corruption Enquiry will be managed by either internal /external audit or the specific investigating agency e.g Police. They will be stored and managed in accordance with the documented policies of those agencies. Copies of original records taken by investigating agencies should be taken by the supplying school/department and retained and stored as if the original records. Receipts should be obtained for any original records removed by investigating agencies and stored by suppliers in a secure place.

Bank Account Administration

1. Introduction

1.1 Schools financial regulations reference 10-21 set out the internal controls and procedures to be followed by schools in administering their local bank accounts.

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with the regulations.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding financial manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management

2. Overall Control Arrangements

2.1 Overall responsibility for the proper administration of the school's bank account rests with the Headteacher. The day to day operation of the account will normally be delegated to other staff and details of such delegations recorded in the school's records.

2.2 The Headteacher will ensure that there is adequate staffing in place within the school to provide the required level of control to operate the account. The Headteacher will promptly inform the Governing Body of any concerns affecting the efficient operation and control of the bank account.

2.3 The Headteacher will ensure that responsibilities are delegated in such a way as to provide satisfactory separation of duties. As a ideal, no member of staff shall normally have individual responsibility for more than one of the following:

- Authorisation of Orders
- Authorisation of invoices for payment
- Custody of cheque book
- Signing of Cheques
- Recording of Expenditure
- Bank Reconciliation

Schools will find that the ideal is not always possible given staffing numbers available for the system. As a minimum there should be a separation of duties between those monitoring the account and those acting as bank signatories,

2.4 All unused cheques shall be held securely by an appointed officer. On use of a cheque, the appropriate cheque stubb shall detail that use and be retained for audit purposes.

3. Approved Bankers and Accounts

3.1 Schools' financial regulations require that local bank accounts shall only be opened at a Bank or Building Society approved by the Director of Finance. The current approved list is shown within Section 3 of the Local Authority's Scheme for Financing Schools.

3.2 Schools bank accounts are required to be maintained in the name of the school and contain a clear written instruction to the bank that the Local Authority is the owner of the funds deposited and are entitled to receive statements should it request them and can, in certain circumstances, take control of the deposited funds and maintenance of the account. Appendix A gives an illustration of the wording that should be included within any school bank account mandate.

4. Approved Signatories

4.1 The Headteacher is required to maintain a list of all Bank and Building Society accounts held by their school together with the names of approved signatories and terms and conditions for each account. The documented list is to be reported to the Governing Body on at least an annual basis. It should not normally include staff who monitor and/or approve the bank reconciliation. It should include details of staff who are nominated to authorise other matters relating to the bank account, such as general enquiries, requests for statements and cheque books, etc. (Governors who are not employees of the school may not be bank signatories)

4.2 Nominated Signatories to the school's bank account shall be ;

- approved by the Governing Body through the above process
- include at least two officers from the Local Authority,
- copied to the appropriate banks together with sample signatures of each approved signatory.
- submitted to the bank through the Head of Finance for the Children and Young People's Service
- minuted as approved by the Governing Body

4.3 Alterations to the approved list between the annual review shall be submitted to the Governing Body for approval in advance of implementation and notification to the Bank. Again agreement to the change should be minuted by the Governing Body.

4.4 Cheques to a value of £1,000 or less require only 1 signature above £1,000 require two signatures.

4.5 No cheques shall be signed in their blank form i.e without the payee and amount inserted.

4.6 Cheques should not be manually amended but where amendment is needed they should be cancelled and replaced by fresh cheque.,

4.7 If schools wish to utilise features in their bank accounts that generate payments without use of cheques e.g. standing orders/direct debits/bacs, a documented procedure shall be drawn up by the school outlining the approval and monitoring system for such arrangements.

4.8 Approval for the set up of non cheque payment arrangements will require documented approval of at least the same level as that required for an equivalent cheque payment. e. g two bank signatures. A list of any standing orders/direct debit arrangements must be maintained at the school and reviewed at least on an annual basis and signed by the Headteacher.

5. Bank Account Reconciliation

5.1 Bank account reconciliations are required to be completed on at least a monthly basis for each account held by a school. The reconciliation will be signed by the compiler and any outstanding issues clearly listed and followed up for clearance. Part of the process is the independent review of the reconciliation and the recording of actions taken to clear any discrepancies.

5.2 The reconciliation reviewer will also sign the reconciliation statement. An example of such a detailed bank account reconciliation, which should allow schools to comply with regulations, is shown at Appendix B

5.3 For schools using the FM finance system (cash accounts), the bank reconciliation produced by that system should be checked and certified in the same way as paras 5.1/5.2 above for the manual reconciliation.

6. Treasury Management

6.1 It is essential that the bank account is not allowed to become overdrawn and a member of staff will be allocated the duty of monitoring that this does not happen.

6.2 Cash flow management and regular forecasts will assist with bank account monitoring and wherever possible the use of a commitments procedure all of which should be employed by schools.

6.3 Broader treasury management routines should also be in place within schools to allow the maximisation of potential interest earnings on bank accounts. However, no separate investment account may be utilised unless the administering banker is on the list approved by the Director of Finance within the Local Authority's Scheme for Financing Schools.

6.4 Personal credit or debit cards should not be used for official transactions without the express agreement of the Headteacher. Debit /credit card arrangements will not be used by schools without the agreement of the Director of Finance.

7. Retention of Records

7.1 The records associated with bank account processes, controls and transactions shall be retained for the current year plus 6 further complete years. This includes certified bank reconciliations, cheque book counterfoils, direct debit set up papers, paid payment vouchers such as creditor invoices.

Appendix A

Haringey Council

Example Wording for Bank Accounts Arrangements Containing Official Funds

'xxxx School in opening /maintaining this banking arrangement with xxxx bank, are required by Haringey Council (the Council) to inform the bank that the Council is the owner of the funds deposited in respect of xxxx school and the Council are entitled, on request from its Director of Finance, to receive statements of the accounts, balances and transactions, and any other information relating to the operation of the account.

The Council are also entitled, upon written notice from its Director of Finance, to directly administer the funds of the account including changes to the authorised signatories to the account'

(Version at January 2007)

Appendix B

xxxx School

Bank Reconciliation

Period :- From -/-/ to -/-/

	£	£	£
Balance at Bank (as statement)			xxxx
Add:			
-Cash/cheques in transit (List from paying in books)		xxxx	
-Other credits in transit (List with references and detail)		xxxx	
Sub Total			xxxx
Deduct:			
-Outstanding Cheques (List cheque date/number/ amount)		xxxx	
-Other debit adjustments (List with references and detail)		xxxx	
Sub Total			xxxx
Total adjusted bank balance			£xxxx
Balance as Cash Book		xxxx	
- o/s Cash Book adjustments (List credit items with detail)	xxxx		
(List debit items with detail)	xxxx		
Net adjustment		xxxx	
Adjusted Cash Book Balance- (as adjusted Bank Balance above)			£xxxx

Reconciliation Prepared by and Certified Correct -----

Date Prepared -----

Reconciliation Reviewed by -----

Date Reviewed -----

BUDGETING AND MONITORING

1. INTRODUCTION

1.1 Schools Financial Regulations referenced 22-48 set out the internal controls and procedures to be followed by schools when developing and monitoring their financial budgets.

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with regulations.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding financial manual they should contact their Schools Financial Adviser or the Head of Audit and Risk Management.

1.5 Maintenance of the schools records relating to its budget arrangements should be clearly allocated to a member(s) of staff within the school who should be made aware of these instructions and trained as required to enable them to fulfil those obligations.

1.6 Sections 45-53 of the School Standards and Framework Act 1998, the annual School Finance (England) Regulations and elements of the Haringey Scheme for Financing Schools also contain regulations supporting this section of the Schools Finance manual.

2. BACKGROUND

2.1 Setting a budget and monitoring against a budget is an essential feature of managing a school. This activity is a financial expression of the school development plan and ensures that resources are targeted appropriately and effectively. This in turn helps to ensure that the curriculum is delivered in accordance within the objectives and targets of the school.

2.2 All local authority establishments have to run within cash limited budgets, including schools and setting and closely monitoring the budget enables this to happen with the purpose of minimising the risk of overspend while trying to optimise value for money. This is an essential factor in aiming to deliver high quality educational provision for pupils.

2.3 The guidance in this section of the manual describes these processes and places this activity into the context of regulations and best practice procedures.

3. ACCOUNTABILITIES AND RESPONSIBILITIES

3.1 The Governing Body is ultimately accountable for the budget. However, in practise, day to day responsibility and management of the budget is usually delegated to the Headteacher. The Headteacher in turn will normally rely upon a Bursar or Financial Manager/Administrator for support. A Governing Body approved schedule of roles and responsibilities (delegations) must be in place to ensure that all employees are aware of their responsibilities and roles.

3.2 If an externally provided bursary service is used to assist with accounting and budget setting/monitoring procedures, then responsibility for the budget and meeting deadlines set by the local authority, the Dfes or grant awarding bodies remains with Governors and the Headteacher.

4. Purpose of a Budget

4.1 It is a financial representation of a school's planned activities. It is a plan of the school's income and expenditure over the year. Used properly, it can ensure that the school does not overspend its limited resources, and that it directs its resources to where they are needed most. The publication, ***Getting the Best from Your Budget***, has been developed jointly by the Audit Commission and OFSTED, following consultation with schools, local authorities and professional organisations. It offers a framework for determining the quality of the school's strategic approach to the allocation of resources. The document is attached as Appendix 1 and can be downloaded via the Dfes Financial Standard and Toolkit.

4.2 Budgeting is a very important part of financial planning and one of the tools used to ensure that the highest possible standards are being achieved in managing public money by ensuring resources are targeted to the area of need.

4.3 To provide the ability to budget strategically, the DfES have introduced the concept of multi-year budgeting. The advantage of this is that previously unforeseen circumstances can be planned for in advance and action taken in a timely fashion to either target resources where they are most needed or, make planned savings where necessary. RM Planning software has been introduced into Haringey schools which allows for multi-year budgeting.

5. The Budget Share

5.1 Calculation of Budget Share

a) The funding framework is based on the legislative provisions in sections 45-53 of the School Standards and Framework Act 1998. Under this legislation the split between local authority (non-schools) and school funding (Dedicated Schools Budget and local authority Budget) is determined by the DfES as part of the annual financial grant settlement.

- b) The legislation also determines what classifications of expenditure fall within the two blocks and what elements the local authority can retain from the Dedicated Schools Budget in arriving at the Individual Schools Budget (ISB).
- c) It is this ISB that is distributed amongst the local authority's maintained schools. The share of the ISB that each school receives is determined using a complex formula which accords with regulations made by the Secretary of State. Typically, the calculation of the school's budget share is heavily influenced by the PLASC (pupils' census), with pupil numbers to be completed by schools in January of each year.
- d) The local authority is obliged to publish each year, in consultation with schools, a statement setting out details of its planned Education budget, showing :
- The main sources of funding available to local authorities
 - The division of funding between the Dedicated Schools Budget and the local authority Budget
 - The main funding elements, budget shares and per pupil/place shares per school
 - The application of the funding formula to each school
- e) The local authority will advise each school of its budget share prior to the start of the relevant financial year.

5.2 Delegation of Powers

- a) After determining the budget share for each of its maintained schools, the local authority delegates its powers over the budget share to the Governing Bodies of the schools concerned.
- b) The Governing Body is required to make a decision annually as to the extent it wishes to delegate its powers to the Headteacher. This decision and any further revisions needs to be recorded in the minutes of the Governing Body and reflected in the regular monitoring information provided to the local authority.
- c) The local authority considers that it would be appropriate for the Governing Body to review the level of delegation as part of the approval process for the annual budget.

5.3 How can a School spend its Budget Share?

In accordance with Section 50(3) of the School Standards and Framework Act 1998, Governing Bodies are free to spend budget shares 'for the purposes of the school', subject to any provisions of Haringey's 'Section 48 Scheme for Financing Schools'.

5.4 How frequently will a School receive an Instalment from its Delegated Budget Share?

- a) Each instalment of the budget share will be made available to Schools:
 - Monthly - on or before the 15th of each month
- b) Were the Dfes has approved a school closure, the budget share for that school will be made available on a monthly basis until closure.

5.5 Proportion of the Budget Share Payable at each Instalment

- a) There will be two different arrangements depending on whether the school purchases the Haringey payroll service or not.
- b) Payments of the budget share will normally be made in 12 equal instalments over the financial year from April to March or in equal instalments over the remainder of the financial year if the funding comes on stream later than April.
- c) Schools using Haringey payroll services will be paid net of payroll costs using the previous month’s pay charges as a proxy indicator for deduction. The difference plus or minus will be adjusted at year-end. Schools not using Haringey payroll services will be paid gross.

5.6 Approach to Budgeting

- a) *Things to consider.*
 - Know what the school’s key objectives are and how they translate into financial terms
 - Consider all relevant financial and non-financial factors. Examples of the various factors to consider are as follows:

Financial Factors	Non Financial Factors
Inflation (pay awards, price increases, pay increments)	Pupil and Staff Numbers, Staff Structures
Planned one-off expenditure e.g. redecoration, rebuilding, playground works, OFSTED expenditure etc.	School Improvement Plan

- To aid in budget preparation, schools should maintain both financial and non financial historical information
- The budget plan must show the school's intentions for expenditure in the current financial year and the hierarchy of assumptions underpinning the budget

plan. Examples of assumptions are rate of inflation for various cost types (e.g. pay award).

- Due to uncertainty of financial projections and probability that changes will be required to the budget during the year, it is good practice to include a small contingency within the budget. The recommended level to aim for is 5% Secondary Schools, 8% Primary, Special and Childhood Centres. Any subsequent adjustment to the school's budget should also be approved by the Governing Body – see paragraph 12.
- The local authority requires Governing Bodies to prepare and approve a budget for the period 1st April to the following 31st March and to submit this to the local authority by 31st May of that year.
- The Authority requires schools to also prepare shadow budgets for a further two years to assist with their medium term financial planning.

6. Setting a Budget

6.1 The RM Budget Planner

a) The RM Budget Planner is a management tool introduced in time for the 2006/07 budget and intended to assist the school in preparing its three year budget.

b) This software allows schools to build up a profile for both income and expenditure. Salaries can be costed automatically by input of base data such as grade and spine point, period of the year worked etc. A full profile of spend can be built in by reflecting all other non-staffing areas for which budgets need to be set aside.

c) Income can be estimated based upon the school's pupil numbers. The tool incorporates allowances for year on year changes. Other income factors such as Standards Funds can be taken into account.

c) The Planner provides various reports for both Governors and the local authority. It also allows the generation of graphs and charts to aid the budgeting process.

e) If a school decides to use another budgeting tool, it should ensure that, as a minimum, it provides the same features as the RM Planner.

6.2 Methods of Budgeting

a) There are two main approaches available in preparing a school's budget.

- ZERO-BASED – This involves constructing a budget as if starting from scratch, and building up a picture of how to distribute resources within anticipated income to best achieve service objectives. There are many advantages to this approach, principally because it helps re-examine thoroughly the existing ways money is spent, on what activities and the volume of those activities. Schools need to ensure, however, that they take realistic account of fixed and near-fixed costs (e.g. accommodation).

- **INCREMENTAL BUDGETING** – This involves taking the existing budget and increasing/decreasing all elements within it by particular factors to meet a school's cash limit. This is easier than zero basing, but usually much less useful as a management tool. It means that past assumptions about how budgets are spent simply get repeated without examination of whether they are still valid (e.g. service demands may have changed).

b) In practice schools may wish to use a mixture of the two methods. For instance a school should be able to calculate a staffing budget from fresh, it will know how many staff it has, and their grades. For heating costs however, schools may wish to set a budget based partly on existing and previous costs.

c) Everyone involved in the budgeting process should be aware of the assumptions, constraints and targets that have been determined by reference to the school's financial objectives. The School budget should reflect the School's prioritised educational objectives as set out in the School's Improvement Plan. When assumptions change or become clearer during the year then it is much easier to estimate the effects of those changes for year-end projections.

d) Schools will find the use of benchmarking with like establishments will prove informative to their budget process and they will wish to investigate any significant variation from the norm or expected results. The Dfes website at www.Teachernet.gov.uk contains a wealth of comparative information to assist schools with benchmarking.

7 Profiling the Budget

7.1 Profiling a school's Income and Expenditure budget (which should not be confused with its Cash Flow Forecast) is very important for budget monitoring purposes. Profiles should mirror school services and spending patterns so that the budget produced will be as realistic as possible. Profiling its budget will allow a school to compare actual Income and Expenditure to date with budgeted amount. Any variances need to be monitored carefully to ensure that the school maintains a balanced budget. Significant percentage/monetary variances to the budget should be investigated, adequately reported and acted upon by the Headteacher.

7.2 The types of expenditure items that would need to be profiled include the following:

- **Salaries and Wages:** Usually paid monthly or weekly
- **Other staff costs:** Usually paid in arrears and have different payment dates from salaries (Examples: Income Tax, National Insurance and Pension)
- **Utilities:** Normally paid on a quarterly basis. Heating and lighting will be weighted more to winter months
- **Educational Supplies:** Often required earlier in academic year
- **Catering :** Need to review historic pattern

8. Cost and Income Estimates

8.1 The local authority will supply schools with all income data which it holds and which is necessary to the efficient planning for schools, e.g. formula budget share, School Standards Grant etc.

8.2 The overriding factor affecting budget preparation of any school is the amount of income the school anticipates it will have. This includes estimating future delegated budgets and any surplus brought forward from the previous year (but see 8.3-item 6 - below) to identify the cash limit within which the school must work. In planning expenditure, account should be taken of all day to day costs and one-off items such as buying expensive equipment.

8.3 Things to remember:

- VAT should be excluded
- Schools should prepare their budgets at out-turn prices (excluding VAT) for the year in question
- Figures need to be the best estimate of the actual cost of providing the service in that year
- Remove any items which were one-off costs in the year previous to that for which the budget is prepared. Add in one-off costs for the year being budgeted
- Allow for the full year effect of any savings/growth which only applied to part of the previous year
- The school should always try to balance its budget in the year of account initially without allowing for any surplus carried forward. This is because such a surplus may well be 'one-off' funding and should not be relied upon to support recurrent costs such as salaries. If it is necessary to use a surplus to balance, then the school must immediately plan how it will cope in future years, introducing any savings measures that may be necessary.
- Produce an overall balanced budget

9. Devolved Formula Capital

9.1 This funding gives schools direct access to capital finance. The fund can only be used for capital purposes and cannot be used for day to day repairs and maintenance nor should it be used for the purchase of non IT equipment unless this is incidental to a much larger capital scheme. Further guidance on the use of Devolved Formula Capital can be found on the www.teachernet.gov.uk website

9.2 Decisions on the use of the funding should be made by the school in partnership with the local authority and should be directed at the priorities identified in the Asset Management Plan (AMP) and School Improvement Plan (SIP). Where a local authority funded capital scheme is taking place at a school a contribution from devolved capital may be required.

9.3 The funding is allocated annually and can be accumulated for up to three years. Alternatively, with the permission of the local authority and provided there is under-spending elsewhere, schools can bring forward future year allocations.

9.4 The funding may be used for purposes such as:

- Health and safety works such as major roof repairs, rewiring or upgrading fire/security systems.
- Refurbishment, this can include upgrading boiler plant.
- Conversions such as general teaching to specialist use.
- Security such as improvements to or provision of lighting, fencing or CCTV. Please note that there are also other, specific standards funds for security.
- Provision of ICT equipment
- Capital cost of ensuring that the school provides at least one healthy hot meal a day on the premises, in reasonable comfort in suitable dining facilities

The funding, however, cannot be used for day to day repairs or redecoration

9.5 The formula through which grant is distributed contains the following elements:

- A fixed sum per school;
- An amount per primary pupil;
- An amount per secondary pupil;
- An additional sum per stated pupil.

9.6 Currently, devolved formula capital is paid to schools via the monthly cash flow. The reporting mechanism for Devolved Capital spend is via the Quarterly Return – reporting accurate information here should ensure continued injection of cash through the cash flow.

10. Budget Plan Format

10.1 The format should conform to that specified by the local authority. The output of the R.M. Planner is in this format.

11. Budget Plan Presentation

11.1 The final budget plan must be submitted to the local authority by 31st May each year and must be approved by the Governing Body prior to submission.

11.2 Until an agreed budget plan is received the local authority may withhold payment of any remaining non-staffing budget.

12. Revisions to Budget Plans

12.1 During the course of the year it may become necessary for the Governing Body to agree changes (virements) to the original budget. When this happens the school will submit details of the approved changes to the local authority on the virement forms provided. These will normally be sent to the local authority with the Quarterly Monitoring Returns.

12.2 If the local authority deems it necessary schools may be required to submit revised budget plans. This would only occur if it became evident that the Governors approved budget was not sustainable.

13. Monitoring to Budget Plans

13.1 Regular monitoring of expenditure and income against the school's budget is very important. This enables problems to be identified early enough for remedial action to be taken. It also enables savings to be identified that may be capable of being diverted towards other priority needs.

13.2 Budget monitoring information should be compiled on at least a monthly basis. Preferably this should be done against profiled budgets to ensure that 'budget to date' figures are more likely to reflect the actual proportion of expenditure or income anticipated at that time.

13.3 Budget monitoring reports can be produced at a detailed level (each account code), but for high level management purposes it may be better to summarise into the main subjective headings, i.e. employee costs, premises, transport, supplies and services. These can be broken down into further sub-headings if they are significant, such as teachers salaries and support staff salaries. Typical headings for such a monitoring report would be as follows:

- a) Annual budget
- b) Budget to date
- c) Actual to date
- d) Variance to date (c - b)
- e) Projected actual for the year
- f) Projected variance for the year (e – a)

14. Surpluses and Deficits

Section 4 of the Section 48 Scheme for Financing Schools states how surplus and deficit balances arising in relation to budget shares should be treated. Please refer below for background information.

14.1 Carry Forward

a) Schools must carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the school's budget share for the year **plus/minus** any balance brought forward from the previous year.

b) Taking the above into account, schools should not normally plan their budget to achieve a surplus balance at year end. It is however prudent to include a contingency in the budget to provide for unforeseen items.

c) From 1 April 2007 the Dfes will require local authorities to include within their Schemes for Financing Schools a mechanism for controlling surplus school balances.

14.2 Deficit Budgets

a) Section 4 of the *Scheme for Financing Schools* permits schools to plan for a deficit budget in particular circumstances. These circumstances are clearly stated in paragraph 4.9.1 of the Scheme for Financing Schools.

b) The licensed deficit may be used:

- to spread the effects of an unforeseen reduction in pupil numbers
- to spread the effects of changes in the school's budget arising from formula funding changes the effect of which cannot be met either from a single year's budget share or accumulated balances
- exceptionally, to purchase large items of equipment, or to carry out or complete, major repairs or building projects. Schools would normally be expected to have accumulated savings to fund such expenditure
- to eliminate a brought forward, unforeseen, budget deficit from a preceding year. It is unlikely that such a deficit will be licensed for more than one year.

c) The local authority monitor the control of school deficits by ensuring that all such deficits are contingent upon an approved and monitored recovery plan.

d) The current and detailed arrangements applying to licensed deficits are included in the Haringey Scheme for Financing schools.

e) The local authority has the power to write off the deficit balance of a school only in exceptional circumstances, such as a closure or amalgamation.

14.3 Surplus Budgets

a) In order to allow the local authority to monitor balances, Governing Bodies are required to report to the local authority on the use to which the school intends to make of surplus balances (after taking account of any retrospective adjustments),

especially in cases where the total balance exceeds 5% of the annual budget share. (8% for Primary, Special and Childrens' Centres).

b) The Fair Funding regulations of April 2004 require the local authority to retain Schools' surplus balances for which there is no adequate explanation of plans for their utilisation. To facilitate a decision on this schools submit details of their spending plans to the local authority.

c). In addition, uncommitted surplus balances at the end of the 2007/08 financial year may be subject to a clawback by the local authority. The criteria for clawback are set out in section 4.2 of the April 2007 Scheme for Financing Schools and will be the subject of further guidance from the authority. In summary, the clawback will apply to uncommitted balances in excess of 8% of primary, nursery and special school budget shares and 5% of secondary school budget shares.

15. Deficit Budgets and Loan Management

General

15.1 The local authority monitor the control of school deficits by ensuring that all such deficits are contingent upon an approved and monitored recovery plan.

15.2 There are specific conditions under which schools may apply for permission to have a deficit budget, (a licensed deficit) and how the deficit will be managed. Those conditions are set out in detail within the Haringey Scheme for Financing Schools and should be read in conjunction with the following summary. The Scheme and will take precedence in the case of any difference between the two documents.

15.3 The ultimate action that the local authority may take if it is not satisfied with a school's budget is for the budget to be withdrawn from the school and managed directly by the local authority.

15.4 No Governing Body is permitted to approve a budget, which exceeds its available resources (taking account of deficit or surplus balances brought forward), without express permission from the Director of the Children & Young People's Service and the Director of Finance. A Governing Body is also not permitted to overspend its approved budget without the agreement of the Director of the Children & Young People's Service and the Director of Finance.

Licensed Deficit Application process

15.5 Where a school Governing body does not believe that it can produce a balanced budget the Chair of Governors must write to the Head of Finance for the Children & Young People's Service, with a copy of the school's draft budget and supporting working papers. The Headteacher and Chair of Governors need to complete a "licensed deficit" application.

15.6 A sustainable recovery plan must be submitted alongside the Licensed Deficit application.

15.7 If a deficit is predicted, during the financial year, as a result of an unplanned or unforeseen occurrence the Governing Body through its Chairman must submit a “licensed deficit” application together with a recovery plan as soon as practically possible. He/she must set out the reasons for the anticipated deficit and attach a copy of the school’s latest budget monitoring report.

15.8 A licensed deficit will be treated as authorisation to overspend up to the agreed limit. However, in managing cash flow, the school must still not overdraw its bank account. If through cash flow forecasting, the school anticipates difficulty in remaining solvent at the bank, it must immediately notify the School Funding Policy Manager.

Ground Rules

15.9 The maximum repayment period for a deficit loan is normally three years.

15.10 The maximum amount of a licensed deficit will normally be 2% of the formula funding for the financial year.

15.11 The Head of Finance for the Children & Young People’s Service, or a nominated representative, will meet termly with the Chair and Headteacher of each school with a licensed deficit to review the position. Where a school is not making significant progress towards balancing its budget in a sustainable fashion the local authority will consider suspension of delegation. The school will provide, for each termly meeting, a detailed budget monitoring report showing its financial position and forecast outturn for the current financial year.

15.12 In exceptional circumstances, where a cash advance has been agreed in order to overcome cash flow difficulties, repayments to the local authority will be made by deducting agreed instalments from monthly formula funding payments to the school. N.B. Where a school already has a deficit, at the introduction of this policy, the above rules will apply except in regard to the 2% rule where this is exceeded.

15.13 Licensed deficits will only be agreed for items of expenditure of a one-off nature e.g. Where it is known that the school needs to reduce its number of teachers but there are timing differences which affect when redundancies become effective. Or conversely, where a school roll is rising and the school needs to employ staff ahead of the pupil numbers providing additional resources. It is unlikely that the local authority will approve deficits, which simply relate to difficulties in balancing the budget without significant extenuating circumstances.

15.14 The minimum amount of a licensed deficit will be £3,000. Any projected deficit below this minimum must be met by the school making immediate savings.

15.15 If the decision of the local authority is not to agree to a licensed deficit the Chair of Governors and Headteacher will be notified of the reasons for the decision within five working days of receipt of the application and/or meeting. In such cases the school must submit its revised and balanced budget to the local authority within 28 calendar days. The budget must have been agreed by the Governing Body prior to submission.

15.16 Any school, projecting a deficit for the end of the current financial year , or where the local authority has concerns, will be contacted to review their existing budgetary position and deficit repayment plans.

16. Retention of Records

16.1 All financial records, whether computerised or paper based documentation, must be kept securely for a period of six years plus the current financial year.

16.2 Backups of computerised records must be taken in accordance with the school's disaster recovery plan and a copy held offsite in order to avoid loss.

'Getting the Best from Your Budget'

'Getting the Best from Your Budget' has been developed jointly by the Audit Commission and the Office for Standards in Education (OFSTED), following consultation with schools. Local education authorities (LEAs) and professional organisations. This guidance is set out as follows:

The principles

- A** Setting the scene
- B** Establishing the financial context
- C** Making decisions
- D** Challenging how resources are used
- E** Monitoring and evaluation spending decisions

A - SETTING THE SCENE

- A1** Annual comparisons should be made between the school's educational outcomes and those of similar schools to identify where the school needs to improve and target resources.

One of the key elements of planning is knowing where you stand now, so that you have a firm basis from which to move forward. Many schools are now making use of the DfES' *Autumn Package* and their annual *PANDA* report from OFSTED to see where they stand in relation to similar schools. These analyses are designed to set schools thinking about their performance and to generate challenging questions about where improvement is needed. In very small schools, staff and governors need to take into account the fluctuations in data that result for the variations in ability and numbers in different year groups.

Most schools now have performance data for several years and are fully aware of the trends in their assessment or examination results against the national picture. Determining how well standards compare with those in similar schools and challenging whether they are high enough are also crucial in developing an understanding of where the school needs to target resources to bring about improvement. (*Best value – compare and challenge*).

Comparing educational performance involves analysing and interpreting data from various sources, discussing outcomes and trends with staff and governors, and setting targets for the future that guide the school's improvement plan and, ultimately its budget.

- A2** The outcomes of self-evaluation and inspection should be used to identify strengths and target resources on areas for improvement.

A school that understands itself is in a much better position to move forward and meet the challenges it faces than one which does not know, or does not face up to, its weaknesses. OFSTED inspections and monitoring by LEA link advisers or external consultants are the most familiar external evaluations experienced by most schools.

Good self-evaluation can be as rigorous as any from outside the school, although it may lack the same degree of objectivity. Self-evaluation has the potential to generate ownership of any problems identified and a commitment to make solutions work, building on good practice identified in the school.

Many schools are now using self-evaluation schemes from their LEA, elements of the OFSTED *Framework for Inspection (Inspecting schools)*, and other self-evaluation schemes such as *Investors in People* and the *Business Excellence Model*. Many schools have been involved in the OFSTED/DfES training course *Helping schools to carry*

out self-evaluation. Such schemes provide a structured approach to looking in depth at particular aspects of the school's work and comparing performance against a set of benchmarks. Whichever approach is used, the key to its success is to use the outcomes to challenge a school's performance and determine areas for improvement. These, in turn, determine the priorities for the use of the school's resources. (*Best value – compare and challenge*).

- A3** The school's curriculum and its arrangements for support and care should be systematically challenged to ensure that they meet the needs of all pupils.

Once it has achieved a view of its performance through self-evaluation and external assessment, a school is well placed to challenge itself about what it offers its pupils.

The educational needs of pupils will change over the course of time and for a variety of reasons. Those in leadership and management positions at all levels need to ask themselves, and others, whether it continues to meet the needs of all pupils. They should be carrying out reviews of the school's provision, applying the best value principle of challenge and asking questions such as:

□ Does the way we are currently teaching information and communication technology meet the needs of the highly skilled pupils joining us next year? How do we need to improve what we do?

□ Does the provision of a pre-school breakfast club support the groups of pupils for whom it was mainly intended? Are there alternatives? What do other schools do? What do parents want?

□ Does our investment of time in study support best meet pupils' needs and fulfil the aims of the school? Are there better ways of providing this support? What are parents' views?

□ Are we delivering the results we could expect in providing this particular GCSE or A-level course? What are pupils' views? What alternative approaches could we use?

Proposals for new initiatives, too, should be challenged to see whether they match the long-term direction the governors have determined for the school and are consistent with the future needs of all pupils. At the heart of all evaluations must be the impact on all pupils and the standards they achieve. (*Best value – challenge and consult*).

- A4** Planning for the use of resources should support the achievement of national and local priorities as well as the school's own objectives.

Three main areas influence the way a school plans to use its resources. Firstly, national priorities, sometimes supported by specific funding and often based on legislation, drive much of a school's curriculum development. Secondly, local priorities, particularly in support of pupils from disadvantaged backgrounds, often involve schools in joint initiatives with other schools and local businesses. An Education Action Zone's development plan is an example³ of a set of local objectives, which can influence a school's use of resources. And thirdly, each school has its own priorities.

Schools often have to make difficult choices about the balance of resources to be allocated in each of these areas. The key to success here is to have good intelligence about national and local future plans, as far as the information is available, and how they might be funded. It is also important to predict what impact they might have on the school's own plans and budget. Where earmarked funding is available, schools will naturally wish to make full use of it.

B – ESTABLISHING THE FINANCIAL CONTEXT

- B1** Strategic plans should be based on a sound analysis of the school's financial resources for at least the next three years, obtained through projected pupil numbers and estimates of income.

It is often said that the annual allocation of funds to schools means that governors and headteachers can only plan one year ahead. Quite the opposite is true. The absence of secure funding information for two, three or more years means that schools need to be much aware of the likely turn of events so they can begin to plan effectively for future years.

Before budget commitments and staffing decisions are made or the school engages in long-term projects, the headteacher and governing body need to have as full a picture as possible of the school's income for at least the next three years. As pupils are the prime source of funding, any calculation of income starts with an analysis of the most accurate estimates of pupil numbers possible. The picture is completed with an analysis of all other income the school is expected to receive. Schools in which the intake numbers fluctuate considerably will clearly find their situation difficult to predict with any degree of confidence and, here, maximum and minimum predictions may be helpful.

The detailed financial position of the school for the year ahead clearly needs to be re-calculated annually in the light of the latest available information before the budget is set. At this point, a further year's outline information can be added to roll the plan forward by one year.

- B2** Steps should be taken to ensure the school receives the funding to which it is entitled so that income is maximised.

This principle is primarily about making sure that funding is not lost by default and that pupils are not deprived of resources by oversight. It is not intended that schools should see it as pressure to seek external funds through, for example, sponsorship.

Schools receive income from a variety of sources and checks should be carried out to ensure that school receives its full entitlement. Two important areas are worth particular scrutiny. Firstly, the complexity of grant arrangements outside the school's budget share means it is vital that eligibility for each grant is checked. Secondly, many schools have regular income through, for example, community use of their premises. It is important to have systems to ensure all income is recognised and collected.

Many opportunities exist for schools to bid for external grants and create opportunities for the school. Many schools benefit from the generosity of parents and find that fund-raising activities involving parents and local community sponsorship are a valuable way to generate support and interest in the school. Schools need to be very selective in choosing opportunities to pursue. They need to balance the time spent by the headteacher and other staff away from their main responsibilities against the likely outcome and benefits for pupils from bidding for external grants or funds from other sources.

- B3** Strategic plans should identify resource needs for at least the next three years, including ongoing expenditure and funding of new initiatives.

Schools may have a number of strategic plans for aspects of their resource management. The three most significant are curriculum, staffing and premises. The school's improvement plan needs to include at least a summary of the school's strategic plans in these areas to give direction to the budget.

School Improvement Plans need to be drawn up following an analysis of the school's strengths and areas where improvements are needed. They should be costed to give short-term and long-term estimates of the resources needed to bring about the required development. **Staffing plans** will usually be heavily influenced by curriculum plans and again need to estimate the resource needs of the school in providing the planned staffing levels. **Premises plans** need

to record both maintenance and development costs and, again, these are likely to be influenced by the school's improvement plans, pupil numbers and the organisation of classes.

Estimated expenditure for the year ahead clearly needs to be re-calculated annually in the light of the latest information available before decisions are made and the budget is set. At this point, a further year's outline information can be added to roll the plan forward by one year. Spreadsheets can be used to help governors and senior managers calculate the financial implications of implementing strategic plans and keep track of costs.

C - MAKING DECISIONS

- C1** A number of options should be considered when deciding on a course of action and the costs of each should be weighed against the likely benefits.

Schools need to consider a number of alternative courses of action so that they can achieve a desired outcome in the most economic, efficient and effective way. Option appraisal is a process carried out when a new priority has been identified and before a precise course of action has been decided on. For each option, governors need to take into account the expected costs and weigh these against the likely benefits, particularly for improvements in teaching, learning and standards. Options in the relevant areas should be presented to governors in writing, before a decision is reached, with advantages, disadvantages and the resource implications clearly outlined. It is more helpful for governors if a particular course of action is recommended, but all reasonable options should be presented.

Option appraisal is not a precise science, of course, since in many cases the professional judgement of the headteacher or other staff is required to assess the potential benefits of a proposal. Options should not be viewed in isolation, either, as there are times when the benefits of one alternative could go hand in hand with a negative impact elsewhere.

The process of option appraisal is one of the key ways in which governors can exercise their strategic role in making decisions for the benefit of the school's pupils.

- C2** Staff, parents and others involved with the school, as appropriate, should be consulted before significant changes are made to the allocation of the resources.

One of the principles of best value is that providers of a service should consult the users about the range and quality of the services provided,

particularly before making any changes to provision or the introduction of a new area of provision. In its application to schools, parents and sometimes pupils should be consulted when proposals significantly affect the curriculum, teaching or the learning opportunities provided. (*Best value – consult*)

Staff need to be consulted more frequently about proposals for changes to resource allocations, as they will be able to contribute ideas to support decision-making. Often proposals will affect the way they are asked to work and sometimes changes are unwelcome. Good leaders and managers consult with all those likely to be affected and explain the educational rationale or financial imperative for resource management decisions.

Schools are not expected to consult parents on all financial decisions. Consultation with parents should be carried out when proposed changes may significantly affect the curriculum, the way in which teaching is organised or pupils are grouped, or the options on offer to them. This may be in the form of a written communication or survey, a meeting, or consultation with a representative group.

Strategies for consulting with pupils will depend on their age. Many schools have student councils or consultative groups at which proposals can be discussed. Appropriately designed questionnaires can work with pupils across almost all age groups. Consultation with pupils can also make a positive contribution to their understanding of citizenship.

C3 Resources should be allocated across key spending areas so that high funding in one area does not compromise quality in another.

The allocation of financial resources across the budget is always a matter of fine judgement, since more could always be spent to good advantage under almost any budget heading. The skill in achieving a reasonable balance between the main areas of spending, taking account of national and local priorities and the school's objectives in its improvement plan.

One danger of promoting one area over another is that problems could be accumulating in areas of very low funding for example the maintenance of the school. Another is that current decisions in areas of high funding might have long term implications, which will affect future budgets, as in the case of overstaffing. The key areas for consideration are whether current or proposed spending is sustainable over time, whether the quality of provision in other areas has been compromised or current levels of resources have been sufficiently challenged.

Unusually high or low current or proposed spending in any area should prompt the following questions:

- Is the spending short-term or long-term? Will it change over time?
- Is the spending sustainable? How does it fit with other spending plans?
- Will the quality of provision in this area or in others be adversely affected?
- Have these spending levels been sufficiently challenged?

- C4** A transparent and documented system should be used for allocating resources to devolved budget holders for ongoing commitments and agreed developments.

Documented systems for devolving resources to individual budget holders should ensure fairness and the promotion of whole-school objectives. Systems should be easy to understand and subject to pressure from individual sections of the school to the disadvantage of others.

Budget holders usually draw up estimates of the resources required to maintain provision and make improvements. Estimates take in to account the number of pupils involved, their needs and the resource demands of the subject area, as well as any targets and agreed priorities for development.

D – CHALLENGING HOW RESOURCES ARE USED

- D1** Existing patterns of expenditure should be regularly challenged to identify possible savings and alternative use of resources, making use of internal and external financial benchmarking wherever possible.

It is a good idea, from time to time, to take a fresh look at how financial resources are allocated. Repeating historic patterns of spending without considering changing priorities from year to year can lead to waste and slow down development.

For most schools, comparisons with national figures and those from groups of similar schools will often indicate different patterns of spending on staffing and other areas. These can be used to challenge the assumptions on which past resource allocations were based and introduce new ways of thinking. (*Best value – compare and challenge*)

In small primary schools, there is usually much less obvious flexibility in decision making because the staffing costs are usually tied very closely to the number of classes. Headteachers and governors of the smallest schools have often found creative and flexible ways of making use of part-time and shared staff to bring, for example, specialist expertise to the school.

- D2** The quality, cost and impact of services purchased from outside providers (including the local education authority) should be evaluated before contracts are renewed.

Increased levels of delegated funding have meant that schools now have more direct control over the use they make of services from outside providers. Alongside this flexibility goes a responsibility to obtain services in a cost-effective way.

Many schools have well-tried systems for evaluating the cost and quality of the services they purchase. In addition, schools need to take into account their impact on the quality of the school's provision and, ultimately, on standards. In all such situations, the key decisions to make before renewing a contract are whether or not provision of the service has made a difference. (*Best value – compete*)

- D3** Regular evaluations of what the school provides should be carried out to see whether it could be supplied to an acceptable standard at a more competitive price through another provider.

It is important to question whether the cost of any aspect of a school's provision could be reduced. This is most likely to be in schools where high-cost provision may be draining resources from other areas or where the school has concerns about whether the quality of provision is high enough. This is often a particular issue in relation to maintenance costs for equipment or school grounds. (*Best value – challenge and compete*)

The school has to judge whether the alternative arrangements would make better use of its resources. Entering into arrangements with other schools to share courses may enhance the range of opportunities offered. Sharing a teacher, administrator or technician with one or more schools may give the breadth of curriculum or support required more cost-effectively than could be achieved by working alone.

- D4** The deployment of all staff should be periodically reviewed to ensure that their skills are used to bring maximum benefit to pupils' learning.

The staff employed at the school are its most valuable resource and it is important that their skills and experience should be used to the full so pupils receive the best possible education. Schools need to review

regularly the roles and responsibilities of teachers, learning support assistants and other support staff to ensure that the demands placed upon them match their job titles and their remuneration. It is also important to consider the effectiveness and structure of the school's management team and the responsibilities its members carry.

Increased delegation has brought additional responsibilities to schools and an increased workload for those involved in managing the school's finance. This has prompted many schools to review the levels of support contributed by administrative staff and their status. In many cases, additional administrative support has reduced the burden on headteachers and has enabled them to find more time for professional tasks, particularly those related to improving standards.

Headteachers of small primary schools have been particularly creative, sometimes jointly with other schools, in sharing the services of a bursar or finance administrator or in buying in financial services at particular times of the year. Similarly, the employment of a school business manager in a secondary school can allow senior managers to focus more effectively on educational issues and release time for evaluating the quality of the school's provision.

- D5** All those with delegated responsibilities for managing resources should have access to training and support in forecasting, budgeting, purchasing and monitoring expenditure so that they can contribute to improving the school's efficiency and effectiveness.

It is not only governors and headteachers who have responsibility for the strategic management of a school's resources. Those who manage devolved budgets and use resources, as well as those who control the school's finances, also have a contribution to make.

Clearly the nature of their involvement will vary with the extent and purpose of the devolved budget. It would be reasonable to expect, for example, a class teacher in a primary school with a small discretionary amount to be spent on learning resources to undertake the same planning or monitoring tasks as would be needed for a large devolved budget with a whole-school or subject focus.

Where staff have to manage resources alongside other tasks or responsibilities, careful thought needs to be given to training them to carry out their resource management responsibilities effectively without compromising the other aspects of their roles. They also need support in the form of clear and realistic expectations set out in job descriptions. Good communication about the benefits of effective resource management is essential to gain the commitment of staff.

- D6** The allocation of funding to the continued professional development of staff should be based on national priorities, the school's priorities for

development and the individual professional needs of individual staff identified through appraisal.

The key challenges in managing professional development in schools are to identify areas where training is needed and to balance the various competing national, local and individual priorities. The school's policy for performance management should set out how the individual professional development needs of staff are identified and given an appropriate level of priority. The school's policy for the continuing professional development of its staff should set out how funds will be allocated across competing priorities and take account of both personal and school needs.

Direct central funding for training for national priorities will clearly need to be spent on the activities outlined in specific grants. Schools may also commit additional funding to in-service training or materials to ensure the school meets externally set targets. In recognition of the growing contribution to teaching and learning support assistants and other support staff, the school's policy should also set out how their development needs will be identified and met.

E – MONITORING AND EVALUATING SPENDING DECISIONS

- E1** All plans should indicate how their implementation will be monitored and how the effectiveness of the actions will be evaluated against success criteria or performance indicators.

The accuracy with which resource allocations can be monitored and evaluated depends on having a clear understanding at the outset of what will be achieved by a particular course of action and its associated outlay of resources. This needs to include the impact of spending on standards.

Monitoring and evaluation operate at two distinct levels. Monitoring checks that the activities set out in plans are taking place in the intended timescale and using the resources allocated. This includes deciding whether any changes to the plan are needed. Evaluation is analysing the effect the planned action has had in moving the school forward to improved standards, provision or efficiency.

When any strategic or action plan is constructed, monitoring and evaluation need to be built in alongside the other elements of the plan. As well as action points, resource needs and the personnel who will undertake the work, all plans need to include the ways their implementation will be monitored. The key questions, which need to be asked throughout, are whether the school is doing the right thing at the time. Plans also need to include targets and other success criteria, and

the methods to be used to evaluate the extent to which the plan's objectives have been achieved.

- E2** The school's systems for recording and monitoring expenditure should enable the headteacher and governing body to identify the costs of particular projects and initiatives.

When a new project or initiative is started, it is important to set up accurate systems in sufficient detail for spending and outcomes to be monitored. These need to be practical, manageable and balance the time spent on them for the outcome achieved. Budget holders need to be familiar with the school's accounting systems, code expenditure accurately and receive regular budget monitoring reports. The measures to be used in the evaluation need to be set out in relevant plans, so that governors and senior managers can evaluate cost-effectiveness and value for money.

Identifying the cost of particular projects and initiatives is often difficult because the way which indicative costs in action plans have been built into the final budgets is not well documented. For example, an improvement in boys' reading may require outlay on more suitable literature. The sum required will probably come from the budget line for educational supplies or equipment, books and consumables. Determining the cost-effectiveness of a project can only be done by accurate identification of the overall cost of the initiative, including an estimate of staff development time, and matching this to its education outcomes.

- E3** Regular reviews of the cost effectiveness of spending decisions should be carried out by weighing the benefits of resource inputs against the expenditure outcomes and benefits.

Reviews of cost-effectiveness need to be included when the effectiveness of spending decisions is evaluated. The timing of such reviews depends on the nature of the particular decision or action taken and they need to be built into the planning cycle. Targets, which involve improvements in pupils' attainment, will usually be achieved over a longer period than those that relate to improvements in provision. For example, the full effect of the introduction of a new scheme of work in Key Stage 2 would not be felt for some years. In contrast, an increase in administrative hours is likely to have an immediate effect on teachers' workload.

Where considerable sums are devolved to budget holders, such as key stage co-ordinators or subject leaders, the budget holders should be accountable for the cost-effectiveness of the expenditure. A school that does not investigate the outcomes achieved or, indeed, the reasons for any under-spends or over-spends in individual devolved budgets is in danger of wasting valuable resources.

Computer Systems and Data Protection

1. Introduction

1.1 Schools Financial Regulation numbered 4 define the responsibility of schools to ensure that their accounting records and controls comply with at least the minimum standards specified from time to time by the Local Authority's Director of Finance.

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with the regulations. In this section the safe and secure arrangements for electronically held financial information are outlined. The section covers:

- Data Security and Management
- Freedom of Information Act 2000
- Data Protection Act 1998

1.3 In any case where conflict is perceived between this manual and the Schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding financial manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management.

2. Background

2.1 Sound systems and procedures are essential to an effective framework of accountability and control. Schools are now reliant on computer systems to process and record financial and other management information. The "Team Pages" / "ICT" section of the Haringey Learning website (www.haringeylearning.net) provides access to valuable ICT advice and resource materials for managerial, administrative and teaching staff in schools.

2.2 The safe and secure arrangements for information developed and maintained within a school is the responsibility of the Governing Body. This will normally be executed through delegation to the Headteacher. A policy document on Electronic data maintenance, security and protection within the school should be agreed by the Governing Body and refreshed annually.

2.3 Accounting software products used in schools to record transactions and account for 'official funds' requires approval of the Director of Finance prior to use in schools. Certain products, such as RM Finance, have a general approval. Schools should check with the School Funding Policy Manager

when considering the purchase of an electronic finance package for use on education 'official funds'.

3. DATA SECURITY AND MANAGEMENT

3.1 Governing Bodies must ensure that, where appropriate, computer and other systems are registered in accordance with data protection legislation. Governing Bodies/Headteachers must ensure that staff are aware of their responsibilities under freedom of information legislation.(see section 4 below)

3.2 Schools' main statutory responsibilities in respect of data security and management are defined in the Data Protection Act 1998, which replaced the Data Protection Act 1984 and includes requirements to protect data against misuse, damage or loss.

3.3 Schools should have effective back-up procedures.

- Data should be backed up regularly. If there are large volumes of transactions on a daily basis, then the back-up should be on a daily basis
- All back-up media should be securely retained in a fireproof location and preferably off site
- Particular attention should be taken to limiting and to protecting personal data held on transportable devices, e.g. laptop computers, PDAs, pen drives and computer media, which by their nature are at greater risk of being lost or stolen

3.4 RM Finance (formerly Cash Accounts) users are automatically prompted by "Safe" software to back-up their system each time they exit from the application. This back up should be performed *in addition to* routine back-ups of administrative PCs/Servers. Similarly, backup prompting from other approved packages must be followed.

3.5 Each member of staff is personally accountable for any abuse of computer resources carried out under their exclusive username / password. Accordingly, usernames and passwords should not be disclosed to, or shared with, other people and passwords should be changed regularly (e.g. monthly).

3.6 Only authorised staff should have access to computer hardware and software for school management.

3.7 Schools should have a Disaster Recovery / Business Continuity plan in the event of loss of accounting facilitates or financial data. The plan should take the following into account:

- A register of dated full data back-ups must be kept at the school.
- The back-up data CDs/disks/zip files should be accessible with notice.

- It is advisable to have a contract or SLA in place covering a school's arrangements for the maintenance of hardware and software of these business-critical systems and includes restoration of back-ups in the event that major corruption of data has taken place.
- If data has to be restored from back-up, this means that any work completed since that last back-up will have been lost. It is therefore important to have date-stamped all work that has been input so that work that might need to be re-entered can be identified.

3.8 The Director of Finance is responsible for the operation of the Local Authority's accounting systems, the form of accounts and the supporting financial records. Any changes made by Governing Bodies and Headteachers to the existing financial systems or the establishment of new systems must be approved by the Director of Finance. At the same time, Governing Bodies and Headteachers are responsible for the proper operation of financial processes in their own schools in line with overall procedures set by the Local Authority and the Director of Finance.

3.9 Any changes to agreed procedures by Governing Bodies/Headteachers to meet their own specific service needs should be agreed with the Director of Finance using the Schools Financial Adviser.

4. FREEDOM OF INFORMATION ACT 2000

4.1 Governing Bodies should also be aware of their duty to comply with the Freedom of Information Act 2000 (Fol). If schools have questions regarding any aspect of Fol, please refer to the Information Commissioner's website (www.ico.gov.uk) and/or contact Ravia Zaman, 48 Station Road, Wood Green N22 7TY; tel: (020) 8489 3481; e-mail: ravia.zaman@haringey.gov.uk.

5. DATA PROTECTION ACT 1998 –

(SEE ALSO SECTION ON SECURITY)

5.1 The purpose of the Data Protection Act 1998 (DPA) is to protect individuals with regard to the processing and free circulation of personal data. In particular, the DPA places an obligation of non-disclosure to third parties who are in charge of controlling or processing such data, and the obligation of allowing each subject of data to have access to the data about him or her.

5.2 Any organisation or individuals that process personal data (i.e. any information about living identifiable persons), *whether on a computer or manually*, must conform to the requirements of the DPA 1998. 'Processing' has a wider definition than in the former Act (1984), and now incorporates 'obtaining', holding' and 'disclosing' information. Each school should have a nominated member of staff responsible for all DPA-related issues, including notification/registration, internal staff training/awareness and as the point of contact for DPA inquiries and requests for subject access.

5.3 THE DUTY OF REGISTRATION

5.3.1 The DPA includes an obligation to register the purpose for which *computerised* data is kept. In the case of schools, one notification (i.e. registration) must be given in respect of the governing body and Headteacher, in the name of the school. Notification templates, available for e.g. community, foundation, voluntary-controlled and voluntary-aided schools, have been designed to cover their specific activities (the details provided should still be checked, and any amendments made if necessary).

5.3.2 An application for notification can be made either via the Information Commissioner's website (www.ico.gov.uk) where copies of the template can be found or by telephoning the Notification Department (01625 545 740). A completed application must be signed and returned to the Commissioner's Office with the payment of the relevant fee. New Register entries and the required annual renewal of existing ones do attract a fee payable by the school. Any queries should be directed to the Notification Department on the above telephone number.

5.3.3 Please be aware that the Information Commissioner's Office is the only statutory authority for administering DPA notifications. Any other agency claiming to provide this service is "bogus" and should be disregarded.

5.4 COMPLIANCE WITH THE ACT

5.4.1 It is a legal requirement for schools to comply with the Data Protection Act 1998. There are eight DPA principles, requiring personal data to be:

- fairly and lawfully processed;
- processed for specified and limited purposes;
- adequate, relevant and not excessive in relation to the purpose for which it is held;
- accurate and kept up-to-date;
- not kept longer than necessary for the registered purpose;
- processed in accordance with the data subject's rights;
- protected against unlawful access, and any loss or damage;
- not transferred to countries without an equivalent data protection regime.

5.4.2 These principles are legally enforceable (non-compliance may result in penalties). They are also statements of good practice for both computerised and manual data, and it is a duty for schools to handle personal data according to those principles.

5.5 THE RIGHT OF SUBJECT ACCESS

5.5.1 The DPA gives a 'right of subject access' by an individual to his/her own data. The individual concerned is entitled to access any personal data that is held on him/her and has, where appropriate, the right to have information about himself/herself corrected or erased. A request for subject access must be made in writing with mention of the DPA. Any subject access request must be satisfied *within 40 (calendar) days*, after checking the applicant's identity (schools must always be sure that the person asking for the information is entitled to receive it). Ensure that the school's filing system is in good order and be ready to satisfy any subject access request.

5.5.2 The DPA gives all school pupils, regardless of age, the right of access to their school pupil records. Requests to see or receive copies of records should be made in writing to Headteachers. A period of *up to 15 school days* is allowed in which to respond to a pupil's subject access request. In addition to that right of subject access, which can also be exercised by parents acting on behalf of pupils, parents have their own independent right of access to the official educational records of their children.

5.6 DATA SECURITY

5.6.1 Schools should make themselves familiar with *The Data Protection Handbook*, published in hard copy (distributed to all schools) and electronically on "Harinet" - in particular any requirements relating to security and the section on Data Protection (4.1).

5.6.2 If schools need further information relating to any aspect of the Data Protection Act 1998, they should refer to the Information Commissioner's website (www.ico.gov.uk) and/or contact either

- The Data Protection Office, Level 4, Alexandra House, 10 Station Road, Wood Green N22 7TR: (020) 8489 1997/3112; email: dataprotection@haringey.gov.uk

or

- Education ICT Services, Podium Floor, River Park House, 225 High Road, Wood Green N22 8HQ: (020) 8489 3244; email: shani.kara@haringey.gov.uk.

7. RETENTION OF RECORDS

7.1 All electronic records should be retained to the same length of time as required within the individual accounting instructions relating to financial systems. In case of doubt a standard of the current year plus six years should be used.

FINANCIAL REPORTING

1. INTRODUCTION

1.1 Schools financial regulations referenced 71-74 set out the internal controls and procedures to be followed by schools in compiling and submitting financial information and reports for the local authority

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with the regulations.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management.

1.5 Maintenance of the schools records relating to its financial reporting arrangements should be clearly allocated to a member(s) of staff within the school who should be made aware of these instructions.

2. BACKGROUND

2.1 Although schools operate with delegated budgets and account locally on a day to day basis, ultimate responsibility for their financial management lies with the Local Authority's Section 151 Officer i.e. The Director of Finance.

2.2 The Director of Finance maintains an overarching role to ensure that all establishments within the Local Authority operate within their cash limited budgets and in accordance with best value principles. In order to achieve this, monitoring takes place through regular financial reporting and the process of audit.

2.3 In addition, the School Financial Advisory team have as part of their role an interest in ensuring schools financial reporting is within guidelines laid out in the Code of Practice on Local Authority – School Relations and, the Haringey Scheme for Financing Schools.

3 Accountabilities and Responsibilities

3.1 The Governing Body and the Headteacher are responsible for all reports required by the local authority and ensuring that all such reports, whether electronic or manual, are accurate, correctly certified and submitted within deadlines set by the local authority.

4 Consistent Financial Reporting

4.1 The Dfes introduced a national financial reporting framework for schools. This is known as the Consistent Financial Reporting (CFR) framework. It summarises school level financial information (both capital and revenue) into expenditure, income and balance sheet headings associated with nationally uniform codes. The major benefit of CFR is to improve the comparability of financial information, thereby enabling effective benchmarking and improving accountability.

4.2 CFR therefore enables schools to improve and monitor management information and OFSTED inspectors to analyse expenditure patterns more closely and to judge how effectively the educational resources made available to schools are used. It is also of great use to auditors, both internal and external and for assessing the risk of public money being poorly used.

4.3 School officers dealing with finance will need to understand the functionality of the CFR reporting framework against which all of the school's financial transactions need to be carefully coded.

4.4 The DfES provides guidance on the Consistent Financial Reporting framework. The local authority has a duty to ensure that the CFR framework is used successfully. Schools using RM Finance should ensure that it is configured to accommodate CFR structures. Schools that do not use RM Finance need to take special care in order to ensure that their chart of accounts and reports are also CFR-consistent. Information can be obtained from:

- the school's bursary provider,
- Schools Financial Advisor,
- the CFR website at www.dfes.gov.uk/vfm or,
- the DfES helpline on 01325 392626.

5. Commitment and Accruals Accounting

5.1 Commitment accounting is a management tool that aims to reduce the possibility of budget overspends. Schools are advised to use the order-processing module in their accounting systems, which is specially designed to assist in obtaining up-to-date information about available funds before further commitments are made.

5.2 Commitment accounting is based on the principle of recording expenditure at the time when the order is placed. For example, if an item of equipment is ordered at 5 February and not delivered until 5 March, but not paid until 5 April, it is included as committed expenditure from 5 February, but only included as accrued expenditure from 5 March.

5.3 Accruals are to be included in the Financial Returns where appropriate at the end of each financial year. The accruals accounting basis requires income to be recognised at the point when it is due (i.e. receivable by the school), whether or not the cash associated with the transaction has been received.

5.4 Similarly, expenditure is recognised at the point when the goods or services are received (i.e. when the liability to the supplier arises), whether or not an invoice has been received or payment made. According to this system, accruals are set up at the end of year for goods and services supplied in that financial year for which invoices have not yet been received. Such accruals are reversed and a new updated list of accruals set up for the following year. Accruals for which invoices have been processed should no longer form part of the accruals list.

5.5 The following examples may help to clarify these principles and differentiate between management and accounting purposes:

- a) Commitment – an order for goods or services which has not yet been received.
- b) Commitments are a management tool used to show how much of a budget remains after taking account of orders placed but not yet delivered and paid for.
- c) Commitments made in a financial year for goods or services received in a financial year one will roll forward as a commitment and translate into an accounting entry in financial year two.
- d) Accrual – goods and services received or provided but not yet paid for. This is a key accounting concept: It requires income and expenditure to be recorded in the accounts in the financial year in which the goods or services were received or provided, regardless of when the order (commitment) was raised.

5.6 All schools have a duty to provide the local authority with quarterly financial returns that are completed on the commitment and accrual basis of accounting and are traceable through to supporting documentation held by the school. Returns completed enable the local authority and other stakeholders to obtain up-to-date information regarding the school's financial affairs and clarifies the school's position for its own purposes.

6. Reporting to the Local Authority

6.1 Monthly Reports should be run (compiled) at the end of the month which is being closed, before the 10th of the following month and sent to the local authority no later than the 15th of each month. e.g. for close of May each year, reports must be run before 10th June and submitted to the local authority before 15th June.

6.2 Before printing end of month reports, schools must ensure that they have entered their cashflow income and payroll transactions for the month, and reconciled with the appropriate current bank statements.

6.3 Before proceeding with period end, there are several reports that need to be run and kept at the school, copies of which are to be sent to the local authority (see para 6.6)

6.4 No items should be entered while running end of month reports. Once reports are complete the period is immediately closed therefore no manual intervention should take place between the financial system and that supplied within the financial returns. If any items are entered between running reports and period end, all reports will have to be re-run.

6.5 It is imperative for schools to take a back up of their data files prior to executing a period end routine. If a back up of the data file is not taken the risk of loss of crucial information increases. If a schools system does experience problems, the delay in restoring this data escalates and ultimately the school may have to re-enter all of the lost transactions.

6.6 All schools must submit the following reports on a monthly basis as notified:

- Monthly Income and Expenditure analysis report (*including earmarked funding separately identified*)
- VAT reimbursement claim form-Income
- VAT reimbursement claim form-Expenditure
- Unreconciled transactions
- 2 bank balance reports -Main account and Petty Cash (imprest) account
- Bank Statement showing the reconciled balance (copies should also include any deposit accounts relating to your main budget share.
- Budget versus Actual versus Committed
- E32 list of balances, income & expenditure

6.7 The Headteacher will review and authorise all reports submitted to the local authority prior to certifying them .

6.8 In addition to the above list of reports, schools are also required to submit to the local authority their Quarterly Budget Monitoring Report. This report is based upon an EXCEL template supplied by the local authority and should be properly completed and signed as such by the Headteacher and the Chair of Governors. As from April 2007 this report must be submitted in CFR format. The local authority will notify schools in writing of any changes to its format should any arise.

6.9. At the same time as submitting their Quarterly Returns, Schools must report any virements they have made between budget headings by using the pro-forma supplied by the local authority.

6.10. It is a condition of the regular provision of Devolved Formula Capital (DFC) through cashflow that each school (where relevant) reports on its status of DFC using the Quarterly Return.

6.11 Annual accounts closedown will be presented by schools to the Local Authority through a separate set of reports against dates supplied to schools by the local authority early in the spring term.

7. Retention of Records

7.1 All financial records, whether computerised or paper based documentation, must be kept securely for a period of six years plus the current financial year.

7.2 Backups of computerised records must be taken in accordance with the school's disaster recovery plan and a copy held offsite in order to avoid loss.

Governance and Delegations

1. Introduction

1.1 Schools financial regulations referenced 60-67 set out the internal controls and procedures to be followed by schools in relation to their financial governance including arrangements covering financial delegations.

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with the regulations

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding financial manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management.

1.5 Maintenance of the schools financial governance relating to staff competencies should be clearly allocated to a member(s) of staff within the school who should be made aware of the required competencies (see Appendix A) and these instructions. Both staff and Governors should be trained as required to enable them to fulfil their obligations. This may be through internal or external arrangements and related to the school's budget.

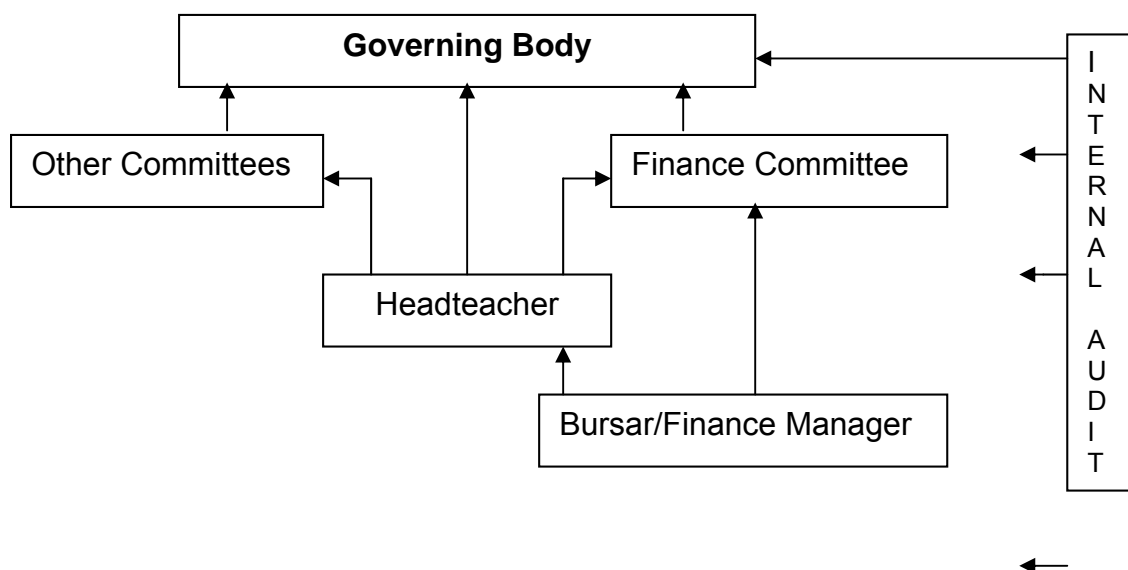
2. ROLES AND RESPONSIBILITIES

2.1 General

2.1.1 The responsibilities of the School's Governing Body, its committees, and all school staff dealing with the finances of the school and all related matters should be clearly defined in writing within it's local scheme of governance. Such a schedule of roles and responsibilities must be agreed by the Governing Body, being reviewed and updated annually with an assessment of the budget resources needed to deliver the responsibilities outlined.

2.1.2 Agreement to the Scheme and any supporting schedules or changes to these documents must be minuted by the Governing Body. (The Local Authority's auditors will wish to be reassured that a clear, current and approved schedule of roles and responsibilities is in place).

School Responsibility Chart (Example)



3. ROLE OF THE GOVERNING BODY

3.1 General

3.1.1 The Governing Body must act with integrity and honesty in the best interests of the school and the Nolan Principles of Public Life (Appendix A), ensuring that the school meets all of the obligations placed upon it by the local authority and assisting the local authority in the discharge of its statutory duties. All governors should have available to them an information pack covering their financial roles and responsibilities and regularly reminded of these. The local authority will be able to assist through its Governor Service.

3.1.2 The core Governor competency framework required across the Governing Body, as advised by the local authority, should be regularly assessed for its completeness particularly at recruitment time when potential governors should be advised of the framework.

3.1.3. The Governing Body and its committees should be open about decisions it makes and actions it takes, and in particular be prepared to explain decisions and actions taken. (Regulation from the Freedom of Information, and Data Protection Acts will apply). It is required to meet, as a minimum, three times a year and meetings should normally coincide with key events in the school management calendar e.g. budget setting. Proper and adequate arrangements for servicing the Governing Body and monitoring follow up issues for it must be in place.

3.1.4 The Governing Body will carry out their functions with the aim of taking a largely strategic role in the running of the school. This includes setting up and maintaining a strategic framework for the school, setting its aims and objectives, setting policies and targets for achieving objectives including the terms of reference and objectives of all committees to the Governing Body

and, directions to the Headteacher and finance staff, all of which should be in writing.

3.1.5 The Governing Body shall annually monitor and evaluate progress and review the strategic framework in the light of progress. In exercising this role the Governing Body shall consider any advice, information and explanations given by the Headteacher.

3.2 Financial Management

In respect of financial management of the school the Governing Body shall:-

- Apply good financial management, including the care and maintenance of school premises through an Asset Management Plan.
- Allocate and approve a budget plan and priorities related to the School's Development Plan and, ensure value for money and monitoring of budget performance regularly throughout the year.
- Determine detailed budgets and submit these in writing to the Local Authority in accordance with timetables and covering periods advised to schools by the Local Authority.
- Ensure sound internal and financial control, applying the Local Authority's School Financial Regulations.
- Arrange proper control of income and expenditure and use of the school's resources through minuted delegation of budgets across the school.
- Have in place proper written accounting practices that accord with requirements of the Local Authority and DFES. Failure to formally allocate responsibilities can create a vacuum in important financial areas.
- Ensure that any staff who carry financial responsibilities have those duties clearly reflected in their Job Descriptions and that they tested at recruitment stage. The performance of these duties will also form part of the school's annual Staff Personal Development Review process.
- Delegate (if they so wish) certain, mainly supporting, functions relating to the above paragraphs, to a committee, normally labelled as the Finance or Resources Committee. See paragraph 5.
- Receive from the Headteacher and endorse a signed annual Controls Assurance Statement that, after consideration, will also be signed by the Chairs of the Governing Body and Finance Committee. (See *example at Appendix G*)
- Exercise financial risk management. An example of a documented risk management approach is shown at Appendix H

4. ROLE OF THE HEADTEACHER.

4.1 General

4.1.1. Each Governing Body is required to consider annually the extent to which it wishes to delegate its powers to the Headteacher. It is normally

appropriate to do this as part of the approval process of the annual budget. An example of the areas that could be delegated is shown at Appendix B

4.1.2 Governing Bodies shall formally agree each year the school's annual budget plan and record its decision in the minutes. Amendments or variants to the budget will be reported to the Governing Body by the Headteacher for its agreement and also notified to the School's Financial Advisor.

4.2 Financial Management

4.2.1 In addition each Headteacher will normally be required to :-

- Advise on and implement the Governing Body's strategic framework including financial objectives within the School's Development Plan.
- Lead by example for others and take responsibilities for the internal organisation, management and control of the school, particularly in the case of finance and through acting as far as possible in a transparent way.
- Maintain day to day internal control and management of the school's assets and financial procedures ensuing through the use of approved accounting systems that the accounts of the school are properly maintained.
- Formulate aims and objectives, policies and targets including financial ones, for the Governing Body to consider.
- Report to the Governing Body regularly on progress in achieving its targets and initiatives set out in the school development plan. In the case of financial matters, such reports shall be at least once every term.

The Headteacher is therefore considered to be the person with overall responsibility to the Governing Body for the financial management of the school, ensuring that:-

- The finances of the school are managed in a prudential way minimising the risk of deficit, loss or inefficient use of resources
- The Governing Body is provided with financial advice.
- Proper and adequate financial systems and controls are in place being certified as such through an annual Controls Assurance Statement. (see also paragraph 3.2)
- All financial information required by the Local Authority or Governing Body is submitted on time and in the form required e.g. on standard format certified returns supported by 'proper' books of account.

4.2.2. In practice, the Headteacher will normally delegate much of the day to day financial management to others through a documented arrangement, but will retain ultimate responsibility for it. An example of a simple staff financial delegation record is shown as Appendix C.

5. ROLE OF THE FINANCE (OR RESOURCES) COMMITTEE

5.1 General

5.1.1 The Finance Committee is a sub-group of the Governing Body, which has delegated powers from the Governing Body. It is recommended good practice that Governing Bodies do have a Finance Committee.

5.1.2 Committees created by the Governing Body can include members who are not Governors. This may enable schools with limited financial expertise on the Governing Body to invite suitably qualified individuals to serve on their committees. Any group established, such as the Finance Committee, can have delegated powers.

5.1.3 For each committee with delegated powers the Governing Body must decide its terms of reference. Example Terms of Reference for Finance/Resources Committees shown at Appendix D. See also Governors' website www.haringeypdc.org.uk

5.1.4 In establishing membership of a Finance Committee, the Governing Body will define the core competencies that it is expecting will be possessed by members (across the membership) of that committee e.g. knowledge of financial management and internal control. These competencies will be communicated to potential committee members.

5.2 Financial Management

5.2.1 The types of financial authority a Governing Body will consider delegating to the Finance Committee are as follows:-

- Guide and assist the Headteacher and Governing Body in all financial matters including budgeting and long term strategic financial planning.
- Draw up and present an annual budget for the Governing Body's approval, identifying priorities from the School Improvement Plan.
- Monitor the budget throughout the year and provide the Governing Body with at least a termly review of the financial situation.
- Monitor the income and expenditure of all public funds.
- In relation to the above, consider and respond to the respond to the Headteacher's reports.
- Receive and respond to any audit reports on the school's public funds.
- To arrange audit for all the voluntary funds for presentation to the Governing Body and the LEA.

5.2.2 Each Governing Body will wish to consider the extent of such delegations and the above are illustrative as core items to be considered. (See also Appendix D)

5.2.3 The requirements for meetings may vary between schools and throughout the year due to financial matters requiring the committee's attention, such as capital projects or the setting of the annual budget. Nevertheless, the Finance Committee should meet at least once a term, and circulate a copy of the minutes from each meeting to all Governors.

6. ROLE OF THE SCHOOL BURSAR/FINANCE MANAGER OR ADMINISTRATION OFFICER

6.1 General

6.1.1 The Bursar/Finance Manager/Administration Officer can be one of the following:-

- A member of the school's staff.
- A specific individual in the post, and/or
- A bought-in provider.

6.1.2. The Governing Body must ensure that whoever takes on this role:-

- Is suitably qualified and/or experienced.
- Has sufficient resources to carry out the function.
- Has sufficient time in which to effectively discharge their financial responsibilities particularly in relation to financial risk management and prudential budget management.
- Is a member of the Senior Management Team (if of Bursar or similar status).
- Has a clear outline of the core competencies appearing within their job description and job specification and, they are part of the staff performance management and development process.

6.1.3 These staff may be appointed specifically for a financial role, or may be a member of staff who in addition to other work at the school, takes on a part-time role in financial administration.

6.1.4. Support to an internal postholder may be obtained from an external provider. The Governing Body must ensure that any external provider has the necessary expertise and capacity to perform the required duties.

6.2 Financial Management

6.2.1 The SAO/Bursar/Finance Manager is the person with day to day financial responsibility for the school. The types of responsibilities that could be part of this role are as follows:-

- Delegated financial responsibility for the premises, central services and any other delegated budget under his/her control.
- Supervision of and production of financial reports on a timely basis.
- Reconciliation of bank and supplier accounts.

- Maintenance of inventory.
- Payment of supplier invoices.
- Receipt and banking of income

7. ROLE OF THE RESPONSIBLE OFFICER (RO)

7.1. General

7.1.1. The concept of having a RO is to bring a regular, independent view to the Governing Body on the application of certain key controls across the school's financial systems. Schools are not obliged to appoint an RO. The role is optional. The benefits of appointing an RO are as follows:-

- The RO can balance some of the risks associated with full delegation.
- The RO can provide the Governing Body with ongoing, independent assurance as to the satisfactory operation of the school's finance function.
- The RO can provide assurance to internal audit.
- The RO can check that procedures are being carried out properly.

7.1.2. The following people cannot be appointed in the position of RO.

- The Headteacher
- A member of the school staff
- The Chair of Governors

7.1.3 The following people can be appointed in the position of RO.

- Another Governor, besides the Chair of Governors
- An individual outside the school community

7.1.4 The person appointed in the position of RO must have a good understanding of :-

- The importance and principle of internal control
- The principles of accounting
- The design, implementation and operation of financial systems

7.1.5 A recognised professional qualification is not essential, but the person selected must be able to show that the responsibilities being undertaken are understood and the importance of the role is fully recognised.

7.2 Financial Management

7.2.1 The Responsible Officer is not directly responsible for the financial management of the school, merely to provide an independent review and assurance in this regard. The RO should therefore not be involved in the day to day design/implementation and operation of the financial systems. They

may however assist the school with its benchmarking particularly around interpretation of data and monitoring action planning relating to the results from benchmarking exercises.

7.2.2 An example of the work of the RO is shown at Appendix E, as a schedule to be maintained by the RO.

7.2.3 It may not always be possible to recruit a person with all the necessary experience or time to undertake all the aspects of review required of the RO. In this case the options that could be considered are as follows:-

- Contracting out the function
- The RO could commission work from others to assist in discharging the role.

The final responsibility for discharging the role will lie with the RO.

8. BUSINESS ETHICS

8.1 General

8.1.1 It is important that both the public at large and colleagues of the Governing Body and school staff are fully aware of business and personal interests that may influence their decisions. A primary means of ensuring this openness is by maintaining a "Register of Business Interests". Along side this, should be a clear awareness by Governors and school staff of the available whistle blowing procedures.

8.1.2 The Governing Body should ensure the maintenance of such a register of interests is clearly assigned to a nominated person. This may be the Clerk to the Governors.

8.1.3 It is the responsibility of each Governor or senior member of staff to notify the person who has taken or been given the role, to record any business and/or personal interests they have which require inclusion in the Register of Business Interests.

8.1.4. Any Governor or senior manager who has an interest in a business tendering for a contract or potentially providing a sale to the school should withdraw from the committee considering the contract. The opportunity to do so will be presented by the chair at each relevant Governing body or committee meeting.

8.1.5 No Governor or senior manager involved in awarding a contract should accept gifts or hospitality from current or potential suppliers.

8.1.6 Copies of the annual declaration of interest that should be completed by Governors and senior managers that may be used to inform the Register of Interests shown as Appendix F can be used as the register.

8.1.7 The school should not obtain goods or services for the private use of Governors or staff.

9. RETENTION OF RECORDS

9.1. General

9.1.1 All records relating to Governance and delegations shall be retained for a minimum of six years beyond when the delegation or an associated arrangement ceased.

9.1.2 Declarations of interests should also be retained for a minimum of six years after contract completion with the exception of those relating to contracts. These should be kept for six years after the contracted arrangements cease.

Nolan Principles

The Nolan Committee report on Standards in Public Life, released in May 1996, identified 7 core principles that should be applied in public life. They are as follows:

7. SELFLESSNESS

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.

8. INTEGRITY

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

9. OBJECTIVITY

In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards and benefits, holders of public office should make choices on merits.

10. ACCOUNTABILITY

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

11. OPENNESS

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands this.

12. HONESTY

Holders of public office have a duty to declare any public interests relating to their public duties and to take steps to resolve any conflicts arising in away that protects the public interest.

13. LEADERSHIP

Holders of public office should promote and support these principles by leadership and example.

Schools should endeavour to adhere to these seven principles in all of its dealings.

APPENDIX B

FINANCIAL DELEGATION – GOVERNING BODY/HEAD TEACHER					
KEY					
For each function, a decision level is suggested. The four possible decision levels are:					
Level 1	Decisions made by the Governing Body.				
Level 2	Decisions made by the Governing Body with advice from the Headteacher.				
Level 3	Decisions delegated to the Headteacher (often within a framework set by the Governing Body as these remain, legally, their responsibility).				
Level 4	Decisions made by the Headteacher.				
x:	Function cannot legally be carried out at this level.				
√	Recommended level(s) or where law assigns specific responsibility.				
Blank:	Action could be carried out at this level if the Governing Body so decides				
Asterisk:	Functions that the whole Governing body must consider.				
	Task	Decision Levels			
		1	2	3	4
1	Approve the first formal budget plan each financial year*		√	x	x
2	Monitor monthly expenditure			√	-
3	Miscellaneous financial decisions, e.g: write-offs up to the level determined the by Local Authority			√	-
4	Investigate financial irregularities (head suspected)	√	-	-	-
5	Investigate financial irregularities (others suspected)		√	-	-
6	Enter into contracts (above financial limits determined by the school but below those set out by the Local Authority)		√	-	-
7	Enter into contracts below financial limits determined by Governing Body)			√	-
8	Make payments for goods/services (limits set by Governing Body)			√	-
9	Pay discretion's (head not to advise on own pay)		√	-	-
10	Determine dismissed payments/early retirement		√	-	-
11	Set a premises charging and remissions policy*		√	x	x
12	Ensure provision of free school meals to those pupils meeting criteria			√	x
13	Set up register of Governor's business interests		√	x	x
14	Approve and set up a Governors' expenses scheme	√	X	x	x

APPENDIX C

Staff Financial Delegations Record
Headteacher to Other Staff

Delegated Activity	Member of Staff	From (Date)	Member of Staff	From (Date)
Creditor Invoices Payments -Checking -Approving				
Inventory Compilation Annual Review				
<i>Teachers Payroll</i> -Approval to variations of standing to data -Approval to one Off payments				
<u>Non Teachers Payroll</u> -Approval of variations to Standing Data -Approval of Timesheets				

xxx School

Scheme of Delegation including Roles and Responsibilities

The Governing Body

1. Consideration and approval of budget for the year as presented by the Finance Committee.
2. Take appropriate action, as far as possible, to avoid overspending the budget. Reporting of any possible budget deficit to LEA.
3. Determination of policy on charging and remissions.
4. Maintain a register of pecuniary interests.
5. Approval of written document on financial roles and responsibilities of Governors and school staff.
6. Consideration and approval of expenditure and virements in excess of £25,000.
7. Consideration of budget monitoring position of school each term and outturn position at end of the year, as reported by the Finance Cttee.
8. Authority to open bank accounts for Unofficial Funds and to approve or vary signatories to the accounts.
9. Approval of personnel issues.
10. Authority to write off bad debts over £500.

The Headteacher

1. Preparation of draft budget for the school, in accordance with LEA timetables, in consultation with relevant staff for consideration by the Governors.
2. Monitoring and control of spend against the approved budget in consultation with relevant staff. In particular, termly reports must be made to the Governors. These reports should consider the current and projected position to year end and propose corrective action if necessary to ensure the budget does not overspend.
3. Preparation of timely and comprehensive reports on financial matters to the Governors.
4. To approve placement of all orders up to £5,000.
5. Authorisation of virements up to £5,000.
6. Closure of school accounts at the year end in consultation with relevant staff and in accordance with LEA timescales. Reporting position to the Governors.
7. Preparation of financial returns required by the LEA in consultation with relevant staff.
8. Setting of suitable controls for recording and collection of monies due and movement and banking of monies.
9. Physical security of assets and ensuring the maintenance of an up to date inventory.
10. Approval of bank reconciliations for both the main school account and unofficial funds on a monthly basis.
11. Authorisation of payments including employee related expenses.
12. Maintenance of comprehensive financial accounts and full supporting financial records.
13. Ensure compliance with Data Protection Act 1984 requirements.
14. Ensure maintenance of adequate insurance cover.
15. Authorisation of invoices for payment via FMS and otherwise.
16. Authority to write off certain types of debt up to £500. Debts above this must be approved by the Governors.

17. Authorisation of Petty Cash disbursements except those to the Headteacher.

18. Compliance with Financial Regulation for schools.

Deputy Headteacher

1. In the absence of the Headteacher, to authorise payment of invoices.
2. Authorisation of Petty Cash disbursements to the Headteacher.

Office Manager

1. Administration of the school account, updating of pupil records, banking and safe custody of monies.
2. Checking of invoices and arranging for their payment in consultation with the Headteacher; the latter being the authorised signatory.
3. Maintenance of inventory.
4. Maintenance of Unofficial Funds records including reconciliation of bank accounts each month.
5. Preparation of financial returns to be authorised by the Headteacher.
6. Maintenance of comprehensive financial records in respect of all the above matters, including budget monitoring - i.e. proper recording of payments and commitments.

An external Finance Officer may be brought in to assist the Office Manager in the completion of some or all of the above tasks.

Budget Holders

1. Control and monitoring of budgets delegated to them and reporting position each term to the Headteacher.
2. Preparation of draft budget for areas delegated to them and reporting estimated costs to the Headteacher.
3. Maintenance of comprehensive financial records in respect of the above matters.

The above Scheme to be reviewed and revised if necessary by the Governors annually.

Approved by the Governors xxx

xxx School
Terms of Reference for the Finance Committee

- Membership:** At least three governors plus the Headteacher (who is a governor and counts as such in terms of being quorate). In addition, the governing body may appoint associate members to the Committee in order to draw on expertise and experience from both inside and outside the school.
- Quorum:** Three governors.
- Chair:** To be appointed by the Governing Body at its first meeting in the Autumn Term, to continue in office until the first meeting of the Governing Body in the following Autumn Term.
- Clerk:** A named individual, who can be a governor (including the Committee Chair) but not the Headteacher, will be appointed by the Governing Body at its first meeting in the Autumn Term.
- Voting and Confidentiality:** All governors have voting rights. Associate members shall have limited voting rights; they cannot vote on any decision concerning the budget or financial commitments of the governing body and may be excluded from any part of a committee meeting when the item of business concerns an individual member of staff or a pupil.
- Meetings:** A minimum of one per term.
- Remit:**
- to provide guidance, assistance and challenge to the Headteacher and Governing Body in all matters relating to budgeting, finance, health and safety and the site and buildings

Finance

- to contribute towards, and monitor the School Development Plan / Post Ofsted Action Plan in respect of finance issues;
- to recommend the first budget plan of the financial year;
- to monitor the budget throughout the year
- to receive a report each quarter on the income and expenditure of all public funds and to provide a summary each term to the Governing Body;
- to prepare and review financial policy statements, including

consideration of long term planning and resourcing, and also capital expenditure

- to carry out responsibilities delegated by the Governing Body in accordance with the financial scheme of delegation including reviewing the scheme;
- to monitor the effectiveness of the school's financial procedures including compliance with FMSiS;
- to ensure the audit of non-public funds and report appropriately to the Governing Body;
- to enter into contracts above £5,000 (other than a staffing contract) and below £25,000 per annum (above recommend to Governing Body; below by Headteacher);
- to agree virements between budget headings during the financial year above £5,000 and below £25,000 (above recommend to Governing Body; below by Headteacher);
- to agree with the Headteacher, and in conjunction with the School Improvement Committee, a staffing structure for the school which meets the aims of the School's Development Plan;
- to receive and consider reports (e.g. audit and FMSiS reports) and consultation papers from the LEA and other bodies concerning finance issues on behalf of the Governing Body;

Additionally

- to liaise with other committees through the Chair.

Reporting Back: • Minutes will be sent to the next ordinary meeting of the Governing Body. This will include decisions made under delegated powers by the Committee and recommendations where there is no delegation.

In each school, the Finance Committee may also be responsible for other things. For example:

Health and Safety

- review the Health and Safety Policy
- receive an annual Health and Safety report from the Headteacher
- action Governors' statutory and other responsibilities for Health and Safety

Physical Resources

- to be responsible for the site and buildings
- to consider the Asset Management Plan and agree how it should be dealt with
- to receive and consider reports on the ICT systems
- all the above to include prioritisation and approval of capital expenditure

If the committee is responsible for personnel, then this would also have to be added in. Governors' Support can advise on terms of reference for personnel.

Approved xxxxdate

Appendix E

Responsible Officer Checklist and Record Log
For the year ended 31 March 200..

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Monthly¹												
Ensure bank reconciliations have been carried out on all public bank accounts and that these agree to the cash book and bank statements. Check a sample of reconciling items for validity.												
Review monthly payroll prints and ensure entries have been posted to the accounting records and any changes have been appropriately authorised.												
Check/ensure the monthly creditor and debtor control accounts agree with the individual listings of creditors and debtors and review ageing of outstanding items.												
Termly/Quarterly												
Check a sample of individual payroll entries to school records to ensure payment details are correct.												
Review the inventory and physically verify sample of fixed assets.												
Ensure that all delegated budgets applied for have been received and have been correctly recorded and classified.												
Check a sample of orders to delivery notes and purchase invoices to ensure the documentation is complete, and has been appropriately checked and authorised.												
Check a sample of payments back to invoices, orders and delivery notes to confirm they are bona fide purchases.												
Review the procedures for the receipt and banking of income, authorisation and payment of cheques and ensure such procedures are in accordance with the school's stated financial procedures and bank mandate.												

¹ Monthly visiting may not be practical for all schools. However, whatever the chosen frequency of visit, the checks listed under the 'monthly' heading should be performed for all months. Depending on the size of and expertise within the school's finance function, the extent of the Responsible Officer's work will vary from actually checking bank reconciliations, debtor and creditor reconciliations etc to ensuring such checks have been performed. The same principle can be applied to a number of checks under the 'termly/quarterly' heading.

Termly/Quarterly Cont'd	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Review a sample of expense claims to ensure there is appropriate documentation to support the claim. Ensure each claim has been appropriately authorised.												
Review the financial monitoring returns sent to the LEA and ensure the information is prepared on the correct basis and is consistent with the underlying accounting records and internal management reports. ²												
Ensure the Finance Committee and school management discuss the budget regularly and are aware of the reasons for budget v actual variances and of the remedial actions proposed. Ensure the mechanism for reporting financial information to all members of the governing body is appropriate and timely.												
Review the school's progress with the implementation of recommendations made by the internal auditors in their report.												
Carry out spot counts on petty cash balances and ensure petty cash vouchers are appropriately authorised with supporting documentation for expenditure and income receipts.												
Ensure that all major contracts are reviewed and that tender procedures are being adhered to.												
Ensure that the security controls over access to the computer system are adequate.												
Annually												
Ensure the school's financial procedures manual is up to date and reflects current systems and practice.												
Ensure the Register of Business Interests is maintained current.												
Ensure that there is adequate insurance cover in place.												
Ensure the school has adequate procedures for the protection and back up of its financial records.												
Ensure that the school has written terms of reference for all of its governing body committees, setting out their roles, their relationship with the governing body and other committees and their decision making powers including financial delegation.												

²The Responsible Officer is not an eligible signatory on these returns.

Reporting and Evidencing Review

The Responsible Officer should initial and date all documents, reconciliations and reports as evidence of review and record the date of the school visit in the above log. If the Responsible Officer notes any errors or discrepancies these should be brought to the attention of the finance staff and/or the headteacher. If the errors are significant, the Responsible Officer should consider reporting them to the governing body.

The Responsible Officer should consider reporting to the governing body on a regular basis but as a minimum provide a summary report annually

Appendix F

PRO-FORMA REGISTER OF RELEVANT BUSINESS INTERESTS

Name of Governor or Member of Staff:.....

Name of Business	Nature of Business	Nature of Interest	Date of Appointment or Acquisition	Date of Cessation of Interest	Date of Entry

If you have no relevant interests you should make a nil return.

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

Signed

Date

Annual Controls Assurance Statement (Continued)

C) Certification

The Governing Body confirms its acceptance of sections A and B above and:

1. Has no reason not to be satisfied that both the essential areas of the school's control systems have been communicated to relevant staff and that those staff:
 - Are aware of their areas of responsibilities
 - Have sufficient authority to manage control processes in these areas; and
 - Are aware of their responsibilities to report any areas of concern which remain unresolved.
2. Confirms that all significant internal control matters brought to the attention of the Governing Body have been appropriately dealt with and that there are no outstanding issues which need to be resolved.
3. Have no reason to consider that the internal controls in existence for(*insert year*)..... have not operated to provide reasonable assurance in compliance with Haringey Council's Schools financial policies and procedures, Dfes and any statutory requirements. No material discrepancies have been reported to the Governing Body that have not been resolved except as set out in paragraph 5 below.
4. No material findings or recommendations relating to internal control made during 2006/07 by Internal Audit, Haringey Council's external auditors, or other relevant external agencies or inspection bodies remain outstanding except as set out in paragraph 5 below.
5. Any material exceptions to the above are listed below:

By order of the Governing Body of -----School

Signed: -----Date-----
(Head teacher)

Signed:-----Date-----
(Chair of Governing Body)

Signed-----Date-----
(Chair of Finance Committee)

xxxxxx School
Financial Risk AssessmentYear

Risk Type	Possible impact of the risk	Action required
Political None known		None
Economic Long-term uninsured staff payments due to suspension or sickness beyond insurance limits	Risk: possible Impact: significant The cost of a 6-month suspension at full pay would be around £xxx for a teacher. Uninsured sickness payments beyond the limits of our insurance policy would be less as the member of staff would be on half pay by then.	The school will strive to have an annual contingency of £xxx to cover this risk. A claim would also be made against the LA's contingency.
Social School remains full or largely so. There is no prospect of change. Demographic changes are moving slowly in the direction of fewer E2L, ethnic minority or economically deprived children.	Risk: possible. Impact: minimal In the long-term (3 to 5 years) there is likely to be a reduction of funding on AEN characteristics. Since this amounts to only about 1.5% of the school's income, the impact is likely to be minimal.	None now. There may be a need for a longer-term staffing strategy following the new 3-year budget in 2009.
Technological Complete loss of all school ICT-based records due to virus or other. Complete loss of financial and other paperwork due to fire.	Risk: unlikely. Impact: significant Impact largely due to time needed to reinstate. The ICT support SLA includes data recovery.	Computer backups of the Admin and Head's computers must be made weekly and kept offsite.
Legislative None known		None
Environmental Possible greener energy requirements in the future	Risk: possible. Impact: Minimal Reduction of energy costs. Need for capital expenditure on (say) new, efficient boilers, solar panels etc. This would only follow legislation and would be dependent on additional funding.	None

INCOME AND BANKING

1. Introduction

1.1 Schools financial regulations referenced 80 - 94 set out the duties and responsibilities for controls and procedures within schools that relate to the collection, storage and banking of income.

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in maintaining processes to meet their needs and at the same time demonstrate compliance with the regulations. Examples are also given where process compliance by schools can assist and ease the audit process.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this financial manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management.

2. SOURCES OF INCOME

2.1 Schools can earn income from various sources e.g.

- From fees and charges
- From lettings
- From fund raising activities/donations
- From the sale of assets
- From sales at vending machines and from catering

2.2 Schools are generally able to retain the income they generate. There are however some exceptions and illustrations are contained within Appendix A attached. If schools are in doubt regarding the ownership of a source of income they should seek advice from their Schools Financial Adviser at the time of receipt and in advance of committing any expenditure against it.

3. DETERMINING INCOME AND COLLECTION ARRANGEMENTS

3.1 General

3.1.1 The Governing Body has overall responsibility for ensuring that all income due to the school is properly accounted for.

3.1.2 Schools should follow a clearly defined and documented procedure for determining its income on an annual basis. This procedure should culminate in the Governing Body agreeing as part of their annual budget process the levels of charges and anticipated income for the following financial year from all sources known at that time.

3.1.3 Estimating annual income is assisted by reviewing for example :

- All delegated budgets receivable from the Local Authority and income from other sources should be identified and verified to ensure completeness. Schools may find it useful to check that the information used to calculate the delegated budget is correct.
- Defining and costing in more detail the Income streams quantified in the schools medium term financial plan.
- Reviewing assumptions and levels of use of school equipment and lettings of its buildings and other facilities. These must be in accordance with the school's terms of letting and the rates currently in force, as approved by the Governing Body
- Income scales for letting must be reviewed annually, with any delegated powers to negotiate being in writing
- All Income scales should be set to ensure that, in overall terms, income is sufficient to cover costs.

3.1.4 Estimates of income included in the budget setting process should be made at a prudent level. Income estimates set too high could cause a school to fall into deficit should income not materialise.

3.2 Setting Charges

3.2.1 When governing bodies consider their charging policy and within that set charges, there should be a balance between covering all the costs and setting a level that will attract customers. The charge should, at least, cover marginal costs, otherwise there is a real risk that the school may lose money. However, schools should remember that:

- There are statutory controls on what charges can be made and the level of charges for some services
- Schools are required to have regard to any policy statement on charging produced by the LEA
- If the charges that are set fail to cover overall costs, schools will have to find a way to cut costs
- If charges are set too high, customers and potential customers may be deterred resulting in the loss of business

3.2.2 There are a number of ways of determining the level of charges for some services to customers. They include the following:

- Setting charges which cover the full costs of providing a particular unit of service, including fixed cost
- Cost plus charging i.e. Setting charges that cover all costs and include a modest surplus. The surplus can provide a margin of safety or could be used to supplement other funding.

3.2.3 Schools will also wish to be clear on any VAT impact on their charges. The taxation section of this manual should be referred to and in case of doubt the Schools Financial Adviser.

3.3 Determining the Charging Method

3.3.1 Having set charging levels the methods of charging should be established and documented by schools e.g. hourly or daily rates, fee scales, lump sum charges, retainers etc. together with collection arrangements e.g. cash/cheques/debit-credit cards, payable at time of consumption, in advance etc.

4 INVOICING CUSTOMERS

4.1 The Form and Purpose of an Invoice

4.1.1 Wherever practicable income should be collected in advance of providing services or goods. A second alternative is to collect payment at the time of delivery or take up. Invoices should only be issued when either of these alternatives is not practicable or for some reason have failed to be implemented.

4.1.2 Schools should normally use one standard type of invoice across its activities. This is important to ensure:-

- continuity of information capture,
- VAT implications and
- to exercise proper control.

Unused invoices should be treated as controlled stationery and held under secure conditions being properly recorded and signed for when issued to departments.

4.2 Separation of Duties

4.2.1 As a precautionary measure against fraud, there should be a separation of duty, if possible between the following:

- Deciding the amount due
- Raising the invoice
- Cancelling any invoices
- Receipt of income
- Recording of receipts
- Banking of receipts

4.3 Frequency of Invoicing

4.3.1 The school should set up its own invoicing procedures that will satisfy its own particular needs, as well as the needs of its customers. As a standard schools should aim to raise invoices on a monthly basis and more frequently for significant sums.

4.3.2 It is in the school's best interest to issue invoices promptly so that payment is received as early as possible. Some benefits of prompt invoicing are:

- Potentially quicker collection of income
- A healthier cash flow for the school
- Interest can be earned sooner on the income collected
- Fewer bad debts

4.4 Information to include on an invoice

All invoices should contain at least the following details:

- School's name and address
- Name and address of the customer (if the customer is an organisation, then the name of the contact within the organisation).
- Date of issue
- A sequential invoice number for ease of identification
- Details of the goods or service supplied, so that it is clear to both parties what is being paid for
- The amount due, including gross, net and VAT amounts charged for the goods/services supplied
- When the payment is due
- School's VAT registration number so that VAT can be claimed back by the school
- A contact name and telephone number so that the customer can sort out any queries with ease
- Details of how to pay the invoice
- Details of terms attached to discounts for early payments, or charges of interest for late payments (if applicable)

4.5 Altering an Invoice

4.5.1 Amendments to invoices should not be permitted. An authorised person should cancel the existing invoice, and a new invoice issued.

4.5.2 The spoiled invoice should be marked as such, signed by the authorised person and retained in order to ensure that, there is a proper audit trail.

4.5.3 All amendments should be carried out by someone other than the person who raised the original invoice.

5 ADMINISTRATION PROCEDURES FOR THE COLLECTION OF INCOME

5.1 General

5.1.1 Clear and understood procedures should exist for the administration of receipts from all sources.

5.1.2 Where practicable, receipts should always be issued to the person or organisation making payment. However there are some significant exceptions such as dinner monies that may be recorded in a register or by receipt from a cash register. Relatively small sums e.g 75p for cookery goods, may be recorded in a simple cash record together with the date of payment, payer's name and the reason for payment.

5.2 Ways of Collecting Income

The table below shows possible ways that a schools can collect and secure income:

Receiving Income at the School location	
	General Information
Cash	<ul style="list-style-type: none"> • Collecting cash, although sometimes necessary carries high security risks and should thus be handled with care. • Never take official cash home. • Where cash is removed from a vending machine for banking, the vending counter numbers must be recorded and reconciled with the income paid to bank. It is advisable to have two people present when such money is removed and counted with both signing the takings record. • Customers should never send cash income by post. • Have effective arrangements for holding income in a secure place before it is banked. • Have secure arrangements for taking cash to the bank. • Bank cash income as soon as possible after it is received to reduce the risk of theft • If large sums of money need to be banked the school could arrange for a Security Collection. • Cash income should be paid into the school's bank account intact i.e. no money should be withheld for petty cash or other expenses. Personal cheques must not be cashed from official income.
Cheques	<ul style="list-style-type: none"> • Probably the most usual form of income a school will receive • Most significant risk related to cheque payments is that cheques can be dishonoured or referred back by the bank (bounced). • Cheques may be sent by post or paid at the school location. Practical precautions

Cheques	<p>that should be taken to prevent cheques from not being honoured include:</p> <ul style="list-style-type: none"> -Checking that the information on the cheque is correct i.e. words and figures agree, signature is valid, cheque is made payable for the correct amount etc. -Making the cheque easier to trace if it bounces, by writing the invoice or receipt number and the bank account reference into which it will be paid on the back of the cheque -Requiring a cheque guarantee card when receiving cheques directly from members of the public as guaranteed cheques do not bounce provided the value of the cheque does not exceed the limit on the card -Only accepting one cheque per transaction, as a guarantee card only guarantees one cheque -On dealing directly with the payer, writing the card number and expiry date on the back of the cheque when asking for a cheque guarantee card. -Not accepting cheques without a guarantee card from a customer whose payments have bounced in the past -Never accepting post dated cheques
----------------	---

Payments Directly into Bank Accounts	
	General Information
Standing Orders	<ul style="list-style-type: none"> • Usually used to make regular payments of the same amount from one bank account into another account. • The finance officer supplies the bank details of the school to e.g. a church who rents the school hall for services • Once the customer authorises his/her bank to make the payment, on what date to make the payment and how much to pay, the payments will be made automatically into the school's account • The amount of income should be known and regular- the same every month • Keep customers who pay by standing order informed of the position of their accounts by sending them a regular statement of account • Like cheques, the bank only honours standing orders if the customer's account has sufficient funds in it. Schools should avoid accepting payment by standing order from customers whose cheques or standing orders have bounced in the past
Direct Debit	<ul style="list-style-type: none"> • Suitable for regular payments • Only really suitable for high volume income collection • Similar to standing orders except that each payment is initiated by the school as the recipient of the money rather than by the customer • The customer authorises the bank to pay variable amounts into the school bank account on regular dates • The school, as the recipient, then specifies the amounts on each occasion

	<ul style="list-style-type: none"> • This method requires bank sponsorship
Bank Transfers (BACS, CHAPS)	<ul style="list-style-type: none"> • This is an immediate payment made by a customer into the school bank account • The customer must authorise the payment and will require details of the school's bank account

Note: Significant numbers of Standing Orders and/or Direct Debits are not usually used unless the additional monitoring and control needed through regular monitoring of bank statements for income due can be accommodated by administrative staff at the schools. Where Direct Debits and Standing Orders are used, additional control and checking procedures need to in place.

5.3 Authorising and Issuing Receipts

5.3.1 The receipt of cash may involve more than one member of staff who must be aware of their individual responsibilities.

5.3.2 All cash transactions should be fully documented and receipted.

5.3.3 It is good practice to issue receipts for all income collected by the school. The school can choose what type of receipt it wishes to issue. Types of receipts a school can issue are as follows:

- Computer generated receipts
- Manually completed receipts
- Tickets
- Pre-printed forms
- Machine printed receipts

Stocks of pre-printed receipts are available from the Director of Finance and schools will normally use that source for supplies of stock.

5.3.4 Issue of receipts should be controlled by those authorised to do so.

5.3.5 The minimum amount of information that should be contained in a receipt is as follows:

- The school's name
- The amount received (gross, net and VAT)
- A description of the goods or service received, including quantity if relevant
- A unique reference number (receipt number)
- The school's VAT registration number

5.3.6 An authorised member of staff must retain copies of receipts as auditable records.

5.3.7 Blank receipts should be kept in the safe or a similar secure facility. Block issues to departments /staff, will be recorded and dated and the record held for audit purposes.

5.4 Banking Income Collected

5.4.1 A school is responsible for the safe custody of any income collected until it has been banked intact. Thus, secure storage of any income collected must be arranged. If cash holdings are likely to be substantial, schools should have appropriate insurance cover and be aware of the maximum value that can be held in the safe(s) or other approved containers.

5.4.2 School income must never be taken home for any reason.

5.4.3 School income should be banked as soon as possible after it has been received to reduce the risk of theft. Movements of cash/cheques between staff must be recorded in a permanent record against the signature of the person receiving /taking charge of the income.

5.4.4 For security reasons, schools need to record all income and deposits made at the bank. For cheques, this would include recording all details of the cheque itself, such as the cheque number, the amount, the drawer etc.(Official bank stationery is normally available for this) The income records must then be reconciled with the bank deposit records on a regular basis. Any discrepancies should be recorded and immediately investigated. For internal check purposes a separate person from the banking collator and banker should undertake the reconciliation task and evidence it.

5.4.5 Using a bank paying in book is an easy way to maintain full records of deposits. It is very good way of recording bank deposits for a number of reasons:

- The book is pre-printed with all the schools bank details which ensures that money is paid into the correct account
- The bank requires that all cheques being paid in are listed on the back of the paying slip. This will include details such as the payee, the drawer and the amount of the cheque. As the bank retains this record, either a carbon or photocopy must be made.

5.5 Maintaining Detailed Accounting Records

5.5.1 The school must maintain detailed accounting records, which are needed to analyse income efficiently and accurately. The school's IT system will accommodate this if properly set up and maintained.

5.5.2 Invoices raised and collections on account should be applied to the proper accounting heading (code) through the accounting system.

5.5.3 Where a large number of debtors accounts are sent out by the school, a debtor control account should be used to monitor debtor levels and aged debt.

6. ALLOCATION OF INCOME

6.1 Delegated budgets and Specific Grants paid to the school by the Local Authority must be used for the purpose intended.

6.2 Any interest or return arising from an Local Authority delegated budget must be included as income in the delegated budget and be applied for the same purposes for which the delegated budget was supplied. In the majority of the cases this relates to income raised by the use of delegated funds on a publicly funded asset.

7. DISHONOURED CHEQUES

7.1 There are many reasons why cheques are dishonoured. The most common reason is that there are insufficient funds in the customer's bank account i.e. 'Refer to drawer'. Other common reasons include the following:

- **Refer to Drawer Please Represent:**
Similar to Refer to Drawer but the bank or building society expects money to be available to pay the cheque in the near future.
- **Post Dated:**
The cheque cannot be paid because the date is sometime in the future.
- **Out of Date:**
The cheque cannot be paid because the date is too old. A cheque whose date is more than six months old is usually considered too old.
- **Effects not Cleared:**
There is money in the drawer's account but it is not available because cheques paid into the account have only been credited in the last two days.
- **Word and Figures Differ:**
The amount of the cheque written in words is different from the amount written in numbers
- **Orders Not to Pay:**
The issuer of the cheque has instructed their bank or building society not to pay the cheque.
- **Signature Differs:**
The signature on the cheque differs to the bank or building society's records.
- **Not Drawn in Accordance with Mandate:**
The bank or building society has a standing instruction from the issuer that has not been complied with on the cheque

7.2 Once the drawer of the dishonoured cheque has been contacted, and he/she has assured the school that there are now sufficient funds in the account, the school could try presenting the cheque for payment again. However, the risk of the cheque being returned again, is quite high therefore it may be worth obtaining a cash payment or bankers draft from the person concerned instead of the cheque.

7.3 Any returned unpaid cheques need to be recorded in the cashbook to reflect the fact that the money has not been received and where appropriate the debtors account marked as unpaid.

7.4 The bank will make charges to the school for dishonoured cheques.

7.5 Practical precautions that could be taken to prevent cheques from bouncing can be found in the table shown at para. 5.2.

8. DEBTORS

8.1 Debt Collection Management Policy

8.1.1 The Governing Body should set a well-defined policy for the collection of any debts due to the school. It is important to the schools cash flow and good financial management that debts due to the school are kept to a minimum and collected in as short a time as possible e.g. within 30 days of rendering an invoice

8.1.2 The policy should include the following:

- Credit terms allowed
- Collection procedures from initial invoicing to use of legal proceedings i.e. debt recovery procedures
- Bad debt write off

8.1.3 Where possible, schools should aim at receiving advance payments from customers e.g. letting of school premises. The benefits of receiving payments in advance include the following:

- The school will be paid
- The school receives the interest on the money paid, not the customer
- The school can avoid the costs of collecting debt such as stationery expenses, postage costs, administrative time and bad debts.

8.1.4 Taking a deposit in the event of cancellation is a good way to cover administration costs. Details of such requirements must be stipulated on an invoice.

8.2 Debt Recovery Procedures

8.2.1 The key principle in recovering debt is to act promptly!

8.2.2 In order that schools take a consistent approach to debt recovery, a school should aim at having a set of agreed procedures for chasing up debts.

8.2.3 In setting up a debt recovery system, the following issues should be taken into consideration:

- There should be established standard timings for initiating each step of the debt recovery procedure
- Setting up a standard wording for reminder letters
- Be clear to how many reminders will be issued and after what period of time
- Schools should decide at what stage they will take action for which warning should be given of this in the previous reminder letter

- Schools should have a method that will enable them to determine whether or not further action is cost effective relative to the value of a particular debt
- It should be clear who will be responsible for implementing each stage of the debt recovery system

8.2.4 It is sometimes more effective for more personalised reminders to be sent out to late paying customers. Personal reminders could include making contact by telephone or through personal visits to the debtor.

8.2.5 In order to implement their debt recovery procedure, schools need to know when payments become due. The better schools manage their accounts management systems, the easier the information will be to access.

8.2.6 Further credit should not be given to a customer with outstanding debts held beyond the normal payment period.

8.2.7 A school's accounts management system should be frequently analysed to determine credit histories of a customer. If a customer has paid late on a few occasions, further credit should be denied.

8.3 Writing Off of Bad Debts

8.3.1 It is the school's responsibility and in its best interest to recover as much of the income owed as possible. However, circumstances may arise where it may no longer be cost effective or appropriate to pursue its collection, but rather more appropriate to write off the debt.

8.3.2 Governing Bodies are not permitted to write off debts except with the express, written permission of the Local Authority's Director of Finance. All debt write-offs must also be agreed by the Governing Body and duly recorded in its minutes as approved. Debt write-offs are a cost against the school's budget.

9 PROVISION OF EDUCATIONAL SERVICES

9.1 A school may in some circumstances provide educational services for another educational establishment or other organisations/individuals.

9.2 Any school considering such activities is strongly recommended to seek legal advice and consult the Local Authority to ensure that the school is acting within its legal powers.

9.3 Before undertaking any provision for educational services, a school should ensure that:

- A financial target has been agreed for the activity.
- Realistic financial projections for the activity have been produced, showing ideally full cost recovery, including testing the impact of different levels of take-up.
- Any financial subsidy which may be required has been approved at the appropriate level and included in the school's overall budget.

- There is clear management responsibility for the project..
- Appropriate reporting arrangements have been established to monitor progress.
- The contractual responsibilities of the school and the customer are clearly set out.

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

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

10. RETENTION OF RECORDS

10.1 All financial records relating to income whether computerised or paper based , must be retained securely for a period of six years plus the current financial year.

10.2 Backups of computerised records must be taken in accordance with the school's disaster recovery plan and a copy held offsite in order to avoid loss.

Appendix A

Illustrations of income sources not retainable by schools

Source of Income	Restrictions	Further Comments
Income from fees and charges	<ul style="list-style-type: none"> • Fees and charges may not be retained by the school if the service is provided by the Local Authority from centrally retained funds • Schools are required to have regard to any policy statements on charging produced by the Local Authority such as Section 48, Fair Funding. 	
Income from lettings	<ul style="list-style-type: none"> • Schools may retain income from lettings of the school premises subject to alternative provisions arising from: <ul style="list-style-type: none"> (i) Any joint use (ii) PFI Agreement • Income from lettings should not normally be payable into voluntary or private funds held by the school • Any letting arrangement with respect to school kitchens, organised without consulting the Catering Services is strictly prohibited 	<ul style="list-style-type: none"> • Schools are permitted to cross-subsidise lettings for community and voluntary use with income from other lettings provided there is no net cost to the budget share • For school premises owned by the Local Authority, schools must adhere to the Local Authority's directions on how those premises may be used in a proper and controlled manner.
Income from the sale of assets	<ul style="list-style-type: none"> • Proceeds from the sale of assets cannot be retained by the school if the asset was purchased with non-delegated funds (The LOCAL AUTHORITY decide whether the school should retain the proceeds or not) • Proceeds from the sale of land and buildings, forming part of the school premises, and which are owned by the LEA, cannot be retained by the school 	<ul style="list-style-type: none"> • Although income from the sale of assets purchased with delegated funds can usually be retained by the school, it may only be spent for purposes of the school

INSURANCE AND RISK MANAGEMENT

1. Introduction

1.1 Schools financial regulations referenced 95 -101 set out the internal controls and procedures to be followed by schools in relation to the adequacy of their insurance and risk management arrangements.

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with the regulations. This part of the Schools Finance Manual explains the arrangements and requirements that relate to insurance cover and associated risk assessments in respect of the individual school, its governing body, and the Local Authority.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding financial manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management.

1.5 See the Insurance Arrangements for Schools (PFI and non-PFI) on Harinet.

2. Background

2.1. The Governing Body has a delegated responsibility for ensuring adequate cover is in place for all identifiable insurable risks and will formally review their risk assessments and associated insurance cover on at least an annual basis.

2. 2 As examples, schools may need cover to protect themselves against risks that arise in their day to day activities in relation to property, money, motor vehicles, school journeys, school equipment, third party liability, personal accident, and fidelity guarantee.

2.3 The Governing Body will normally delegate the day to day management of insurance to the headteacher.

3. RISK MANAGEMENT

3.1 Purchasing insurance should be part of the school's overall risk management strategy. However it should be acknowledged that risk management goes far wider than just the purchase of insurance. Risk Management is a method of identifying, controlling and managing the risks, which face an organisation.

The main risks, which are currently facing Haringey schools, are as follows:

- Failure to educate
- Damage to property caused by flooding
- Bullying
- Falls and Slips
- Fire and Arson
- Theft

3.2 Insurance is a way of paying someone else to compensate for losses and should be purchased in respect of risks/potential losses that would impact seriously on a school's finances.

3.3 Purchasing insurance can be very costly if a school has a poor claims experience. Therefore, as part of the school's risk management strategy, it is very important that schools strive to reduce the risk of losses. In some instances it may even be possible to eliminate the risk completely.

3.4 Some examples of how a school could reduce risk are as follows:

- Ensure buildings are secured when unoccupied
- Mark all moveable assets with indelible ink/security labels
- Install a good quality alarm system and CCTV system
- Use bars on windows
- Illuminate external areas
- Computer suites should be sited above ground floor and in an area covered by CCTV and fully alarmed.

3.5 It is required that all cash holdings be kept in a locked container. All cash holdings above £250 must be kept in a locked safe. The nominated key holder must retain keys at all times.

3.6 There are of course many more methods that could be employed and Haringey's Insurance Section will be able to provide more specific information.

4. Useful Insurance Terms

4.1 Levels of Excess

(a) An “excess” can be defined as the amount of money the school will have to pay as part of a claim.

(b) The school can only determine levels of excess if they arrange their own insurance cover and as part of that process, they can negotiate their excesses. If a school chooses to use the Council’s blanket arrangements, the Council determines the excesses as part of the overall process.

(c) The higher the excess, the lower should be the insurance costs. Should a school choose to arrange their own cover and opt for higher excess just to save on premium, this may not be acceptable to the Local Authority (principles of Best Value). When Corporate Services make approvals of insurance cover, they look at the risk involved on taking high excesses and whether they could self-fund the loss.

4.2 Sum Insured

(a) It is essential that regular reviews be carried out to establish whether the sums insured are adequate. Failure to do so could mean a reduction in the amount a school receives when making a claim. Insurers could reduce their liability by the % underinsured.

(b) Schools insured under the Local Authority scheme are protected by the Insurance Section who carry out such reviews on their behalf.

5. PURCHASING INSURANCE COVER

5.1 Each school is responsible for purchasing their own insurance cover. This can either be purchased by buying into the Local Authority package or arrangements can be made directly by the school with external suppliers. When using external suppliers please ensure that they are members of the Association of British Insurers or members of the British Insurance Brokers Association.

5.2 Where funds for insurance are delegated to any school, the Authority will require the school to demonstrate that cover relevant to the Authority’s insurable interests, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the Authority.

5.3 To safeguard the Authority’s assets and employees, the Authority will, by default, insure all schools and its interest in all other schools from April 01 to March 31 each financial year, unless a school has provided proof of adequate cover by March 31 preceding the start of the financial year.

5.4 Schools electing to arrange their own insurance are responsible for maintaining an up to-date list of their insurers and the insurance cover they have purchased as well as the property/risks covered by those policies.

5.5 When purchasing insurance, schools should get quotes from a number of different sources before making a final decision. The validity of many insurance policies is subject to certain conditions being observed and it is the school's responsibility to ensure that these conditions are complied with. It is the schools responsibility to finance any claims, which fall outside the scope of their cover.

5.6 Where external suppliers are used schools must comply with certain conditions:

- a) The policies must comply with the minimum standards of cover agreed by the Local Authority. Specific guidance will be issued annually with the Local Authority quotation with regard to this.
- b) Haringey's insurance policies run from the 1 April to the 31 March. Schools must ensure that they have continuous cover in any one financial year.
- c) The policies must meet the following criteria:
 - Written confirmation from a school's broker that cover meets the Local Authority's minimum requirements
 - Property cover has been written in joint names of the Haringey Council and the school and that all covers jointly indemnify Haringey and the school.
 - Written confirmation from the school's broker that they will give Haringey a minimum of 21 days written notice in the event of cancellation of the policy
 - Copy of the policy document to be provided within 30 days of policy inception and sent to the Risk and Insurance Manager at Corporate Services for approval.
 - As a benchmark, try to keep all policy excesses around the level of £250 although, some policies will be higher than this.

5.7 If arrangements made by the school are inadequate or adequate proof of cover is not provided, the Local Authority has the right to arrange cover under its scheme and charge the school accordingly until the situation has been resolved. This is to protect both the school and the Local Authority in the event of claims being made during the period.

5.8 The level of premium will be based upon the level of risk and insurers may need the following information to enable them to quote:

- Pupil numbers
- Staff numbers including salary budget
- Value of buildings
- Value of Contents - An inventory should be kept
- Historical claims experience

5.9 The types of insurance elements that a school may want to insure are amongst others, as follows:

- Property Damage (Buildings and Contents) – including terrorism
- Business Interruption/Consequential Loss
- Money (not belonging to members of staff)

- Fidelity Guarantee i.e. against fraud by employees (The Local Authority has to do this by law)
- Employers' Liability (Compulsory) i.e. employees sustaining injury or disease during the course of or arising out of their employment where negligence can be proved
- Public Liability i.e. where the school is sued for losses caused by its actions or those of its staff
- Governors' Liability and Professional Indemnity
- Libel and Slander
- Personal Accident (assault on staff)
- Engineering
- Motor Vehicles (owned by school)

5.10 If the school acquires any new property, equipment or is subject to any further risks, which may require insurance cover, the school's chosen insurance provider should be notified promptly.

6. CLAIMING FROM INSURANCE

6.1 Claiming from Insurance for a Loss or Damage

(a) Each insurer will have their own procedures with regards to making claims against policies and these should be followed very closely to avoid claims being refused. In particular all schools should pay attention to the reporting deadlines and the requirement placed upon them to provide relevant information.

(b) It is important that when a claim is made, that the insurer is informed as soon as it is practical to do so. Often insurance policies will state the period in which a claim for a loss insured may be made. Make sure these conditions are followed or else a claim may be rendered invalid.

(c) When making a claim, the type of information that would be required from schools is as follows:

- Date of loss/Damage/Accident/Incident
- Exact cause of loss
- Extent of loss
- Time and exact place of loss (As near as possible)
- Value of items claimed for and proof of value (e.g. receipts, invoices etc)
- Crime reference number if applicable

(d) All schools insured via the Local Authority should make claims via the Insurance Section who will provide support and advice about how to deal with claims. In the event of a major loss this can include the setting up of a fund to assist with the replacement of essential equipment immediately. Such a facility may not be available from other suppliers of insurance.

(e) The claims procedure will vary according to the type of claim being made. In any event, in order to make a claim, schools will have to fill in and send the insurer a claim form, which is as detailed as possible if insured outside of the Council's arrangements. If insufficient information is provided, the claims process could be delayed or rejected. It is a good idea to keep some school insurer's claim forms on hand and to keep copies of each claim submitted.

(f) For claims relating to the building and or its content, the Head Teacher must notify the Council's Insurance Section within 28 days of the loss occurring. Claims which are estimated to exceed £5000 should be reported immediately to the Insurance Section on 020 8489 3812/3712.

(g) For any claim received which relates to personal injury, the Head Teacher must fax over the letter of claim on day of receipt to the Insurance Section on 020 8489 3846. For any other liability claim these should be sent to the Insurance Section within 3 working days of receipt.

(h) For schools appointing their own contractors or consultants, a check must be made to ensure the provider of the service has adequate insurance cover. The minimum requirements are £2M for public/products liability and £10M employer's liability. If the service is of a professional nature professional indemnity cover will be required for a minimum of £1M, The Head Teacher must obtain copies of the insurance cover and retain these on file.

6.2. Claiming from Insurance when someone makes a Claim against the school

(a) If any letters of claim against a school or a threat of legal proceedings is received, It should be acknowledged and sent to the school's insurer/Insurance Section of the Council on day of receipt. Please refer to the **Woolfe Protocol** see 7.2.

(b) In any claims against a school:

- **DO NOT** enter into any correspondence with the claimant, other than acknowledgement of receipt
- **DO NOT** admit liability

(c) Please refer to insurer's guidelines for procedures.

7. GENERAL INFORMATION

7.1 Schools should ensure:

- that all insurance policies are kept in a safe and secure place
- that they have not underinsured themselves
- that the financial amount which it is insuring is regularly reviewed, at least annually
- that all the small print on insurance policies is read and understood
- that they maintain an accurate claims record
- that all appropriate staff are kept informed of the insurances in place and arrangements for notifying claims

- that all new employees should undergo a risk assessment on commencement of their employment and the assessment agreed and signed by both the person carrying out the checks and the new employee. An assessment should be carried out on all existing staff who may have not undergone the process.
- A complete written record of all training should be kept on employees files together with health & safety checks carried out and any advice given. This is particularly important where manual handling and computer work stations are concerned.
- A further risk assessment should be carried out and recorded if there is any change in a member of staffs duties or area of employment.

7.2 THE WOOLFE PROTOCOLS

7.2.1 There are strict timetables imposed by these protocols which must be adhered to. Failure to comply will incur financial penalties and give the claimant the right to proceed with litigation immediately. It is important that schools are aware of their responsibilities.

7.2.2 The first important point is that all letters of claim from claimants must be acknowledged within 21 days from the date of posting. It is vital that all such letters are passed to Insurers immediately together with the envelope and are clearly marked with the date of receipt. These letters must not under any circumstances be acknowledged by schools but should be passed immediately to their insurer for action. If cover is provided by the Council, then the Haringey service standards apply. A copy of this has been sent to all schools and extracts are below:

7.2.3 All claims will be acknowledged and advised to insurers within 3 working days of receipt by the Insurance section.

7.2.4 Any letter of claim received direct by a school should be date stamped and faxed to the Insurance Section on (020) 8489 3846 on the day of receipt.

7.2.5 A report will be requested from the school once adequate information is received from the third party or their representative.

7.2.6 Report and documentation to be sent to the Insurance Section to arrive no later than 6 calendar weeks after the initial request. The Insurance section will contact the school 4 calendar weeks after the initial request to remind the school of the deadline date and ascertain if there are any problems.

7.2.7 Following the initial report and documents supplied, if insurers request further information/documents, the school will be given a further 2 calendar weeks to supply additional information.

7.2.8 The above timetable will allow adequate time for the insurers to make a decision on liability and either repudiate the claim or to settle the claim on best terms. The 12 calendar week period does not make any allowances for holidays either Bank or School. Under no circumstances can the local authority extend the timescales.

7.2.9 Insurers have a period of 3 months, from the date of acknowledgement, to investigate the claim and make a decision on liability. It is vital that schools afford their insurance agent's co-operation in the subsequent investigation of a claim. When specific documents are requested these should be supplied at once or an explanation as to why they are not available be offered.

7.2.10 Should you have any questions or require any further clarification on this subject contact Haringey's Risk and Insurance Manager.

8, *Retention of Records*

Records relating to claims, copy policies and paid premiums shall as a minimum be retained for six years.

Inventories of Equipment

1. Introduction

1.1 Schools financial regulations referenced 115-123 set out the internal controls and procedures to be followed by schools in maintaining records of their portable and desirable assets within inventory records.

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with the regulations.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding financial manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management.

1.5 Maintenance of the schools inventory should be clearly allocated to a member(s) of staff within the school who should be made aware of these instructions.

2. Information to be Maintained

2.1 The Director of Finance determines the form of inventory records i.e. the minimum amount of information to be kept by schools and the media used to store that information.

2.2 Computerised or hardcopy records may be used and copies or back ups of the inventories shall be stored either offsite or, in a fireproof cabinet on site.

2.3 The inventory record shall contain the following information as a minimum record for each item with an individual value exceeding £500:-

- Date of acquisition
- Sufficient description to allow identification of the item including any identification mark such as a serial number.
- Purchase price, supplier and payment reference
- Location
- Details of disposal e.g whether scrapped, sold or donated
- Any revaluation
- Details of ownership if the owner is not the school.

2.4 Schools should consider adding any other information against each inventory item that would be helpful in relation to potential insurance claims or the supply of information to the police following theft.

2.5 Schools may also consider recording items of with a value of less than £500 where they are clearly portable and desirable and therefore may carry a higher risk from theft or have specific insurance requirements around the need to record their details.

2.6 An example inventory layout is given at Appendix 1.

2.7 To ensure the currency of the inventory all acquisitions and disposals are to be recorded as soon as practicable after their purchase or sale. As a minimum standard such movements should be recorded within one month of the transactions.

3. Security of Assets

3.1 The security of a school's assets is the responsibility of the Governing Body. However, such security should be a concern of all members of staff. The need for publicity throughout a school on the need to maintain vigilance over the security of its assets should therefore be regularly considered by the governing body. In particular the security of computer equipment e.g. laptops needs constant vigilance including secure storage when not in use.

3.2 Portable school assets, including those items recorded within the school's inventory, should be security marked. This will include such items as cd players, televisions , computers, video cameras etc.

3.3 Several marking options and security products are available to schools. Examples are use of unique reference for each item attached by a small plate or, marking the name of the school on the item with a security marker pen.

3.4 Schools will normally weigh the cost of their property marking system against the replacement value of the item and the associated risk of loss. It is important that the school have a clear and recorded policy on marking and securing school property and that policy is fully communicated to all members of staff who are responsible for such property.

3.5 Particular recorded and publicised arrangement should be in place to ensure that only approved access is given to areas used to store school equipment.

3.6 The system for access to keys and combinations and computerised security access shall be maintained at all times as part of the schools overall security policy. This will include arrangements for access outside normal school hours, A lapse in standard security arrangements such as removal of keys from the premises outside normal school hours could invalidate insurance arrangements

4. Inventory Checking

4.1 Headteachers are responsible for the day to day control and proper use of all items on the inventory and for arranging that a check be carried out at least once a year of the items required to be included in the Inventory against the actual inventory record. Failure to do this may cause difficulty should an insurance claim arise.

4.2 Depending on the size of the school and the inventory the annual check is sometimes better completed on a rolling basis across the school. The check will involve verifying the existence of each item against the records and taking a sample of purchases since the last check to ensure that items purchased are correctly accounted for.

4.3 To ensure adequate separation of duties the person carrying out the check will not normally be the person who maintains the inventory. The date and initials of the individual carrying out the check will be entered on each record to indicate that the check has been completed.

4.4 When an inventory holder, departmental head or other member of staff with significant responsibility for inventory items leaves his/her post with the school or, there is a relevant change of responsibilities, a timely additional inventory check should be completed.

4.5 Any discrepancies discovered during an inventory check will be recorded in writing with supporting explanations. Prompt investigation shall be carried out and where such a discrepancy carries a value exceeding £500 the head of department will supply a written report to the Governing Body. Such a report will include:-

- the circumstances surrounding the discrepancy,
- what action has been taken to recover the loss including, where appropriate, notification to the Police and
- what arrangements have been put in place to prevent any such future event.

5. Removal of Items from the Inventory

5.1 Adjustments to items on the school's inventory will occur where a loss is discovered as part of an inventory check, or where equipment has been properly disposed of. Disposal can be caused from such events as irreparable damage, theft, obsolescence, surplus to requirements or sale. In any event, the removal shall be fully documented and approved in writing by the line manager to the individual responsible for the inventory.

5.2 A clear documented audit trail must be maintained that starts with the decision to remove the asset and ends with disposal itself. A named individual must be recorded as responsible for handling the disposal process.

5.3. In the case of sales involving individual revenue assets valued in the inventory at greater than £1000 the matter shall be reported to the Governing Body. Such a report shall include the reasons for the disposal, circumstances and value of the associated sale and replacement costs. Disposals will only be made in accordance with the schools policy on the purchase and disposal of assets.

5.4 All IT equipment must only be disposed of in accordance with the Local Authorities IT standards and the requirements of the Data Protection Acts relating to the removal of all personal data. Schools will also need to ensure that any other confidential or security data is also removed prior to disposal. If necessary specialist advice must be sought as merely deleting files is not sufficient cleaning.

5.5 Any person who determines that an asset is surplus to requirements or is involved in the disposal must never attempt to purchase that item or take it for themselves. Governing bodies and headteachers are under a duty when disposing of school owned and therefore publicly owed property to achieve the best all round return for it back to the public purse.

5.6 All removals from the inventory shall be accompanied by a note in the inventory of the date of removal, circumstances of the removal and a cross reference to any supporting report to the headteacher or governing body as appropriate.

6. Removal of Equipment from School

6.1 Items of school property shall not be removed from school without the appropriate written delegated authority. This should be accommodated in a standard form of approval normally given by a line manager and securely held at the school until return of the item(s).

6.2 When official property is removed from (loaned by) the school, the recording process above which will normally be retained in a register held centrally within the school, must cover through question and answer the following:

- Date of removal
- Description of item and if possible its inventory reference
- Name of staff member taking responsibility for the item and their signature
- The position on insurance cover for the item whilst away from school.
- Where the item will be stored and secured when off the premises.
- The expected date of return.
- Date of return and signature of receiving member of staff

See example as Appendix 2

7. Retention of Records

7.1 Records relating to the movement of assets shall be retained for at least 2 years after completion of the transaction/return of the asset.

7.2 Inventory records shall be retained whilst any items contained within them are still part of the school's property and for a further three years following disposal of the last item.

Record of Equipment Loaned or Removed from School

Appendix 2

_____ School

Date of Issue	Details Incl. Serial Numbers	Name of Recipient	Signature for equipment	Insurance cover	Place of storage	Expected Date of Return	Date of Return	Signature for return

Leasing and Borrowing

1. Introduction

1.1 Schools Financial Regulations referenced 124-127 set out the internal controls and procedures to be followed by schools considering borrowing to finance the purchase of assets.

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with regulations.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding financial manual they should contact their Schools Financial Adviser or the Head of Audit and Risk Management.

1.5 Maintenance of the schools records on its leasing arrangements and records should be clearly allocated to a member(s) of staff within the school who should be made aware of these instructions.

2. Background

2.1 Leasing is an alternative funding method to the outright purchase of equipment. It provides the benefit of immediate use of the equipment, while providing an extended timeframe to pay for it, but does not necessarily confer ownership rights to it.

2.2 There are 3 basic types of leases:

- **Lease purchase**(also known as Hire Purchase) –the buyer automatically becomes the owner of the equipment after all scheduled payments are met. Transfer of ownership occurs on the final payment -usually of a nominal sum. This type of agreement is effectively a loan. The responsibility for maintenance and insurance of the equipment remains with the buyer. *(Please note paragraph 3 below regarding the legal constraint surrounding this type of lease.)*
- **Finance Lease** – the finance company recovers all of the capital cost of the equipment plus interest charges during the lifetime of the equipment. Unlike lease purchase the equipment never becomes the users property although the risk in the equipment (necessitating insurance) and any maintenance will normally be the users responsibility. *(Please note paragraph 3 below regarding the legal constraint surrounding this type of lease)*

- **Operating Leases** – this type of lease does not aim to recover the full capital cost of the equipment over the life of the agreement. A residual value based on the expected value of the equipment at the end of the lease is calculated. Lease payments including interest charges are then set to reflect the difference between the residual value figure and the original capital cost. This could lead to lower payments than under a finance lease as the full equipment cost is not recovered under the lease. The user never owns the equipment. At the end of the lease the options are to continue the lease at the same or a reduced rate, return the equipment or upgrade the equipment (reflected in a new lease). Responsibilities for risk and maintenance issues should be clarified.

3. Statutory and Regulatory Requirements

3.1 Applicable Legislation governing the use of Leasing to fund the acquisition of assets by Local Authorities and schools :

- Local Authorities (Capital and Accounting)(England) Regulations 2003.
- The Education Act 2002
- The Prudential Code.

a role of the Director of Finance is generally to administer the maintenance of central arrangements for such leasing thereby securing proper accountability, legality and value.

3.1.1 *Finance Leases*

a) Schedule 1 of the Education Act 2002 confirms that Schools are not empowered to enter into borrowing arrangements without the approval of the Secretary of State. This does not apply to borrowing arrangements between Schools and LEA's.

b) Finance Leases and Hire Leases are classified as borrowing arrangements and therefore schools are restricted from entering into this type of arrangements .

3.1.2 *Operating Leases*

a) The key factor distinguishing an operating lease which is approved as a funding source for schools from a finance lease which is prohibited is that in the former full recovery of capital cost is deemed not to take place. To qualify as an operating lease the appropriate Standard Statement of Accounting Practice states that the residual value left in the equipment at the end of the agreement must be 10% or greater. Residual value is calculated at the outset of the agreement.

b) Besides this residual value test, schools are also restricted under the regulations from becoming involved in other aspects of finance leases which make what may appear to be an operating lease into a finance lease:

- The ownership of an asset must not transfer to a local authority(as part of the lease or a subsequent agreement). This will have a bearing on the applicability of Lease purchase or Hire Purchase leases.
- The lease/agreement cannot continue or be renewed for a subsequent lease period at less than fair market rate (what a rational person would see as a fair price for the equipment).
- The value of the asset when the agreement expires or terminates must not accrue directly or indirectly to a local authority. This will mean that a school cannot benefit from the sale of an asset.

The leasing options for schools are therefore presently restricted to Operating Leases.

4. Advantages/Disadvantages of Leasing

4.1 Advantages:

4.1.1 Equipment can be acquired and used without having the full funds available to pay for it. In addition, more equipment can be immediately acquired than would otherwise be possible. For instance, five PC's might be acquired at once via an operating lease when available funding could purchase only one outright.

4.1.2 As initial payments will be lower than a one-off capital purchase, an enhanced specification might be possible.

4.1.3 The flexibility offered by an operating lease to upgrade equipment could reduce the problems associated with equipment obsolescence.

4.1.4 Leasing can, in some instances, cost little more in real terms than a full lump-sum payment.

4.2 Disadvantages:

4.2.1 Leasing agreements are more complicated than outright purchase.

4.2.2 Leasing is usually more costly than outright purchase.

4.2.3 Significant financial penalties can accrue if leasing agreements are not adhered to or are terminated early. Even though the equipment is returned, the school will still have to make extra payments or pay interest on the amounts outstanding.

5 Arranging an Operating Lease.

5.1 The Local Authority's Director of Finance has delegated power from the Council to enter into leasing arrangements on behalf of the Council.

5.2 All requests to secure lease funding for equipment must initially be routed through the local authority's Core Finance – Treasury and Pensions Team.

5.3 The Director of Finance will utilise the Council's external treasury and leasing advisor 'Sector' to tender for the Lease Finance Provider and evaluate tenders received before making leasing finance available to schools.

5.4 The payment for equipment financed through a centrally arranged operating lease will be managed by the Director of Finance and annual charges made against the school benefiting from the arrangement.

6. Recording Leased Equipment

6.1 Equipment used by schools that has been procured through an operating lease is to be recorded by that school within their inventory of equipment with a note against the entry that the item is leased and the date the lease taken out.

6.2 It is important that there is a clear audit trail from the lease agreement through the school's inventory to the actual piece of equipment. This audit trail must be sufficiently robust to be able to lead directly to the correct leased piece of equipment at the end of the lease period when it will need to be returned to the leasing company.

7 Retention of Records

All records relating to leasing arrangements shall be retained a period of two years beyond the end of the leasing period.

Orders for Works, Supplies, Goods and Services

1. Introduction

1.1 Schools financial regulations referenced 137-148 set out the internal controls and procedures to be followed by schools when placing orders for works, supplies, goods and services. This section of the manual should also be read in conjunction with the section relating to Tendering and Contracting procedures.

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with the regulations. More detailed guidance appears in the Haringey Procurement Manual which can be viewed through Harinet.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding financial manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management.

2. Integrity and Control

2.1 Schools will issue orders for the purchase of goods and services which will be paid for with public funds. Governing Bodies therefore need to maintain the integrity of public money through the maintenance of strong systems of control and must also be seen to do so. This entails the following four aspects:

- Probity
- Accountability
- Value for money
- Transparency

2.2 The procurement decision and placing of orders is at the very start of such control arrangements and if not fit for purpose can easily result in waste, loss or even fraud. The Local Authority's Procurement Service is available to assist schools with any aspect of their procurement procedures and supply a Procurement Manual via Harinet.

2.3 Separation of Duties

2.3.1 An important control measure that should be implemented by the school to help prevent fraud is to ensure that no single staff member has control over all

stages of a purchase. The ideal situation would be where the duties are separated as follows

- The Purchasing Officer requesting the order
- The Authorising Officer authorising the Purchase Order form
- A person to receive the delivered goods and check them for quantity and quality
- A different Authorising Officer to check, approve and authorise the invoice for payment
- The person releasing the payment

2.3.2 Due to the limited number of staff it may not always be possible for a school to have such an extensive separation of duties procedure. However, at the very minimum, schools must still ensure that the same person does not authorise orders and provide single authorisation of the payment for those purchases.

2.4 Improper Business Practices

2.4.1 The Purchasing Officer must never accept any bribe, gift, gratuity or inducement from persons who have tendered or who might tender for the supply of goods or services. This does not include gifts of minimal value such as pens or calendars.

2.4.2 The governing body must expressly prohibit artificial dividing of orders/payments to circumvent the authorisation procedures e.g. The Purchasing Officer must not artificially split up a purchase so that the value of resulting individual purchases falls below her/his delegated or authorised limit.

2.4.3 All procurement processes must be 'transparent' in order to stand up to scrutiny. Transparency can be demonstrated by maintaining a full, written audit trail, to guard against wrong doing, challenges to decisions and satisfy audit requirements. Detailed information is given in the Haringey Procurement Manual.

2.5 Personal Interests

2.5.1 There should be no personal conflicts of interest in the whole procurement procedure. Should a conflict of interest become apparent it should be declared to the Governing Body, who must decide what action to take.

2.5.2 If an individual has an interest in a purchasing decision, then they should take no part in the decision itself or the resulting transaction.

2.5.3 School Official Orders must not be used to obtain goods or services for private/personal use .

2.6 Controls over Purchasing

2.6.1 Four procedural controls that Governing Bodies should adopt are:

- The governing body must set monetary limits in the purchasing system clearly defining the level of expenditure staff can authorise without the approval of the governing body.
- Agree a clear and concise Procurement Strategy that encompasses the search for best value and supplier evaluation against the school's requirements.
- All paperwork and documentation should be retained. This should clearly show the basis upon which a purchasing decision has been made, especially if the chosen option is not the lowest initial cost. (See section 7 regarding periods of retention)
- Purchasing and adherence to approved procedures should be reviewed on a regular basis by someone independent of the purchasing process, if available, to ensure compliance.

3. Power to Spend

3.1 The Governing Body should set a Procurement Policy, in compliance with Haringey's Contract Standing Orders (CSO) and Procurement Manual, with clear and detailed guidelines about which staff members have the power to make expenditure decisions and which staff members are responsible for authorising expenditure.

3.2 It is good practice to establish a definite relationship between authorising expenditure and budgetary control. This can be achieved by delegating the power to authorise expenditure to the person accountable for the budget from which it will be paid. This is a control measure to ensure that the public money is used for the correct purposes and not spent on unnecessary purchases.

3.3 The members of staff (Purchasing Officers) who are delegated with the power to purchase goods and services may only buy goods and services that are to be used by the school to achieve its statutory or approved objectives. They must ensure that purchases are within the law, do not infringe any copyright, patent or obvious public sensitivity and adhere to the Haringey Council's Procurement Manual.

3.4 The Manual gives details of the financial limits above which a formal tender and contracting arrangement must be in place. Basically a Governing Body may decide its procurement process arrangements (normally obtaining three quotations and fully tendering where beneficial) when a purchase/contract value is up to £25,000, above this sum the Local Authority's standard contract tendering and contract documenting

arrangements must be followed. Full details are given in the Tender and Contracting section of this Manual.

4. Value for Money

4.1 The Purchasing Officer must seek to obtain value for money in all purchasing decisions. *The Procurement Manual gives guidance in this area.*

4.2 Obtaining value for money means taking steps to ensure that purchases are economical, efficient and effective for as long as they are needed to last.

4.3 Value for money does not necessarily translate into the cheapest purchase price. Other dimensions of a potential purchase should be considered such as appropriate quality, time utilised in pursuing cost savings, suitability, delivery date, credit terms, reliability of supplier, financial position of supplier and supplier relationships.

5 Suppliers

5.1 Approved Lists

5.1.1 A school should maintain a list of approved major and regular suppliers who have a proven track record. Some of the attributes to look at are as follows:

<input type="checkbox"/> QUALITY:	Whether the supplier consistently provides quality relative to the price paid
<input type="checkbox"/> QUANTITY:	Whether the supplier is accurate with respect to the quantity and items supplied
<input type="checkbox"/> TIMELY:	Whether the supplier is timely in delivering the goods or service
<input type="checkbox"/> PRICE:	Whether the price offered by the supplier is competitive relative to other suppliers
<input type="checkbox"/> CREDIT TERMS / DISCOUNTS:	Additional attributes to look out for are whether the supplier offers attractive credit terms and/or volume or trade discounts

5.1.2 There should be an easily accessible list of the preferred suppliers of the school along with all the suppliers' details. The list should also include the policy of the school on purchasing goods or services that are provided by each one of the preferred suppliers. In some instances the school would have evaluated certain purchases from the supplier and will prescribe that the particular good or service must be obtained from that particular supplier. In other instances the school may leave it to the Purchasing Officer's discretion whether to use a local quotation procedure or not. (Section 3.4 above should be noted)

5.1.3 The list of suppliers should be periodically reviewed and updated.

5.1.4 The Corporate Procurement section of the Authority maintains a corporate approved list of contractors for certain types of work and contract.

5.2 Identification of Potential Suppliers

5.2.1 The following sources may be useful:

- business directories (e.g. Yellow Pages)
- trade journals
- visits from sales reps/mailshots
- supplier's catalogues
- information from other schools
- corporate procurement approved list

5.3 The Property and Contracts Group

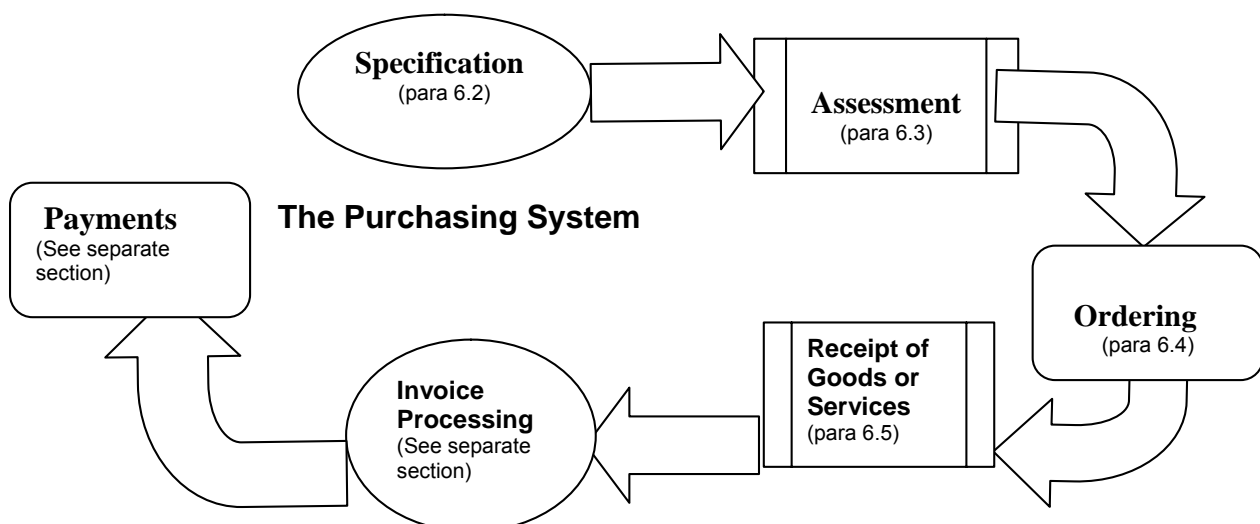
The Property and Contracts Group within the Local Authority is a centrally funded business unit that provides a contract management and support service to schools. This service is available to schools via a Service Level Agreement (SLA), as published in the Supporting Schools booklet. For further information contact the Head of Property and Contracts.

6. THE PURCHASING SYSTEM

6.1 Elements of the Purchasing System

The main elements of the purchasing system are as follows:

- Specification
- Assessment
- Ordering
- Receipt of Goods
- Processing Purchase Invoices
- Payments



6.2 SPECIFICATION

The purchasing officer must ensure that a specification for the goods or services to be purchased is produced before ordering. The specification must be appropriate to the value and complexity of the purchase. For small value day to day purchases, a properly completed order form will normally serve as a specification for the goods.

6.3 ASSESSMENT

6.3.1 The purchasing officer may proceed with the purchasing process only if they have specific delegated powers to do so, or if they have specific written authority to act for more senior members of staff.

6.3.2 The Purchasing Officer must ensure that the goods or service being ordered is necessary for the school to achieve its statutory or approved objectives.

6.3.3 The Purchasing Officer must be clear as to the specification of the goods or service they wish to purchase so that the order form will be filled in precisely with no room for misunderstanding between the Purchasing Officer and the supplier.

6.3.4 The Purchasing Officer should access the list of preferred suppliers and use them if required by the school for that particular purchase.

6.3.5 If no prescriptions exist for those particular goods or service, the Purchasing Officer should request quotations from some competing suppliers. (Please refer the earlier section on Value for Money). These requests should be clear and detailed as possible to avoid any misunderstandings.

6.3.6 Quotations received from a supplier should be checked thoroughly to ensure that they have quoted against what the school specified. A relatively cheaper price could merely mean that the supplier has quoted on a less complex item, or an item of poorer quality or that there could be hidden costs, etc. Attention to detail is beneficial under these circumstances.

6.3.7 When purchasing, tendering or contracting, Schools are required to follow the Authority's Financial Regulations and Standing Orders. This includes carrying out an assessment, in advance, where relevant, of:

- the health and safety competence of contractors, by reference to the Authority's policies and procedures
- the financial strength of contractors, to ensure, as far as possible, that they will be able to complete the contract
- the track record of the contractor. Ask for and follow up references. This is to check for professional competence.

6.4 ORDERING OF GOODS AND SERVICES

6.4.1 An order is the means by which the school specifies the goods and services that it wants and the price that it is prepared to pay for those goods or services. The order confirms the school's willingness to enter into a legal agreement.

6.4.2 The school's official Purchase Order or legal contract must support all purchases of goods and services.

6.4.3 There are standard Conditions of Order for Haringey Council. A copy (photocopy) of these must be sent out with all purchase orders. (see Appendix 1). Schools should regularly monitor Harinet to test that they are using the most up to date version of this document.

6.4.4 All orders must be made in writing on the school's official Purchase Order form. A computer-produced printed document with the necessary information will also suffice as long as a copy of the Conditions of Order is attached. RM Cash Accounts produces Purchase Orders electronically

6.4.5 It is not normally good practice to place orders by telephone. If this situation does arise, an official order number must be quoted to the supplier and a printed/written purchase order form faxed or posted to the supplier within 24 hours marked "confirmation". If an official order is not raised this can result in such problems as duplicate payments.

6.4.6 The Purchase Order form is shown at Appendix 2 and should contain the following information. Schools should again monitor Harinet for the current details on this document. Detailed specification of requirements

- Quantity required
- Name of school, delivery date and address - the address should always be the school's address except in exceptional circumstances where specific authorisation is given
- Contact person's name and telephone number
- A unique and official order number
- The date of issue
- All relevant prices and quantities, including any VAT elements
- Terms and conditions - it is good practice to have these pre-printed onto orders as acceptance of the order by the supplier can imply acceptance of the purchasing organisation's terms and conditions
- The name and address of the supplier and the supplier's reference where appropriate
- It should include the budget code to which the expenditure is to be charged. This doesn't have to appear on the copy of the order sent to the supplier, but it is essential that the budget code is determined and recorded in advance.

6.4.7 All orders must be numbered sequentially. This will enable matching of the

order delivered against the invoice and help avoid misuse of the school's purchasing system for personal gain. It is worthwhile telling the supplier that the invoice will not be processed unless the order number is quoted on the invoice.

6.4.8 Whether a computer generated order form is used or a paper version at least one copy of the order should be kept safely, in paper form. There should be two files for orders, one for paid and one for unpaid. Part paid orders should be kept on the 'unpaid' file with a note of the items paid. Once orders have been paid for, they are transferred to the paid order file. Orders should not be kept loose in case they get lost.

6.4.9 The person authorising the purchase must sign all orders and copy orders (either directly or through a supporting requisition form). The next step is for the expenditure to be authorised by a person (e.g. Head, Deputy or Bursar) who has the delegated powers to authorise expenditure. This authorisation needs to be reflected on the order form by means of a signature. There needs to be a definite separation of duties between the person authorising the order and the person authorising the actual payment.

6.4.10 Before authorising expenditure the authorised staff member should consider the following questions:

- Do we need the goods or services that are being ordered?
- Will the expenditure break any laws and/or infringe on any copyright, patent or obvious public sensitivity? *
- Is there sufficient money in the budget to pay for it?
- Does the expenditure represent good value for money?
- Have I followed all the Financial Regulations and the Procurement Manual on any purchasing requirements of the London Borough of Haringey?
- Should the school obtain quotations or tenders?

* The Haringey Procurement Manual gives extensive guidance on the various legislative framework within which purchasing may take place.

6.4.11 In the case of orders on energy utilities companies or similar purchases the standard process for the school may be to place a single overarching order with the individual supplier for the financial year with the order being issued at the start of the budget period.

6.4.12 Once the order form is properly filled in and appropriately authorised it should be able to supply information that would answer the question: "Who decided to incur this item and on what authority?"

6.4.13 The value of authorised orders should be promptly entered into the school's financial commitment system

6.5 RECEIPT OF GOODS OR SERVICES

6.5.1 Checking Goods

- All goods and services must be checked on receipt against the copy purchase order and the supplier's delivery note for both quantity and quality. This check should take place at the moment of delivery or as soon as possible thereafter.
- The check should be documented by:
 1. Marking the copy order as appropriate against each item (so that the school has a permanent record of what was actually received).
 2. Signing the delivery note.
 3. Finally by filing the delivery note and copy purchase order together.

6.5.2 Return of Goods

- The school should have a clear policy on the return of unsatisfactory goods.
- The carrier/supplier should be notified promptly of any shortages or rejected items.
- Any goods returned should be recorded clearly on the delivery note and copy order.
- It is a good idea to maintain a "returned book" to further document the return to the supplier.

Note:- Payment for Works, Supplies, Goods and Services is covered by a separate section of this Manual.

7. Retention of Records

7.1 All copy orders, delivery notes and order specifications shall be retained for the current year plus a further three years. Any cancelled orders should be crossed through and filed in order on the copy issued orders file.

7.2 Contract specifications, successful tender documents and specifications shall be retained for the current year plus six further years.

7.2 Unsuccessful tenders shall be retained for the current year plus one further year.

APPENDIX 1

Haringey Council-Conditions of Order

This Order is issued upon the following conditions

- ❑ **Official Orders**
No goods are to be supplied and no work is to be executed unless an official order is given upon this form.
- ❑ **Contracts**
Orders for goods to be supplied or work to be done under this purchase order are subject to these terms and conditions, except in instances where this order is placed pursuant to an existing contract in which case the existing terms and conditions of contract will apply.
- ❑ **Advertisements**
In the case of Official orders for the insertion of advertisements, voucher copies of the publication or cuttings of the advertisement(s) must be submitted before payment of an invoice can be authorised.
- ❑ **Insurance**
Goods should be insured by the supplier against damage incurred during transit.
- ❑ **Specification**
All works to be performed should comply with the specification if issued by the School and all goods supplied to comply with the description and be of the category ordered, be of suitable quality and fit for the purpose.
- ❑ **British Standard Institute**
Where BSI applies, the contractor shall supply goods or services, which comply with the relevant BSI or EU standard.
- ❑ **Time Supply**
Where the time for the supply of goods or the performance of work has been stipulated, then time shall be of the essence.
- ❑ **Risk**
Until delivery and acceptance of goods by the School's authorised representative, the goods will remain at the risk of the Contractor.
- ❑ **Payment of Contractor**
In consideration of the Contractor carrying out the service diligently and with reasonable care and skill and/or supplying goods as specified and to the satisfaction of the School's authorised representative, the charges exclusive of

Value Added Tax (VAT) as detailed in this order, shall be paid within 30 days of submission of Contractor's invoice.

All invoices must state the relevant Order Number issued by the School for the Contract. The School will pay to the Contractor any VAT properly arising at law in respect of the performance of service or supply of goods by the Contractor.

□ **Compliance of Legislation**

The Contractor shall comply with all relevant legislation including the Health & Safety at Work Etc Act 1974 and other Statutory Instruments.

□ **Recruitment of temporary workers to permanent or fixed term employment**

Temporary workers supplied to cover a temporary position within the School who subsequently apply for appointment to that, or any other, position within the Council which is designated as permanent or fixed term shall be deemed to have acted independently of the Contract with the Contractor.

Therefore, any temporary worker who applies for and is appointed to any post in the Council's service which has been publicly advertised, will be regarded as having acquired such post through their own efforts and in consequence, the Council will not be responsible for any "introductory fee".

It is a requirement that any organisation wishing to supply temporary workers to the School/Council accepts this condition.

APPENDIX 2

Pro-Forma Purchase Order Form

School Name
Address
Telephone
Fax

Order
Contract No.
Quotation/Tender No.
Date of Order

Purchase Order
SUPPLIER To be completed/delivered by/on:

Item No.	Reference	Description	Quantity	Unit	Price (Ex VAT)
Settlement Terms				Total Ex VAT	
Unless otherwise stated on the order the prices includes				VAT	
Packaging and delivery.				Total incl.VAT	

Invoice to (quoting the above order no)
Deliver to (quoting the above order no)

We offer to purchase subject to your written acceptance of the stated terms and conditions attached to this order.

Signed by the Purchasing Officer for and on behalf of the school.

Name (Block capitals)
Address
Tel
Date

Authorised by:

PAYMENT OF PURCHASE INVOICES

1. Introduction

1.1 Schools financial regulations referenced 149-162 set out the internal controls and procedures to be followed by schools in properly administering and accounting for the payments they make.

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with the regulations.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management.

2. Background

2.1 Invoice payments made by schools will normally be through school local bank accounts. The controls surrounding that process are required to be strong involving local processes that clearly demonstrate accountability, internal check, security of assets and a value for money approach.

2.2 Schools shall determine, through a documented scheme of delegation approved by the Governing Body, who is authorised to certify payments or certify the payment media e.g. cheques. The document shall also show the maximum values and/or areas of expenditure that may trigger the need for a second member of staff or the Governing Body to be part of the authorising process. (See the Governance section of this Manual)

3. Processing Purchase Invoices Ready For Payment

3.1 Invoices may be authorised for payment only by a staff member who has the authority to do so. This policy/procedure and the name/s of the relevant staff member/s should be clearly stated in the School's Scheme of Delegation.

3.2 It is essential to ensure that there is a clear segregation of duties between those ordering works, supplies, goods and services and the person authorising payment.

3.3 As a minimum, the person (paying officer) responsible for physically generating

the payment against the approved invoice (e.g. signs the cheque or authorises the Bacs payment list) should not also be the person who authorised the invoice for payment. However, schools should always endeavour to increase their internal control arrangements to be as close as possible to the best practice arrangements outlined in Schools Financial Regulations 153.

3.4 When an invoice is received it needs to be checked for accuracy against the copy order and delivery note to which it relates (this is where the purchase order number is useful). A designated member of staff will need to perform the following checks on the invoice prior to payment:

- The invoice gives the Suppliers name and address and point of delivery if not the school
- The invoice matches the supporting purchase order
- The invoice is made out to the school
- The invoice is an original and not a copy or a statement of account
- The invoice has not previously been paid
- The goods or services detailed on the invoice have been properly described
- The correct quantity and quality of goods was received
- The price is correct and discounts and allowances have been properly deducted
- Check whether there is a discount for prompt payment. If there is one, the invoice should be paid in time to qualify for the discount.
- The total of the invoice is arithmetically correct
- VAT is charged at the correct rate for each item on the invoice, and it has been correctly calculated
- The invoice bears the VAT registration number of the supplier where VAT is charged
- School Inventory has been updated as necessary

3.5 Where the invoice is found to be inaccurate in any way e.g. an arithmetical error, incorrect prices, short delivery, or wrong goods sent, the invoice must not be amended. Instead, the supplier should be contacted and asked to send a revised, correct invoice, and also advised that payment will be delayed. This is essential if the VAT calculation is incorrect

3.6 Normally suppliers will send a credit note, cancelling the incorrect invoice, together with a revised invoice. In this case the original invoice and its corresponding credit note should be stapled together and filed with the original order; the amended invoice should then be paid. If the supplier sends a credit note to correct the value of the original invoice, the credit note must be attached to and filed with the original invoice and the net amount paid.

3.7 All authorised invoices must bear:

- The printed name of the person authorising the payment
- The signature of the person authorising the payment
- The date of authorisation
- The expression “Approved for Payment”
- The expression “Calculations Correct”

3.8 Many schools purchase a rubber stamp that sets out the signatures required before payment can be made. When processing the invoice it should normally be stamped on the front to allow for the necessary authorisation signatures to be entered. An example of such a stamp is as follows:

1.	Goods Received		
2.	Prices Checked		
3.	Arithmetic checked		
4.	Not previously paid		
5.	Noted on Copy Order (Ref).		
6.	Certified for payment by		
Signature:			
Date:			

Each line of the stamp should be signed in full, not just initialled, before the invoice is paid.

4 Invoice Payments

4.1 As a precautionary measure, payments should not usually be made before the receipt of goods. Should a supplier go bankrupt, the school will more than likely rank as an unsecured creditor, which means that they will be last in line to be paid and therefore advance payments carry a risk of loss.

4.2 No payment should be made prior to delivery of all goods on that particular invoice in a satisfactory condition. Payment shall be made against an original invoice, which will show the supplier’s name and address, VAT registration number, where appropriate and checked as paragraph 3.4 above. Occasionally however invoices are lost and copies submitted for payment. In these circumstances great care must be taken to ensure that payment has not already been made. Essential checks that require special attention are:

- Invoices must be checked against the orders before being paid to test that the order is not already paid.
- Invoices must quote the official order number.

- On no account must payment be made against a supplier's statement. Statements only serve as a guide to payments made to and invoices raised by an individual supplier. A statement is to be used for information and reconciliation purposes only, nothing else.

4.3 Before releasing any payment the paying officer must check that:

- The supporting invoice was properly approved and that there is clear evidence of this approval
- The sum on the payment matches the sum on the invoice (or the total of the invoices, where payment to a supplier covers more than one invoice)
- The payee on the cheque/payment document matches the name on the invoice
- The payment would not cause the school's bank account to become overdrawn.
- The payment does not involve a service that should have been paid through the payroll system

4.4 The paying officer must ensure that items purchased seem reasonable and, where possible, payment is made within the credit terms agreed with the supplier and in accordance with the terms and conditions of supply. Where a supplier is unable to honour agreed credit terms and request/ demands early payment this may be an indication of solvency problems or a result of poor cash management.

4.5 The Paying Officer should check whether there is a discount for prompt payment. If this is the case the invoice should wherever possible be paid on time, in order that the school can qualify for the discount. The Vat will then be calculated on the discounted amount. Discounts not taken will reduce the amount available to spend on other items.

4.6 Invoices must be systematically filed after payment to ensure easy retrieval and should be cross-referenced to the school's cashbook and marked as paid.

4.7 The copy order form should also be marked as "paid" with the date and cheque number (or other reference if another payment method was used) and move it into the "paid" file as soon as the cheque is dispatched.

4.8 Payments must always have a document that supports and explains the reason for the expenditure. This will normally be an invoice, but occasionally payers may need to produce a written note of the reasons for a payment. This should only be done in exceptional circumstances and must always state fully the reason for the payment. All supporting documentary evidence must be attached and the note cross-referenced and filed as an invoice.

4.9 If a member of staff purchases an item (e.g. equipment or materials) on behalf of the school, they will require reimbursement. To do so they must supply evidence of purchase which will be filed as an invoice where appropriate. This should be a VAT receipt if the total due included tax. Anyone purchasing items on behalf of the school in this way must have had prior permission from the budget holder at the school.

4.10 In keeping with the Nolan principles of openness and accountability, schools with local bank accounts should aim to comply with the *CBI Code of Payment* (Appendix 1) or introduce a similar type of formal code of payment. Such payment policies should be disclosed in the School's Annual Report and would normally reflect a payment period not exceeding 30 days where no questions arise relating to the invoice/payment request.

4.11 Should a school's supplier state that payment has not been made against an invoice, which the school's records show has been paid, the supplier should initially be asked to check their records. The supplier should be given the cheque number and the date sent by the school.

4.12 If the supplier continues to maintain non-receipt of payment, the school should check its bank statement to see whether the cheque has been cashed. If it is not the current statement one should be requested from the bank. If the cheque has been cashed, it should be obtained from the bank and a copy of it sent to the supplier (keeping the original). If the cheque has not been cashed, it should be stopped at the bank. It is prudent at this stage to wait a week, make sure with the bank that the cheque is stopped and then cancel it within the schools financial system and process a replacement cheque.

5. PAYMENT METHODS

5.1 Cheques

5.1.1 This is the usual method of payment. Cheques will normally be sent to the supplier's address. If the supplier uses a factoring agency, the cheque should be sent to the agent. This will be indicated on the invoice. Any other requests to redirect cheques should be carefully examined for authenticity.

5.1.2 When sending the cheques to suppliers schools should ensure the payment advice tells them what it is for. Sometimes a copy of the invoice will be returned with the cheque, or there may be a tear off slip on the bottom of the invoice. Schools should always keep the top copy of the invoice on file. If the supplier wants the invoice sent back with the cheque, a photocopy should be sent. An alternative would be a compliment slip sent with the cheque stating the invoice number and date.

5.1.3 Where a number of invoices are due to the same supplier, it might be more economical to issue as single cheque. When paying a number of invoices with one cheque, it is essential to inform the supplier of all the invoices covered by the cheque (invoice numbers and dates) or there is a risk that they won't credit the correct accounts which could generate a reminder for a paid invoice.

5.2 School Standing Orders

5.2.1 An authorised signatory of the school's bank account can instruct the bank to make regular payments of fixed amounts at stated dates to individuals and organisations, (e.g. periodicals or subscriptions) known as standing orders.

5.2.2 Once the instruction is given to the bank by the authorised signatory, the bank will automatically make payments.

5.2.3 The standing order instructions can only be altered by an authorised signatory. Standing orders need to be monitored regularly to ensure the supply of goods etc. against them is being properly and fully maintained. An annual list of all standing orders should be compiled and re-certified by authorised staff each year.

5.3 Direct Debits

5.3.1 This can be a useful payment method when regular payments are made to a supplier and the amounts fluctuate from time to time. e.g. energy payments. In effect the authority to collect money is delegated to the organisation/supplier to whom the money is to be paid.

5.3.2 An authorised signatory of the school's bank account must complete a mandate authorising the direct debit. Once completed, the mandate serves as an instruction to the bank to debit the school's bank account when the supplier requests the money to be paid.

5.3.3 Direct Debits need to be monitored and used carefully to ensure that the correct amount is being debited the school's bank account and that the supplier is charging the correct unit prices. Vat implications regarding supporting documentation also need careful monitoring. An annual list of Direct Debit arrangements should be compiled and re-certified by authorised staff each year.

6. Retention of Records

6.1 Supporting invoices and documentation shall be retained for the current year plus a further six years.

CBI Code of Payment

CBI Prompt Payment Code

The main elements of the CBI Prompt Payment Code are as follows:

Responsible bodies should:

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

PETTY CASH ACCOUNTS

1. Introduction

1.1 Schools Financial Regulations referenced 163-172 set out the internal controls and procedures to be followed by schools when managing petty cash.

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with regulations.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding financial manual they should contact their Schools Financial Adviser or the Head of Audit and Risk Management.

2. Background

2.1 Schools will from time to time need to make small value payments using cash. e.g. for the payment of parcel postage. Generally such payments should not exceed £25 above which normal cheque processing arrangements and controls should be used.

2.2 The petty cash advance will be managed on an imprest basis. i.e. a total amount will be advanced to the holder which, from time to time, will be reimbursed against documented expenditure from that advance.

2.3 The value of any petty cash advances held and the approved maximum limit for individual purchases from the advance will be approved by the Governing Body and minuted by them. Petty cash payment will basically be a payment method of last resort.

3. Petty Cash Advance.

3.1 The petty cash advance will be drawn from the school's main bank account and be subject to all the school's normal controls surrounding cheque payments. The total amount of the advance will not normally be allowed to exceed that approved by the Governing Body. Insurance requirements and limits will be made known to the Governing Body at the time their approval is requested.

3.2 Wherever possible Petty Cash advances should not exceed between 4 and 6 weeks of normal expenditure from the advance.

3.3 Emergency exceptions to the agreed limits may be approved by the Headteacher and in such circumstances the matter will be reported in writing by the Headteacher to the Chair of Governors giving reasons for the exception. The Petty Cash balance will be returned to its normal amount as soon as possible. The insurance position regarding cash holdings will be taken into account before any emergency increase is agreed.

3.4 All petty cash advances will be stored in a secure place which shall accord with insurance limits and requirements. A named individual will be responsible for the security of the petty cash and be the approved 'key holder'. Only authorised persons will be allowed access to the advance.

4. Payments from Petty Cash

4.1 All proposed payments from petty cash will be approved in advance by a member of the school's staff authorised to do so through the school's documented scheme of delegation. Schools will have a standard form that acknowledges the request for the petty cash payment and gives details of it as well as recording any approval to it. Example at Appendix 1

4.2 Proper records must be maintained of all payments in and out of Petty Cash and the individual making the transaction. Payment of Salaries and Wages will not be paid from Petty Cash advances neither may personal cheques be cashed from petty cash.

4.3 The Headteacher will specify the limit of any one payment subject to the overall limits of authority within the school's scheme of delegation. As noted above a guide limit is £25. Any exceptions will be approved by the Headteacher (or nominated delegate) in advance and recorded as such in the petty cash records.

4.4 All payments from Petty Cash must be supported by a receipt/payment voucher as evidence identifying:

- Date
- Description
- Payee
- Amount paid
- Vat elements
- Signed approval to payment
- Cost code
- Acknowledgement of receipt of reimbursement

Elements of this document may be combined with the request for payment outlined in paragraph 4.1 above.

4.5 Upon receipt of the reimbursement the authorised member of staff shall sign for the transaction and for the cash received.

4.6 The transaction will immediately be recorded within the record of petty cash transactions. It is helpful if such a record will also indicate balance of petty cash that should be remaining after the transaction.

5. Reimbursement of Petty Cash Payments

5.1. All petty cash advances should be reconciled to the original advance on at least a monthly basis and also at any time that a reimbursement is requested. Ideally this would be prior to a monthly period closure.

5.2 A standard form of reimbursement request will be used by each school that lists the transactions since the last requested reimbursement, their individual and total value and the amount of cash held at the time of the reimbursement request. The individual authorised vouchers will support the list of transactions.

5.3 The reimbursement claim will also detail the reconciliation back to the original advance and be certified by both the petty cash account holder and also by the member of staff required under the school's scheme of delegation to check petty cash imprest reimbursements.

5.4 Reimbursements to the petty cash imprest will be recorded on receipt into the record of petty cash transactions and the balance adjusted accordingly.

5.5 The school's accountant/administrative assistant will post details of the reimbursed transactions into the school's accounting system against the appropriate budget and Vat control account.

6. Change of Petty Cash Holder

6.1 When the individual holding the petty cash advance is changed, the imprest will be reconciled by the outgoing person. The reconciliation will be recorded, dated and signed as agreed and correct by both the incoming and outgoing holder in the record of petty cash transactions.

6.2 It is good practice for a petty cash reimbursement to be organised at the time of any such change. In the event that this is not possible all receipts and vouchers awaiting reimbursement claim will be passed to the incoming petty cash holder.

7. Retention of Records

7.1 All records relating to petty cash transactions will be held by the school for a period of 6 years in addition to the current year.

SALARIES, AND WAGES PAYROLL

1. Introduction

1.1 Schools financial regulations referenced 180 - 185 set out the internal controls and procedures to be followed by schools in relation to personnel and payroll

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with the regulations. This part of the Schools Finance Manual explains the processes and procedures that school and its governing body should have in place in relation to taxation accounting responsibilities.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding financial manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management.

2. Background

2.1 Overall responsibility for payroll administration rests with the Governing Body. The Governing Body, normally through its Headteacher, should ensure that the process of completing, checking, and authorising all documents and claims related to appointments, terminations of employment and expenses are not the sole responsibility of one person. Delegations of authority regarding payroll matters must be fully recorded in the school's records.

2.2 Schools should have current documented procedures, which include payroll details and conditions of service, appointments, promotions, terminations, grievance procedures, disciplinary procedures and pension details. This guidance can be found in the Schools Personnel Handbook, circulated to all schools who undertake a service level agreement (SLA) with the local authority's Schools Personnel Service.

2.3 Schools which do not undertake an SLA with the local authority's Schools Personnel Service must ensure that they have an equivalent set of documented payroll and personnel procedures agreed with their providers available within the school.

3. Human Resources – Service Supplier

3.1 The local authority requires certain Human Resources information from schools for completion of statutory and other returns. This requirement must be reflected within individual school's procedures depending on the following:

- Where a school uses the local authority's Schools Personnel Service, compiling of such information is dealt with automatically by them and therefore no additional returns are required from such schools.
- Where a school uses a personnel service supplier other than the local authority, the school will need to ensure that within their payroll documented system and, within their contract with the supplier, a clear procedure is in place to provide such information in a complete and timely manner to the local authority.

4 Appointments

4.1 The Governing Body will document and approve the arrangements within the school for appointing staff.

4.2 The detail of the arrangements approved will include arrangements for amending terms and conditions for staff as well as appointing and terminating employment. Appointments will require at least two members of staff to be involved in the process

4.3 Processing payroll payment claims should be separated from duties relating to 4.2 above and no member of staff shall be permitted to self-authorise amendments to their payroll standing data or individual payroll payments or expense claims.

4.4 Payroll transactions of family or friends of a payroll authorising officer cannot be processed by that officer,

5. Payroll Provider

5.1 Where a school uses a payroll provider service other than through the local authority, the school will need to ensure that within their payroll documented system and contract with the supplier, there are clear arrangements outlined that are least equivalent to those used by the local authority service to communicate and audit trail information on changes to payroll information both permanent and temporary.

5.2 Whoever is the provider, a set of clear written payroll tasks should therefore be assigned between the school and payroll provider taking account of the above standards of internal control.

5.3 Where a school's payroll is delivered from within the school itself the same clear documented system notes must be in place and internal check standards adhered to.

5.4 The Governing Body shall maintain an up to date authorised payroll/personnel signatory list and where not providing the payroll in house, send a copy to the local authority or other personnel/payroll provider as appropriate.

6. Completeness of Payroll

6.1 All salaries, wages, fees and other remuneration (including honoraria) whether to:

- school staff (under formal contract of employment or not)

or

- casual staff or other individuals (please refer to the Inland Revenue' publications and guides on tax and national insurance for such employees) must be processed only through a payroll system to ensure proper deductions are made for income tax, national insurance and, where applicable, pension.

6.2 The school must not process pay or expenses via the purchasing/ payment system. An example of non-contractual work that should be paid through the payroll is where a member of school staff is paid for work such as decorating, outside the their normal contractual hours, perhaps during the school holidays.

6.2 The Governing Body in employing staff must, by law, declare to the Inland Revenue payments made to its staff, and it follows that where contractual arrangements are made on behalf of the Local authority, these should be paid through a payroll system, the necessary deductions and employer's contributions calculated, and the school charged with the full cost. It is not correct to assume that the employee is responsible for declaring this income for their own tax purposes.

6.4 The liability of the Local Authority extends to paying over to the Inland Revenue any Tax or National Insurance due that has not been deducted, and this liability would be passed on to the School. Under the authority's LMS scheme, any fines, penalties or surcharges levied on the Local authority in such circumstances would be charged against the school's budget share.

7. Absence Reporting

7.1 Monitoring and reporting absence levels for all school staff must be a clearly allocated responsibility within a school.

7.2 Sickness and other absences (other than annual leave) should be reported to the local authority's personnel unit using standard documentation available from that unit. For all other payroll/personnel maintenance arrangements the school will need to agree and document the format used.

8. School Local Accounting

Payroll costing transactions shall be reflected in the local schools accounting system and loaded promptly on a monthly basis.

9. Standing Data Verification

Checks between payroll and personnel records should be performed at least annually using an appropriate officer in the school independent of the payroll process. Any discrepancies found should be reported to the local authority's Schools Personnel team or the school's external provider.

10. Internal Control

10.1 Various references appear in previous paragraph to systems procedures required to ensure that internal control is sound within a schools payroll system. Schools governing bodies are responsible for the maintenance of sound internal control with the five objectives of ensuring that;

- payments are made only to bona-fide employees,
- payments are as the employee's individual terms of employment.
- payments are made only for services to the school
- deductions such as income tax are properly administered,
- amendments to the payroll are promptly and properly processed.

10.2 Of particular importance to internal control is the need to ensure within schools that, where practical, the duties of authorising appointments, making changes to employees conditions of service or terminating the employment of staff are separated from the duties of processing periodic payment claims such as timesheets. In addition no individual can authorise changes to their own payroll returns.

10.3 The Governing body/Headteacher should ensure through monthly payroll listing review that all, and only bona-fide staff are included and that all payroll changes are correct. Such checks are to be signed and dated by the Headteacher and will also include payroll reconciliations of payroll information received from the local authority or payroll provider.

11. Retention Of Documents

11.1 Payroll and Personnel records should be held securely, and in accordance with the Data Protection Act 1998. Records which affect employee's Tax and NI positions should be retained for a minimum of six years.

11.2 All documents containing personal payroll information should be confidentially stored and access allowed only to authorised staff.

SECURITY OF PROPERTY PEOPLE AND INFORMATION

1. Introduction

1.1 Schools financial regulations referenced 186-193 set out the duties and responsibilities for controls and procedures within schools that relate to the security and protection of people, assets and information.

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in maintaining processes to meet their needs and at the same time demonstrate compliance with the regulations. Examples are also given where process compliance by schools can assist and ease the audit process.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this financial manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management.

2. General Security, Health and Safety

2.1 Guidance on Health and Safety in respect of people and property is outlined in the Local Authority's Health and Safety Manual that should be adopted and followed by each school.

2.2 Further information on the security of property assets such as laptops is in the section of this manual dealing with Inventories of Equipment.

3. Background

3.1. Schools are now reliant on computer systems to process and record financial and other management information. The "Team Pages" / "ICT" section of the Haringey Learning website (www.haringeylearning.net) provides access to valuable ICT advice and resource materials for managerial, administrative and teaching staff in schools.

3.2 The safe and secure arrangements for information developed and maintained within a school is the responsibility of the Governing Body. This will normally be executed through delegation to the Headteacher. A policy document (IT Security Policy Statement) covering this should be agreed by the Governing Body and refreshed annually. As a minimum this should include the school's policy on securing computer hardware (physical security

and password changing standards) as well as electronic data maintenance, security and protection e.g. password control and backup standards within the school.

3.3 Accounting software products used in schools to record transactions and account for 'official funds' require approval of the Director of Finance prior to use in schools. Certain products, such as RM Finance, have a general approval. Schools should check with the Head of Education Finance when considering the purchase of an electronic finance package for use on education 'official funds'.

4. Data Security and Management

4.1 Schools' main statutory responsibilities in respect of data security and management are defined in the Data Protection Act 1998, which replaced the Data Protection Act 1984 (see also the section of this manual covering - Computer Systems and Data Protection), and includes requirements to protect data against misuse, damage or loss.

4.1.1 Schools should have effective back-up procedures.

- Data should be backed up regularly. If there are large volumes of transactions on a daily basis, then the back-up should be on a daily basis
- All back-up media should be securely retained in a fireproof location and preferably off site

RM Finance (formerly Cash Accounts) users are automatically prompted by "Safe" software to back-up their system each time they exit from the application. This back up should be performed *in addition to* routine back-ups of administrative PCs/Servers.

4.1.2 Each member of staff is personally accountable for any abuse of computer resources carried out under their exclusive username / password. Accordingly, usernames and passwords should not be disclosed to, or shared with, other people and passwords should be changed regularly (e.g. monthly).

4.1.3 Only authorised staff should have access to computer hardware and software for school management.

4.1.4 Schools should have a Disaster Recovery / Business Continuity plan in the event of loss of accounting facilities or financial data. The plan should take the following into account:

- A register of dated full data back-ups must be kept at the school.
- The back-up data CDs/disks/zip files should be accessible with notice.
- It is advisable to have a contract or SLA in place covering a school's arrangements for the maintenance of hardware and software of these business-critical systems and includes restoration of back-ups in the event that major corruption of data has taken place.

- If data has to be restored from back-up, this means that any work completed since that last back-up will have been lost. It is therefore important to have date-stamped all work that has been input so that work that might need to be re-entered can be identified.

5. Freedom of Information Act 2000

5.1 Governing Bodies should also be aware of their duty to comply with the Freedom of Information Act 2000 (Fol). For questions regarding any detailed aspect of Fol, refer to the Information Commissioner's website (www.ico.gov.uk) and/or contact Ravia Zaman, 48 Station Road, Wood Green N22 7TY; tel: (020) 8489 3481; e-mail: ravia.zaman@haringey.gov.uk.

6. Data Protection Act

6.1 The purpose of the Data Protection Act 1998 (DPA) is to protect individuals with regard to the processing and free circulation of personal data. In particular, the DPA places an obligation of non-disclosure to third parties who are in charge of controlling or processing such data, and the obligation of allowing each subject of data to have access to the data about him or her.

6.2 Any organisation or individuals that process personal data (i.e. any information about living identifiable persons), *whether on a computer or manually*, must conform to the requirements of the DPA 1998 Act. Please be aware that 'processing' has a wider definition than in the former Act, and now incorporates 'obtaining', 'holding' and 'disclosing' information. Each school should have a nominated member of staff responsible for all DPA-related issues, including notification/registration, internal staff training/awareness and as the point of contact for DPA inquiries and requests for subject access.

THE DUTY OF REGISTRATION

6.3 The DPA includes an obligation to register the purpose for which *computerised* data is kept. In the case of schools, one notification (i.e. registration) must be given in respect of the Governing Body and Headteacher, in the name of the school. Notification templates, available for e.g. community, foundation, voluntary-controlled and voluntary-aided schools, have been designed to cover their specific activities (the details provided should still be checked, and any amendments made if necessary).

6.4 An application for notification can be made either via the Information Commissioner's website (www.ico.gov.uk) which provides a template or by telephoning the Notification Department (01625 545 740). A completed application must be signed and returned to the Commissioner's Office with the payment of the relevant fee. New Register entries and the required annual renewal of existing ones do attract a fee payable by the school.. Any queries should be directed to the Notification Department on the above telephone number.

6.5 Please be aware that the Information Commissioner's Office is the only statutory authority for administering DPA notifications. Any other agency claiming to provide this service is "bogus" and should be disregarded.

COMPLIANCE WITH THE ACT

6.6 It is a legal requirement for schools to comply with the Data Protection Act 1998. There are eight DPA principles, requiring personal data to be:

- fairly and lawfully processed;
- processed for specified and limited purposes;
- adequate, relevant and not excessive in relation to the purpose for which it is held;
- accurate and kept up-to-date;
- not kept longer than necessary for the registered purpose;
- processed in accordance with the data subject's rights;
- protected against unlawful access, and any loss or damage;
- not transferred to countries without an equivalent data protection regime.

6.7 These principles are legally enforceable (non-compliance may result in penalties). They are also statements of good practice for both computerised and manual data, and it is a duty for schools to handle personal data according to those principles.

THE RIGHT OF SUBJECT ACCESS

6.8 The DPA gives a 'right of subject access' by an individual to his/her own data. The individual concerned is entitled to access any personal data that is held on him/her and has, where appropriate, the right to have information about himself/herself corrected or erased. A request for subject access must be made in writing with mention of the DPA. Any subject access request must be satisfied *within 40 (calendar) days*, after checking the applicant's identity (schools must always be sure that the person asking for the information is entitled to receive it). Schools must ensure that their filing system is in good order and be ready to satisfy any subject access request.

6.9 The DPA gives all school pupils, regardless of age, the right of access to their school pupil records. Requests to see or receive copies of records should be made in writing to Headteachers. A period of *up to 15 school days* is allowed in which to respond to a pupil's subject access request. In addition to that right of subject access, which can also be exercised by parents acting on behalf of pupils, parents have their own independent right of access to the official educational records of their children.

7. DATA SECURITY

7.1 Schools should make themselves familiar with *The Data Protection Handbook*, published in hard copy (distributed to all schools) and electronically on “Harinet” - in particular any requirements relating to security and the section on Data Protection (4.1).

7.2 For further information relating to any aspect of the Data Protection Act 1998, please refer to the Information Commissioner’s website (www.ico.gov.uk) and/or contact either The Data Protection Office, Level 4, Alexandra House, 10 Station Road, Wood Green N22 7TR: (020) 8489 1997/3112; email: dataprotection@haringey.gov.uk
or

Education ICT Services, Podium Floor, River Park House, 225 High Road, Wood Green N22 8HQ: (020) 8489 3244; email: shani.kara@haringey.gov.uk.

8. Retention of Records

8.1 As a minimum electronically held information should be held as its three generations of backup. However each section of this manual gives specific guidance in respect of the information generated from the various school administration and management systems. That guidance should be followed. whether the associated information is held in hard or electronic format

TAXATION

1. INTRODUCTION

1.1 Schools financial regulations referenced 5-6 set out the internal controls and procedures to be followed by schools in relation to accounting and taxation records

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with the regulations. This part of the Schools Finance Manual explains the processes and procedures that school and its governing body should have in place in relation to taxation accounting responsibilities.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding financial manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management.

2. BACKGROUND

2.1 Responsibility for financial management has been delegated to schools. However, the Council has a statutory responsibility to produce certain consolidated information for the organisation as a whole. In addition, Government Agencies such as the Inland Revenue, the Contributions Agency and Revenues and Customs regard the organisation as a single entity and require Council-wide returns. Therefore, some financial information must be collected centrally on a regular basis.

2.2 Accounting for personal taxation that relates to payroll payments is covered within the section on Salaries, Wages and Payroll matters

2.3 The Authority has established procedures to enable schools to utilise the Authority's ability to reclaim VAT on expenditure relating to non-business activity. This is covered within this section of the manual as is the position on Construction Industry Scheme (CIS) on tax accountability

3. Value Added Tax (VAT)

3.1 VAT was introduced into the United Kingdom on 1 April 1973. The VAT system in the UK is based on the European model and the overriding legislation is contained in European Community Law, in particular the Sixth VAT Directive.

3.2 VAT is a tax levied on both goods and services supplied by sole traders, partnerships, private limited companies, public limited companies and public bodies, including local authorities and schools.

3.3 Local Authorities including schools are exempt from paying VAT and can therefore reclaim any VAT paid.

3.4 When we pay VAT as individuals it makes the goods or service more expensive and that is the end of the matter. However, for transactions made by a school, if simple rules are followed, the school can reclaim the VAT paid from Revenues and Customs. However this does not apply to voluntary or unofficial school funds, unless they are separately registered for VAT.

3.5 The other side of the equation is that the school must charge VAT on some goods and services provided for other groups and individuals (although not internally within the Council.) If a school provides a service or goods to external customers and charges VAT, the VAT amount must be declared on the schools monthly VAT return and paid over to Revenues and Customs.

There is no central provision in the Council for VAT costs. In this regard particular reference should be made to paragraph 3.12 regarding financial penalties.

3.6 What schools must do

The Governing Body and Headteacher are responsible for ensuring the proper treatment of VAT on all income and expenditure processed through the school and that VAT is reclaimed and paid promptly.

There are 3 requirements:

- (a) Account for VAT correctly
- (b) Complete a monthly VAT return and send it to the Schools Finance Team with the school's other monthly returns.
- (c) Keep all appropriate records. (see section 3.11)

Goods and Services are split into categories for the purpose of determining the nature of the supply and whether they are taxable or not.

The categories are:

- (a) Standard-Rated: Supplies of Goods and Services are charged VAT at the standard rate, which is currently 17.5%.
- (b) Reduced-Rate: Applies to VAT on domestic fuel and power, installation of certain energy saving materials, the grant funded installation of heating equipment, supplies of children car seats, sanitary products and certain residential conversion and renovation services and associated goods. The reduced rate is currently 5%.
- (c) Zero-Rated: No VAT is applied to the supply of goods or services. Although within the scope of VAT, the rate is zero.

Zero rating is available for the following types of supplies:

- Domestic construction and works to protected buildings
- Public transport
- Exports of goods
- Foodstuffs (excluding restaurant meals and catering)
- Sewerage services
- Books, newspapers etc
- Prescription medicines
- Children's clothing
- Charities
- Gold
- Bank notes

- (d) Exempt: No VAT is to be applied to the supply of goods or services.

Exemption applies to the following:

- Financial services
- Insurance
- Betting and gaming
- Education
- Health and welfare
- Burial and cremation
- Cultural services
- Postal services (Royal Mail)
- Sport competitions and physical education
- Subscriptions to trade unions, professional or other public interest bodies
- Works of art

- (e) Non-Business (outside the scope): A normal trader cannot usually recover VAT paid in relation to non-business activity. However, local authorities are in a special position and generally are able to recover this tax. For public authorities non-business items are those for which they have a statutory monopoly or are enshrined within legislation.

VAT on **income** is known as **Output Tax** and VAT on **expenditure** is known as **Input Tax**.

3.7 VAT ON EXPENDITURE- INPUT TAX

- (a) Input tax is related to expenditure and is payable on goods and services required by a school to carry out its business. If this is accounted for correctly, the VAT paid by the school is reclaimable.
- (b) Where goods and services have been provided or ordered an original VAT invoice must be obtained.
- (c) A VAT invoice must show the following:-
- Name and address of the supplier.
 - Name and address of purchaser (Name of School).
 - VAT registration number of the supplier.
 - Invoice number
 - Date of invoice and Tax point (usually the same).
 - The goods, services or work done itemised with quantity, price, cost and VAT category or percentage.
 - Total net cost without VAT.
 - Total VAT in each category or percentage separately.
 - Total to be paid on the invoice.
 - The rate of any discount.
- (d) Where a supplier offers a prompt payment discount, any VAT that is due is calculated on the basic price of the goods less the discount offered.
- (e) Where the VAT on an invoice has been incorrectly calculated, the supplier should be asked to re-invoice correctly. On no account should an invoice be altered and paid.
- (f) A supplier not registered for Value Added Tax or not showing a VAT registration number on his / her invoices is not entitled to charge VAT.
- (g) In exceptional cases where VAT invoices are not provided prior to payment and a proforma invoice cannot be obtained, a VAT receipt must be obtained and filed with the payment document.
- (h) Where contract works or orders are paid by instalment and recorded in a contracts register, a VAT receipt must be obtained before paying the next instalment.

- (i) Certain types of payment (e.g. Attendance at training courses) which require payment with a booking form and do not provide an invoice can be paid. A VAT receipt must be obtained at the earliest opportunity and filed with the payment record.

3.8 VAT ON INCOME- OUTPUT TAX

- (a) VAT must be charged on some goods and services provided by the Council. All the school's activities should be reviewed and if in doubt advice sought from the Schools Financial Adviser. Services that are provided by the private sector as well as local authorities often require VAT to be added.

(b) VAT Examples

Activity	VAT Treatment
Caretaking Services	Standard Rated
Car Parking	Standard Rated
Examination and Enrolment Fees (and refunds)	Non Business
Field Studies and Organised School Visits (including boarding)	Non Business
Food and drink supplied for consumption at council educational establishments.	Normally non Business but if outside catering area may become standard-rated (seek advice)
or -supplied by a local authority	Normally Non Business
or an agent	Standard Rated
-supplied by a person or organisation independent of the Council	
Lettings –School hall or room	Exempt
-Extra facilities e.g. slide projector	Standard Rated
-Sports Facilities	Standard Rated normally – can be exempt for series of lets – seek advice if in doubt or where it is an instructional (educational) sports course
Milk – sale to pupils	Non Business
Photocopier – use of - copies of documents	Standard Rated Standard Rated or Zero Rated depending on document

- (c) VAT on income is payable to HM Revenue and Customs. This is dealt with by the Local Authority through the schools monthly VAT return.

- (d) Schools must ensure that VAT on all income transactions is correctly calculated, accounted for and processed through the school's accounting system on a timely basis. If the supply of the goods or service is standard rated it must be accounted for and included on the school's VAT return in the correct month. This will then be included in the Council's return.

3.9 TYPES OF INCOME AND VAT CALCULATION

Broadly speaking there are two main categories of income that a School receives- credit income and cash income.

(a) Credit Income

(i) This is income due that the school generates by issuing invoices. In order for the invoice to be a valid tax invoice it must show the following information:-

- Identifying invoice number
- Date of issue (Tax point Date)
- Name, address and VAT registration number of the Council (Available from the Education Tax Representative)
- Name and address of the person to whom the goods or services are supplied
- Description and quantity of goods and services supplied
- Rate of VAT and amount payable
- Amount payable excluding tax
- Total amount of invoice

(ii) All invoices raised have to be included on the school's VAT return for the month to coincide with the tax point date. Thus if the school raise an invoice in January it goes on to the school's January return even if it is not paid until June.

(b) Cash Income

- (i) All cash income (including cheques, bank transfers, etc.) follow the same VAT rules. If an amount of income is received and the goods or services are standard rated the correct amount of VAT must be extracted and correctly accounted for.

E.g. For an amount of £300 paid to the School VAT inclusive, the following calculation should be undertaken (VAT at 17.5%)

$$\text{VAT} = \frac{17.5 \times \text{£}300}{117.5} = \text{£}44.68$$

Income to the School = £255.32 and output tax payable to Revenues and Customs = £44.68.

- (ii) All VAT received in a month from cash income must be included within the School's VAT return for that month.

3.10 RETENTION OF VAT RECORDS AND ACCOUNTS

(a) Revenues and Customs Officers may visit Schools from time to time and they will expect to be able to inspect the appropriate records. It is a legal requirement that records and accounts be maintained of all taxable goods and services, which are received and given by the School. These must be kept for a minimum of six years and would include:-

- orders and delivery notes
- purchase invoices from creditors and copy supply invoices to debtors
- any credit or debit notes issued or received
- cash records and till rolls
- bank statements and pay in slips
- creditors, debtors and cash income records from the school' accounting system
- VAT account (for each period a summary of totals of output and input tax)
- relevant correspondence
- other relevant records.

- (b) Records may be kept on microfilm or microfiche provided that copies can be produced and there are adequate facilities for enabling a Revenues and Customs officer to view them when required. Similarly computerised accounting systems are acceptable provided that they satisfy the above requirement.
- (c) Any documents requested by Revenues and Customs must be provided by the school.
- (d) Any correspondence from Revenues and Customs should be referred immediately to the Director of Resources – Accounting and Control;.

3.11 THE MONTHLY VAT RETURN

- (a) Each month schools are required to complete a monthly VAT return, listing for each invoice paid the amount paid excluding VAT, the VAT amount and the invoice total including VAT. Schools using the RM CASH ACCOUNTS or any other system should submit a Full VAT Report. If a school provides any goods or service to an external customer and charges VAT, it should include with its VAT return a listing of the invoice amount excluding VAT, the VAT amount and the total invoice amount including VAT.
- (b) Schools will need within their accounting systems, for each tax period, a summary of totals of output tax and input tax in a separate VAT account. Most accounting packages have features that allow users to deal with VAT in the correct way.
- (c) Timely returns are essential in order to comply with VAT law, demonstrate proper governance and ensure that money owed to the schools is paid over promptly.
- (d) Schools should adhere to the following timetable:

Monthly timetable

- 15th - schools submit VAT returns to School Funding team
- 25th - total schools monthly VAT claim submitted to Corporate Finance
- 30th - LBH VAT claim submitted to HMRC
- 15th - VAT refunded to schools via monthly cashflow

3.12 VAT PENALTIES

- (a) Revenues and Customs Officers have the power to impose financial penalties if they find errors. These penalties are on top of correcting the original error and can be between 10 % and 30% of the amount accounted for incorrectly plus default interest calculated from when

the error was made. These penalties will fall on the budget of the School which has made the error. There is no central provision for VAT penalties.

3.13 VOLUNTARY AIDED SCHOOLS

- a) The local Authority can recover VAT on works for which the Governors of a VA school are liable if they are paid for from Local Authority Funds funds.
- b) The Local Authority cannot recover VAT on works for which the Governors of a VA school are liable if they are paid for from VA Governors funds or from funds that VA Governors have donated to the Local Authority.
- c) The VAT involved in some of these cases can be substantial. Therefore, if in any doubt, before proceeding, please contact the person responsible at the Local Authority.

Some grants from the DfES to VA schools already include an element for VAT. Therefore, the school cannot claim VAT back from the Council. If are unsure, please contact the school's financial adviser.

4. Construction Industry Scheme

4.1 Governing Bodies are responsible for administering the Construction Industry Scheme that relates to invoiced payments made which fall under the scheme.

4.2 The local authority has issued guidelines covering the application of the C.I.S. (Appendix 1) and the Governing Body will ensure that a named individual within the school is trained and responsible for applying the guideline and making any necessary deductions from invoiced amounts.

4.3 Standard returns shall be made to the local authority relating to payments made, registration certificates inspected and where appropriate sums deducted from invoices under the scheme.

5. Retention of Records

5.1 All Vat records shall be retained for the current year plus six years

TENDERING AND CONTRACTING

1. Introduction

1.1 Schools financial regulations referenced 57-59 set out the internal controls and procedures to be followed by schools in relation to Tendering and Contracts

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with the regulations. This part of the Schools Financial Manual explains the impact that Tendering and Contracting arrangements will have on a school's system of internal control.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding financial manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management.

2. Background

2.1 Schools may enter into contracts to procure goods, services materials and works as authorised through Haringey Council's Contract Standing Orders provided the anticipated procurement is in line with the school's agreed budget and development plan.

2.2 The type of contract used will vary depending on the value of the anticipated contract. Basically, should the anticipated value be £25K or above then the procedures outlined in detail within the Haringey Council Contract Standing Orders must be followed in respect of both the Tender and Contract. Full copies of the relevant Contract Procedure Rules should be made available within each school.

2.3 Where anticipated contract values are below £25K the control processes will be set by each school to fit within their own internal control arrangements for achieving clear accountabilities, security of resources, achievement of best value and protection from error or fraud. These arrangements can vary between a simple written order, quotation followed by order or, a full tender and contract. More details are given within the Order for Works, Supplies, Goods or Services section of this Manual. It is essential to the good governance of a school that the thresholds and criteria for Tendering and Contracting are clearly set out within its Scheme of Delegation.

2.4 This section of the Manual deals with Tendering and Contracting. Where appropriate, references to the appropriate Contract Standing Orders (CSOs) are given.

3. Tendering

3.1 TENDERING DEFINED

Note: It is essential that Haringey Council's Contract Standing Orders (CSOs) are followed when schools undertake tendering exercises. These can be found by logging on to Harinet, then the Council Wide Information Area - Corporate Procurement. Haringey's Procurement Manual again found on the Harinet also sets out the tendering procedures. *Please refer to these sources for background information.*

3.1.1 Tendering is a process for obtaining offers for the provision of goods, works, services and supplies. The tendering process provides an opportunity for a school to seek provision that matches its exact requirements, to assess the costs and level of service of a number of potential suppliers, and to negotiate the most advantageous contract terms. That is, to provide best value. The school's and local authority's reputation is equally important and should be safeguarded from any imputation of dishonesty or corruption.

3.1.2 The important elements of tendering are:

- It is a formal procedure
- Suppliers are invited to submit a sealed bid to the purchaser
- The bid is evaluated together with other bids received
- The bids are evaluated against specified criteria

3.1.3 There are three basic types of tender i.e. Open Tender, Restricted Tender and Negotiated Tender.

	Definition	When Appropriate
OPEN TENDER	<ul style="list-style-type: none"> • All interested contractors submit a tender • In response to an advertisement. 	<ul style="list-style-type: none"> • When there isn't an established market: • Cuts down on time • You are sure to get some bids
RESTRICTED TENDER	<ul style="list-style-type: none"> • Expressions of interest from interested • Contractors in response to an advertisement, with a selection of those contractors being invited to submit a tender. 	<ul style="list-style-type: none"> • This is the Council's preferred method of tendering. • A large number of suppliers would come forward. • The nature of the goods are such that only specific suppliers can be expected to supply the school's requirements. • The costs of publicity and advertising are likely to outweigh the potential benefits of open tendering. • There is a need to maintain a balance between the contract value and administrative costs.

NEGOTIATED TENDER	<ul style="list-style-type: none"> • Expressions of interest from interested contractors in response to an advertisement with a selection of those being invited to negotiate or; • Where an approved list of contractors exists in respect of the subject matter of the contract to be tendered, the approved list procedure (a selection of contractors previously approved being invited to submit a tender). 	<ul style="list-style-type: none"> • Open and restricted tendering has resulted in either no or unacceptable tenders. • Where there is a variation of the contract outside of Contract Standing Orders –See the Procurement Manual
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3.1.4 The tendering team, which should be established at the outset of a project, is usually comprised of the user, the purchaser, a Health and Safety Officer, an Equal Opportunities Officer and, where necessary, a technical expert and a Finance Officer.

3.2 EU REGULATIONS (CSO 5.01/8.01)

3.2.1 EU law requires that certain procedures must be followed with regard to contracts awarded by public bodies that exceed certain financial thresholds. These thresholds apply at local authority level rather than individual school level. The local authority will therefore provide advice for situations where the aggregation of contracts across the local authority exceeds the thresholds.

3.2.2 Further information is available in the relevant directives and statutory instruments issued by the European Commission.

3.2.3 The interpretation of the detailed requirements found in these directives and statutory instruments is very complex, and if appropriate schools are advised to seek expert advice. The local authority's Corporate Procurement Unit is available to assist schools with this issue. The basic principles are as follows:

- A ban on any discrimination on the grounds of nationality
- Transparency of contractor 'long listing' by the requirement to publish notice of the contract in the Official Journal of the European Union
- Indication of which type of tender procedure has been adopted - open, restricted or negotiated. The directives give specific guidance as to which may be adopted
- Transparency of the criteria to be used to select successful contractor
- Compliance with technical standards. In this respect, European standards must take precedence over national standards.

Note :- It is good practice at the beginning of the budgetary year to give notice in the European Journal of works, supplies and services contracts above the stated thresholds, that a body 'intends' or 'hopes' to award

3.3 THE SCHOOL'S TENDERING POLICY (CSO 5.02-3 AND CSO 6)

3.3.1 It is the school's governing body's responsibility to establish the tendering policy for the school in line with the local authority's Contract Standing Orders. In particular the decision making process must be properly documented.

3.2.2 The most essential part of this policy is to state the threshold value of goods and services above which a tender must be used. In establishing these critical values the governing body must take into account a variety of factors such as the overall size of the school in financial terms and the nature of the purchase or supply.

3.3.3 The governing body may find it necessary to establish different threshold values for different categories of purchases/supplies. Under Contract Standing Orders, schools are to act in the most efficient way for expenditure up to £5,000. Schools must seek 3 quotations or go out to tender for expenditure between £5,000 and up to £25,000 and go out to tender for expenditure exceeding £25,000.

3.3.4 Values are normally calculated as the aggregate value payable exclusive of value added tax over the entire contract period. Contracts must not be artificially under or over estimated or divided into two or more separate contracts where the effect is to avoid the application of Contract Standing Orders. For information, contracts valued over £3m require a 'key decision' and as such must be in the local authority's forward plan.

3.3.5 Some of the other factors to include in the policy are as follows:

- The minimum number of tenders required (this is normally three but will be dependent upon the nature of the purchase and the value involved)
- The level of delegated authority in decision making
- When such authority and approval are necessary
- If the proposed contract relates to public works, public supplies or public services and is governed by European Directives, then the school must seek at least 5 and up to a maximum of 20 quotes or tenders.
- Where the proposed contract is subject to the requirements of EC Directives, the invitation for tenders must be advertised in the Official Journal in addition to national or local newspapers or journals.

3.4 THE TENDERING PROCESS

The tendering process can be broken down into the key stages as follows:

- Identify requirements
- Seek and obtain approval to go ahead
- Tender preparation (market testing/consultation/risk assessment)
- Tender plan
- Specification/evaluation model
- Advertise/pre-select potential bidders
- Shortlist and invite to tender/negotiate
- Clarify/negotiate bids and evaluate (note that not allowed to negotiate unless under negotiated tender procedure)
- Preferred bidder
- Approval
- Award and implement contract
- Monitor and manage contract – competitive dialogue

3.5 PREPARATION FOR TENDER

3.5.1 Initial specifications need to be drawn up. The specifications for a tender will be far more detailed than is the case in the normal purchasing procedure. It is of utmost importance that the specifications are as precise as possible and as detailed as possible so that there is no room for misunderstanding between the user, purchaser and supplier.

- The following issues should be considered when drawing up the specifications:
- Is the project within the School's development plan
- Are the budgeted funds available?
- What is the objective of the project?
- What are the overall requirements?
- What technical skills are required?
- Is after sales service required?
- What are our delivery date requirements?
- Does TUPE apply? It is up to the bidder to ascertain whether it does or not.
- What responsibilities does the school have?

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

3.6 INVITATION TO TENDER (CSO 9)

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

3.6.2 An invitation to tender should include the following:

- A letter of invitation with instructions to tenders including the Specification, contract documentation and form of tender pricing schedule.
- A pre-addressed referenced label for tenders to submit with their response, please refer to Appendix A. These labels must be used.
- Introduction/background to the project
- Scope and objectives of the project
- Technical requirements
- Implementation of the project
- Terms and conditions
- Details of the time and place at which the tenders are to be received
- Evaluation framework

3.6.3 Contractors must be informed that their tenders will only be considered if they are:

- Sent in a plain envelope or parcel with the Haringey label (see example as attached Appendix A which is printed the word “Tender” followed by the subject of the contract; and
- Contained in a sealed envelope or parcel which does not show the identity of the tenderer in any way; and
- Delivered to the place and by the time stated in the tender invitation.

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

- record the date and time of receipt on the envelope,
- store safely and securely the tenders unopened until specified date and time for opening,
- ensure that people who are not part of the tender process are present on opening the tenders.

3.7 Opening of Tenders

3.7.1 Tenders should be opened as soon as possible after the specified deadline for receipt, and this should only be undertaken by staff authorised to do so. The following information must be recorded (see CSO 9.03 for levels of authority):

- date and time of opening
- names and signatures of those present
- value of each tender
- details of suppliers who declined the invitation, or failed to submit a tender
- a full post-completion check for any omissions in the submission needs to be made e.g. documents, signatures, missing data, any changes made with correction fluid should be circled and initialled

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

3.8 Criteria for Evaluation of Tenders (CSO 11)

3.8.1 Tenders are to be accepted on the basis of either:

- The lowest price or,
- The most economically advantageous tender.

3.8.2 It may be useful after all requirements have been established to rank or weight requirements, (e.g. mandatory, desirable and additional) according to their importance and award marks to suppliers on fulfilment of these requirements to help reach an overall decision. Criteria should be established and recorded prior to tender opening. Included within these criteria checks should be whether Health and Safety and Equal Opportunities issues have been addressed.

3.8.3 Financial issues to consider should include:

- Every bid should have an arithmetical check completed fully. If there are mistakes made and not picked up at the beginning, there could be costly consequences for the local authority in the future.
- Whether like is being compared with like and that a lower price does not mean a reduced service or lower quality. If this is the case schools should consider whether the specification will be met; alternatively a higher specification at a higher price may be in excess of the school's requirements and thus may not represent value for money
- Ensuring that the tender price is the total price and that there are no hidden or extra costs
- Financial status of supplier: Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. Schools should examine suppliers' audited accounts, preferably for the previous 3 years. Schools should be aware that credit agencies can provide financial information on companies for a small charge
- The difficulty in changing contractors part way through a contract, should this prove necessary. The financial implications may be significant.

3.8.4 Technical issues to consider should include:

- Quality control procedures
 - Ability to deliver
 - Status and legitimacy
 - Health and Safety (including CRB checks)
 - Environmental issues
 - Equal Opportunities
 - Finance
- Other considerations to be taken into account are:
- Pre-sales demonstrations
 - After sales service

3.9 RE-TENDERING OF CONTRACTS

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

3.10 EVALUATION AND APPROVAL OF TENDERS (CSO11)

3.10.1 Tenders should be evaluated against the set criteria which must be agreed in writing before any tenders are opened. This will assist in ensuring value for money is achieved, (quality and the most economically advantageous). The evaluation should be documented fully and the documents retained.

3.10.2 The decision making level will depend on the Governing Body's tendering policy. It may, for example, be the Headteacher together with the Departmental Head for small contracts, with a report to the governing body of decisions made, and the governing body, or committee for larger contracts. In all cases a formal report should be prepared summarising the evaluation with a recommended decision. After consideration, the decision should be recorded fully. All tenderers should be informed of the decision.

3.10.3 Governing Bodies can award all contracts valued at £250,000 or less.

3.10.4 Contracts over £150,000 must be executed on behalf of the local authority under seal as a deed. Contract Standing Order (CSO 6.09) A school's governing body shall have the powers and duties of a Director specified in these CSOs except in relation to waiver (CSO 7.02).

3.10.5 “Award of contract” means accepting the quote or tender of a particular contractor. In order to award a contract, the purchaser will have to write a report to the appropriate person/people. This will normally be the Headteacher or governing body. - The report will need to include the same basic information regardless of who is making the decision. It must:

- summarise the quotes or tenders received
- include the pre-tender cost estimate
- set out the results of the tender evaluation process
- contain relevant legal and financial information
- make a recommendation as to the award of the contract

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

3.11 Ethical Issues

3.11.1 The evaluation process should involve at least two people plus any specialist required in conjunction with a Health and Safety and Equal Opportunities officer. Those involved should disclose all interests, business or personal, which might impact upon their objectivity. If there is a potential conflict of interest then that person must withdraw from the tendering process. Positive confirmation should be required from all involved in a decision that they have no interest in the award. This should include friends and relatives.

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

3.12 Notification to Tenders

3.12.1 All organisations that submitted a tender should be advised of the outcome of the process as soon as is reasonably possible following evaluation of the submissions. All letters to successful and unsuccessful contractors must be sent out at the same time.

3.12.2 It is advisable to ask those who were not successful to request, in writing, the reasons why their bid was not successful. In accordance with an important legal ruling (the Alcatel judgement), a contract must not be awarded for ten days after notification, to allow for the debriefing of unsuccessful bidders and any challenges to be brought.

3.13 Tendering to Supply Services

3.13.1 There may be occasions where schools tender to supply goods, services, materials or works to other schools either alone or as part of a consortium. Should this arise, proper advice should be sought regarding the legal parameters and requirements of the potential arrangement.

3.13.2 Where a school is considering such a tender the effects should also be carefully costed to ensure the school's budget is not detrimentally affected either from capital payments or resulting ongoing revenue impacts..

4. Contracting

4.1 CONTRACTS GENERAL

Note: It is essential that Haringey Council's Contract Standing Orders (CSOs) are followed when schools undertake contracting. These can be found by logging on to Harinet, then the Council Wide Information Area - Corporate Procurement. Haringey's Procurement Manual again found on the Harinet also sets out the contracting procedures. *Please refer to these sources for background information.*

4.1.1 Contracts can relate to a wide range of a school's needs. The most common is the supply of goods or services which are the subject of this area of the Financial Manual. Advice should be taken before entering into any other sort of contract.

4.2 Potential Goods and Services Providers

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

- Provide in-house
- Local Authority
- External contractor

4.2.2 Evaluation of the value for money of each option should be made. The in house option e.g. catering may appear in some instances to be the cheapest. However, factors such as disruption of current activities, overload of staff, quality and expertise, cost of management and administrative time, and management of risk should be considered.

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

4.2.4 Haringey Council offers a wide range of services at a wide range of service levels.

4.3 SERVICE CONTRACTS

4.3.1 Contracts are essentially of three types:

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

Schools must consider the costs and benefits of each.

4.3.2 Pay as you use (hourly rate) contracts are straightforward but may give the supplier little incentive to control their time as the cost is passed on. If a school needs to use the service more than anticipated the additional costs will be met by the school. This type of contract allows schools to adjust to changing circumstances by using less or more of the service.

4.3.3 Fixed entitlement contracts allow the exact cost to be known in advance. This aids budgeting and planning. However, suppliers may be tempted to inflate prices in anticipation of problems and therefore may be more expensive. The school is offered a fixed entitlement to a specific level of service at a set price e.g. a certain number of days advice on curriculum.

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

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

- level of service
- scope of work
- frequency and timing
- calculation of charges
- criteria for successful delivery of the contract
- means of redress if this is not achieved
- any cancellation costs
- due date for payment

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

4.4 Monitoring of Agreements and Contracts

4.4.1 It is essential that schools monitor all agreements and contracts closely and on an ongoing basis to ensure satisfactory delivery. Monitoring should be included in both the contract and the specification. Issues to consider are:

- The governing body will approve all major contracts as set out in their Financial Procedures. All contracts over £250,000 must be approved/awarded by the Executive Procurement Committee
- Staff involved with the service should be involved in the purchasing and monitoring operation. The role of negotiation and administration could be delegated accordingly. The responsibilities of staff should be clearly defined and be in line with their capabilities and experience
-
- Monitoring should be an ongoing process and all concerns should be raised with the contractor. The school should maintain a written record of communications related to all such concerns
- Schools should ensure that the hirer or lessor has arrangements in place for prompt repair of equipment under contract.

5. Security and Retention of Records

5.1 Contract Specifications and contract development papers are to be retained for six years after the terms of the contract have expired.

5.2 Contract Documents shall be retained for six years after the terms of the contract have expired.

5.3 Tender Issues supporting documents to be retained for one year after awarding the contract.

5.4 Tender evaluations are to be stored for six years after the terms of the contract have expired.

5.5 Successful Tender documents will be kept for six years after the terms of the contract have expired.

5.6 Unsuccessful Tender documents will be kept for six years after the terms of the contract have expired.

5.7 Post Tender negotiation papers are to be retained for two years after the terms of the contract have expired.

5.8 Contract Monitoring Documents are to be retained for 2 years after the terms of the contract have expired.

Sample labels for Tender & Competitive Quotation

Tender labels must be printed in GREEN

Contracts up to £150k

TENDER / QUOTATION

(N.B. Markings identifying sender will void the tender)

**To: (Responsible Officer)
(Directorate)
(Directorate Address)**

Contract/ Project for: _____

Contract/ Project No: _____

Return by 1.00pm on: _____

Contracts over £150k

TENDER

(N.B. Markings identifying sender will void the tender)

**To: HEAD OF LEGAL SERVICES
LEVEL 8
ALEXANDRA HOUSE
10 STATION ROAD
LONDON
N22 7TR**

Contract/ Project for: _____

Contract/ Project No: _____

Return by 1.00pm on: _____

VOLUNTARY AND PRIVATE FUNDS

1. Introduction

1.1 Schools financial regulations referenced 208-213 set out the internal controls and procedures to be followed by schools in relation to the audit of their responsibilities and accountabilities in respect of Voluntary and Private Funds associated with the school.

1.2 This manual follows the same structure and order as the financial regulations but is designed to give detailed assistance to schools in designing processes to record and demonstrate compliance with the regulations. Examples are also given where process compliance by schools can assist and ease the audit process.

1.3 In any case where conflict is perceived between this manual and the schools financial regulations then the regulations will apply.

1.4 If a school has difficulty in interpreting the regulations or this corresponding financial manual they should contact either their Schools Financial Adviser or the Head of Audit and Risk Management.

2. Background

2.1. Voluntary and Private Funds administered by schools are those funds that are accounted for outside the Local Authority's accounting regime but are nevertheless clearly associated with the activities of the school and their management involves staff employed by the Authority.

2.2. Schools should have appropriate systems for the custody and financial control of Voluntary and Private Funds under the overall control of the Governing Body.

2.3 In exceptional cases, for example accusations of fraud, the Local Authority and in particular its auditors, may require to view the accounts and records of a school's Voluntary or Private Funds.

3. Overall Responsibilities

3.1. The school's Governing Body should ensure that for any Voluntary and Private Fund administered within the school they have:

- Agreed the appointment of a fund treasurer who is responsible for the proper operation of that fund and any associated subsidiary funds, and who shall be responsible for monitoring whether the fund should be registered for VAT purposes.

- Approve the appointment of an independent auditor for the fund. i.e. an individual who has the appropriate skills and knowledge to undertake the audit and who is independent of the Governors and school staff involved with the fund.

3.2. The Headteacher shall ensure that the same standards of financial accounting and internal control that apply to the school's delegated budget (official funds) are applied to those funds that are composed of non public money (Voluntary and Private Funds)

4. Charities Act

4.1. Fund Treasurers should contact the Charity Commission on behalf of the Governing Body and in accordance with the guidance received register, if appropriate, the fund as a Charity.

4.2. Where a fund has been registered as a Charity the Governors will act as the Trustees and be responsible for ensuring that the accounting requirements of the Charities Act are followed.

5. Separation of Accounting Records and Bank Accounts

5.1. Income belonging to Voluntary and Private Funds should be kept separately from a school's official money. Likewise, money associated with official activity should not be held in Voluntary or Private fund accounts.

5.2. Records of all transactions are likewise not to be mixed.

5.3. The opening of any bank account in respect of a Voluntary or Private Fund shall be approved in advance by the Governing Body.

5.4 Voluntary and Private Fund transactions should not be included in the reports of financial activity submitted to Local Authority.

6. Activities of the fund

6.1 All individual activities run within a Voluntary or Private Fund should have a named person who will carry responsibility for that activity. A list of all such activities together the dates they were held and the names of the individuals managing them will be maintained by the Voluntary or Private Fund's Treasurer.

Income

6.2 A full record of the receipts and payments will be maintained by the individual managing any event that relates to the Voluntary or Private Fund. An example of such a record for school trips organised through a school is shown at Appendix 1 and other events should have similar records.

6.3 All financial transactions relating to such activities should be conducted through use of the fund's bank account and not the school's official bank accounts.

6.4 Acknowledgements should be given for all income received into Voluntary and Private Funds. The form of acknowledgement may vary according to the activity. Examples are: Collection cards for larger schools trips contributed by participants through regular payments, duplicate numbered receipts for individual donations or such things as craft sales, cash register till receipts for tuck shops.

6.5 All income received should be banked as received and without deduction to meet items of expenditure. Individuals operating activities should pass all resulting income to the fund's Treasurer promptly and regularly for banking. A record of such events should be maintained and signed by both parties

6.6 Voluntary or Private Fund income should be paid into the relevant bank account at least monthly. Private cheques should not be cashed through such funds.

Payments

6.7 All payments from Voluntary or Private Funds should be supported by vouchers/invoices and unless made via petty cash should be made by cheque.

6.8 Payments will be properly endorsed with an authorisation for payment supporting the expenditure and will be referenced to the cheques used to make the payment.

Bank Accounts

6.9 Bank accounts relating to Voluntary or Private Funds will be opened after agreement in writing from the Headteacher who shall keep a record of any such approved accounts.

6.10 All cheques will be signed by two nominated individuals from a panel notified to the bank

6.11 Regular bank reconciliations will be carried out by the Fund Treasurer normally on a monthly basis. The reconciliations will be signed and dated by the Fund Treasurer and retained for audit purposes.

7. Petty Cash

7.1 In order to make small payments such as postage can be made in cash a petty cash account may be held. A record book with details of all payments, referenced to vouchers supporting the payment, should be maintained by the Treasurer. The petty cash will operate on an imprest basis.

7.2 The advance for the petty cash should be set at a level that will not require replenishment for between 1-2 months. Individual payments will normally be restricted to £25 or below.

7.3 Before reimbursement is made by the Treasurer the petty cash account will be reconciled back to the original advance. The reconciliation will be signed and dated by the compiler and retained by the Treasurer to support the reimbursement.

7.4 All petty cash vouchers and reconciliations will be retained for audit purposes.

8. Year End Accounts

8.1. Promptly at the end of each financial year, or sooner if at the end of the fund's activity, the Treasurer will prepare a set of financial statements for the fund which will be signed by the Treasurer.

8.2. The Fund Auditor, who should have a sufficient knowledge and financial background to competently complete the task, will audit the accounts as soon as possible after receipt and sign the audit certificate on the accounts. An example of an audit certificate is attached as Appendix 2. A copy of the accounts should be displayed prominently within the school.

8.3. A copy of the audited accounts, the auditors certificate and where appropriate any associated auditor's report should be presented to the Governing Body.

9. INSURANCE AND SECURITY

9.1 The Governing Body shall ensure that the appropriate insurance cover such as Cash in Transit and Fidelity Guarantee is in place for Voluntary and Private Funds.

9.2 Cash should be held to a minimum and banked regularly

9.3 Where large sums are anticipated (e.g. fetes etc) arrangements should be made where possible for money to be placed in a night safe facility with the Fund's bankers.

9.4. Items of value purchased from Voluntary and Private Funds for the school should be recorded in the school inventory, with a reference to the fact that they were purchased from such funds.

10. CHANGE OF FUND TREASURER

10.1. On handing over responsibility for a Voluntary or Private Fund by a Treasurer to a successor the following procedures should be adopted as a minimum.

- The outgoing treasurer will pay into bank all money in hand.
- The Treasurer will total and reconcile the cashbook with the bank account.
- A statement will be completed in the cashbook detailing the bank reconciliation. The statement shall be signed by the outgoing treasurer, incoming treasurer, and head teacher.

11. Retention of Records.

11.1 All bank statements, cheque books, cheque book counterfoils, receipt books, paying in books, vouchers/invoices etc. together with any deposit account pass books and any other records supporting transaction of the fund should be retained for the use of the fund's auditor. Post audit these should be retained for six years.

-----School

Holidays and Outings Receipts and Payments Record

Name of Holiday/Outing							
Date(s) of Holiday/Outing							
Name of Organiser							
Estimated Total Cost							
Estimated Number of Participants							
Cost per Participant							
Receipts				Payments			
(Include details of all income received)				(Include details of all costs incurred in order that overall costs of trip may be determined)			
Date	Amount		Signature of Collector	Date	Details	Amount	
	£	p				£	p
Total					Total		
					Balance		

Example Audit Certificate

To : _____

-----Fund

I have examined the financial records of the above voluntary/private fund for the year ended -----

All supporting records to the accounting entries have been made available to me and I have used these to confirm the transactions within the copy accounts/transaction records supplied.

Bank and cash balances shown within the accounts at the year-end have been reconciled to bank statements of that date or cash in hand and any other material assets shown have been agreed to supporting evidence as to their value and existence.

*I have no issues to raise following the completion of my audit/ I have the following issues to raise as a result of my work:

(* Delete as appropriate)

Signed----- Date-----

Details of Auditor(s)