



**ROTHERHAM METROPOLITAN
BOROUGH COUNCIL
FINANCIAL REGULATIONS FOR
SCHOOLS**

**Effective From 1st April 2020
(Revised April 2023)**

**FINANCIAL SERVICES
2020**

FOREWORD

This document is a source of practical guidance and advice, which reflects the underlying principles associated with good financial management and practice.

The Strategic Director of Finance & Customer Services has a statutory duty to ensure the proper administration of the Council's financial affairs (Section 151 of the Local Government Act 1972). This includes budgets managed by schools. The amount made available to each School Governing Body shall remain the property of the Local Authority until spent. In order to assist the Strategic Director of Finance & Customer Services to fulfil his/her statutory responsibilities in this respect, the Council has approved these regulations and requires the Governing Bodies of schools to adhere to them.

The regulations are an adaptation and extension of the Council's main Financial Regulations. They represent the Council's Financial Regulations in relation to one particular aspect of activities. i.e. Schools delegated budgets.

The Strategic Director of Finance & Customer Services is responsible for maintaining a continuous review of the regulations and submitting any changes to Cabinet Member for Resources and Rotherham Schools Forum for approval. Schools and Governing Bodies will be notified of any required changes.

The regulations apply to the Head Teacher, Governing Body and all staff involved with the management of the schools budget. The regulations apply equally to the Governing Bodies of Aided schools, except where there are overriding statutory provisions.

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A SCOPE AND INTERPRETATION OF THE REGULATIONS [\(index\)](#)

1. The regulations identify the financial responsibilities of school Governing Bodies, Head teachers and the Local Authority in respect of delegated school budgets.
2. The Assistant Chief Executive, Legal and Democratic Services is responsible for the determination of any dispute as to the interpretation of these regulations.
3. These Regulations shall not be changed, revoked or otherwise set aside without the prior agreement of the Council acting on recommendations from Cabinet or the Schools Forum.
4. The Strategic Director of Finance shall comment in writing upon any proposal to change, revoke or otherwise set aside any part of these regulations, prior to any decision of the Council on this matter.

B. THE REGULATIONS AND THE FAIR FUNDING SCHEME FOR SCHOOLS

[*\(index\)*](#)

1. It is a requirement of the School Standards and Framework Act 1998 (S.48) for each Local Authority to have a Scheme for Financing Schools (The Rotherham Scheme for Financing Schools). The Rotherham Scheme for Financing Schools sets out the financial relationship between the Local Authority (LA) and its maintained Schools, while the Schools Financial Regulations provide the framework for maintained Schools to manage their financial affairs and are issued under Section 151 of the Local Government Act 1972.
2. Paragraph 1.2 of the scheme requires that Schools manage and control their finances within the rules set down in The Rotherham Scheme for Financing Schools.
3. These regulations do not apply to Academies as they are publicly funded independent schools which operate within a different financial framework to maintained schools.
<http://www.education.gov.uk/academies>

C. GOVERNANCE AND ACCOUNTABILITY

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1. Aims of the Regulations

The Regulations aim to ensure:

- Probity in financial conduct
- Best Value for the taxpayer
- Clarity in the expectations of Schools' conduct
- Accountability by Schools for their actions

2. Responsibilities of the Governing Body and Head Teacher

The Governing Body has a collective, statutory responsibility for the strategic and financial management of the school. It has responsibility for setting educational and financial priorities and ensuring compliance with The Rotherham Scheme for Financing Schools and Financial Regulations for Schools. Alongside the Head Teacher they have direct control over and make decisions on the allocation of financial resources.

The Governing Body is a corporate body and such governors of maintained schools will not incur personal liability in the exercise of their power to spend the delegated budget share provided the act in good faith.

The Head Teacher provides vision, leadership and direction for the school and ensures that it is managed and organised to meet the aims and objectives as defined by the Governing Body.

3. Internal Controls

Schools should have systems for the recording and controlling of financial transactions. Sound internal financial controls are required to ensure the accuracy and reliability of schools' financial transactions.

The basic principles and key underlying controls are:

- Separation of duties
- Maintenance of adequate records
- Clarity in responsibilities and procedures
- Transparency to stakeholders

The Governing Body is required to produce a 'Controls Assurance' statement. This document sets out the processes in place, which ensure effective financial management.

4. Scheme of Delegation

The Governing Body should formally agree a 'Scheme of Delegation'. The scheme should be clearly set out in writing and should give details of the roles and responsibilities of the Governing Body, its committees, the Head Teacher and other staff in relation to financial decision-making and administration. Financial limits of delegated authority should be included in the scheme and must be reviewed annually and must not exceed approved limits within the School Financial Regulations. See [Section H – 2](#).

5. Finance Committee

A Finance Committee should be set up to consider financial issues on behalf of the Governing Body. This should include defining of the purpose, responsibilities and composition of the Committee in a 'Terms of Reference' document. Minutes of the Committee must be formally submitted to the Governing Body. Finance Committee (or Governing Body meetings, where small schools do not have a Finance Committee) meetings must be scheduled to coincide with the timetable for submission of budgets for the new financial year and budget monitoring returns to the Council.

6. Conflicts of Interest

The Governing Body is required to conduct its decision-making processes in a manner which is unbiased and objective. The existence or suspected existence of conflicts of interest would jeopardise this objectivity and raise potential for suspicion as to the probity of decision-making. For this reason, the Governing Body is required to maintain a Register of Business Interests, of Governors, the Head Teacher and all other relevant staff who may reasonably be considered to influence financial decisions.

6.1 Fraud and Corruption

The Governing Body is required to adhere to the Authority's Anti Fraud and Corruption policy as outlined in the Rotherham Scheme for Financing Schools - Section 2.23.

7. Gifts and Hospitality

The Anti Fraud and Corruption policy forbids Governors and staff from accepting gifts, rewards or hospitality in the course of their official duties if they could appear to place them under any obligations to the person/organisation offering the gift/reward or hospitality; compromise their impartiality; or otherwise, be improper.

If the staff or Governors have any doubts about these issues, the offer(s) must be refused.

For this reason, and to promote transparency the Governing Body should maintain a '**Register of Hospitality and Gifts**'. This requires staff and Governors to disclose such offers and acceptances and add them to the register.

8. Freedom of Information

The Freedom of Information Act 2000 (FOIA) requires that the Governing Body of every maintained school ensure that all employees at the school are able to comply with requests for information under FOI.

From this date, schools have a duty to provide advice and assistance to anyone requesting information. There are a number of exemptions to this right, where we won't provide information. For example, we won't normally disclose personal details about someone else. (See Appendix 2 on Page 48).

9. Competencies

The Governing Body must ensure that the school financial staffing needs are reviewed regularly. Agree competencies (skills, knowledge and attitudes) must be used as a basis for the review.

9.1 Training & Induction

The Governing Body should ensure that all governors and relevant staff have access to induction and regular update training to ensure their financial management skills are maintained to an appropriate standard.

10. Communications Strategy

The Governing Body will develop, implement, and regularly review a communications strategy to address the financial information needs of staff, parents and other stakeholders. The strategy should allow relevant stakeholders to ask questions and provide feedback.

This strategy should specify:

- **The information which will be communicated** – at a minimum, this should include the annual Governors' Financial Summary and the Controls Assurance Statement, and statements of the Governors' policy on [Whistleblowing, Anti-Fraud, and Corruption](#)
- **The Stakeholders to whom the information will be communicated** – e.g. this should include staff, parents / carers and other stakeholders in the School

- **In what manner** – The most effective means of communication will vary between different schools but include the same information as is relevant to particular stakeholders e.g. School Governors should receive regular up dates on budget forecasts.

11. Schools' Financial Value Standard (SFVS)

From March 2012 it is a legal requirement that all schools achieve the Schools' Financial Value Standard (SFVS).

The schools financial value standard helps to provide Governing Bodies with assurance that the school is meeting the basic standards necessary to achieve a good level of financial health and resource management. The tool can be used to identify possible areas for change to ensure that resources are being used to support high-quality teaching and the best education outcomes for pupils.

The tool comprises a checklist and a dashboard, which asks a number of questions of Governing Bodies in 6 areas of resource management to provide assurance that the school is managing its resources effectively.

The dashboard shows how a school's data compares to thresholds on a range of statistics that have been identified by the department as indicators for good resource management and outcomes.

This guidance provides detailed explanations for each of the indicators in the dashboard to support schools in filling in their data and understanding the results.

<https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs>

12 Notice of Concern

The local authority may issue a notice of concern to the Governing Body of any school it maintains where, in the opinion of the Strategic Director of Finance & Customer Services and Director of CYPS, the school has failed to comply with any provisions of the scheme, or where actions need to be taken to safeguard the financial position of the authority or the school.

The notice of concern will set out the reasons for it being made and may place restrictions, limitations or prohibitions in relation to the management of funds delegated to it.

These may include but are not limited to:

- insisting that relevant staff undertake appropriate training to address any identified weaknesses in the financial management of the school

- insisting that an appropriately trained or qualified person chairs the finance committee of the Governing Body
- placing more stringent restrictions or conditions on the day to day financial management of a school than the scheme requires for all schools, such as the provision of monthly accounts to the local authority
- insisting on regular financial monitoring meetings at the school attended by local authority officers
- requiring a Governing Body to buy into a local authority's financial management systems
- imposing restrictions or limitations on the manner in which a school manages extended school activity funded from within its delegated budget share; for example, by requiring a school to submit income projections, financial monitoring reports on such activities, or both

The notice will clearly state what these requirements are and the way in which and the time by which such requirements must be complied with in order for the notice to be withdrawn. It will also state the actions that the local authority may take where the Governing Body does not comply with the notice.

13. Responsibility for legal costs

Legal costs incurred by the Governing Body may be charged to the school's budget share, unless the Governing Body acts in accordance with the advice of the local authority; although this is the responsibility of the authority, as part of the cost of maintaining the school unless they relate to the statutory responsibility of voluntary aided school governors for buildings.

The effect of this is that a school cannot expect to be reimbursed for the cost of legal action against the local authority itself; although there is nothing to stop an authority making such reimbursement if it believes this to be desirable or necessary in the circumstances.

The costs referred to are those of legal actions, including costs awarded against a local authority; not the cost of legal advice provided.

D. FINANCIAL PLANNING

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1. 3 Year Budget Plan

Financial planning is an essential part of good financial management. It is the process whereby the school reconciles and balances the resource implications of its School Development Plan (SDP) with the resources available to it from all sources, taking account of external constraints, and existing commitments.

The Rotherham Scheme for Financing Schools requires that each school submit a 3-year budget plan on an annual basis. The plan should be approved by the Governing Body and submitted to the Authority on time each year in the format specified. From the 2021 to 2022 funding year each school **must submit** a 3-year budget forecast each year, at a date determined by the local authority between 1 May and 30 June. Local authorities must inform schools of the purposes for which they intend to use these 3-year budget forecasts: such a forecast may be used in conjunction with an authority's balance control mechanism.

The plan should outline the school's educational priorities and related budget plans for at least three years, showing how the use of resource is linked to the achievement of the school's goals. The links between the budget plan and the SDP should be clearly identifiable.

Intended expenditure on continued commitments should also be stated within the plan, including a commentary on significant changes from previous years.

Benchmarking should be used to inform the financial plan for the school. The DfE Consistent Financial Reporting (CFR) Framework enables school financial performance data to be compared in consistent manner.

All schools are required to complete a financial return to the DfE after each financial year in the CFR format. (N.B This is part of the Service provided to schools who purchase the Schools Finance Team via a Service Level Agreement). This information is then collated in to the DfE Benchmarking website, to enable comparison with other schools in England and Wales.

The Schools Finance Team provides benchmarking information on an annual basis.

This enables schools to compare financial performance with others in the Rotherham area.

The DfE Value for Money Website enables schools to compare with schools in England and Wales.

2. Setting the Budget

2.1 Financial Year

The school financial year and budget allocation runs from the 1st April to 31st March each year. The Council aims to provide schools with details of their new financial year funding streams and indicative funding streams for the following one or two years (as is available according to the relevant Comprehensive Spending Review period) by early March. However, it is good practice for schools to start to prepare a draft budget plan any time from the beginning of the Spring Term to highlight to governors likely expenditure levels, income requirements and any potential shortfall or flexibility in the budget.

Staffing costs in schools typically account for between 85% - 90% of the schools overall expenditure so it is important to accurately forecast these costs as poor planning in this area of the budget could increase the risk of a deficit situation arising later in the financial year. Staffing information will be provided by the Local Authority for schools who buy back financial services from the Schools Finance Team. Schools choosing not to buy back financial services from the Council may be able to obtain staffing costs from their external financial service providers.

2.2 The Budget Plan

The budget plan must include all categories of staffing – teaching and non-teaching such as teaching support staff, admin, finance and clerical, caretakers (Consistent Financial Reporting (CFR) groups E01 to E07). When preparing the budget plan increments, allowances, pay awards and employee on-costs (Superannuation and National Insurance) should be included as should any known staff changes or vacancies.

Non pay areas of the budget including premises, curriculum, ICT, schools development, training etc account for approximately 10%-15% of the schools overall expenditure (CFR groups E08 to E32). Basic running costs such as utilities, insurance, supplies and services are usually based on known cost trends from previous financial years with the appropriate inflation rate included in the funding allocations made.

As a general guide, inflation rate information is provided to those schools choosing to buy back financial services from the Schools Finance team. However, it is important to ensure that this information is regularly reviewed for your individual school (e.g. some contract inflation rates will vary from school to school) to take account of any changes and to prevent inaccurate forecasting.

2.3 Surplus Balances

The budget planning process should provide schools with the opportunity to consider how any surplus balances, either cumulative or in year, can be utilised (or how any potential shortfall in funding can be recovered. [See section 4. Deficit budgets.](#))

3. Use of Balances Carried Forward

Schools may carry forward any unspent revenue balances (i.e. arising under-spending from previous years) to spend in future financial years. However, no interest will be paid by the council on unspent balances carried forward into the next financial year. If a school has an over or under-spend in the current year, this balance will be deducted from or added to the next financial year's budget allocation. This is subject to the balance not being higher than 8% for Primary, Special and Nursery Schools and 5% for Secondary Schools.

Any surplus or deficit balance carried forward from one year to the next will be reported to the DFE on the relevant Section 52 Outturn statement. (Via the CFR reporting process).

Any balance to be transferred to a school's bank account where a school has chosen to become a 'bank account school' will be calculated on a provisional basis for a school having a new bank account, as requested by the school, pending a later reconciliation.

3.1 Commitments relating to Carried Forward Surplus Balances

Schools may enter into commitments that extend into the following financial year provided that they can reasonably expect that the cost of any such commitment could be funded from their cumulative delegated budget in the forthcoming financial year.

3.2 Closing or Replacement Schools

When any school is closed any balance (whether surplus or deficit) reverts back to the Council. It cannot be transferred as a balance to any other school, even where the school is a successor to the school.

Any such balances (whether surplus or deficit) will be subject to the provisions of the School Standards and Framework Act (Section 47) and their use to be agreed by Rotherham School's Forum

4. Deficit Budgets

Schools may not plan for budget deficits and are required to keep spending within their budget share. However, should a potential deficit position be forecast in year the school will be expected to revise their budget accordingly to achieve spending within their budget share. If in exceptional circumstances, this is not possible schools may be able agree a “licensed deficit” which, subject to agreement will require the school to prepare detailed plans to demonstrate how the debt will be recovered over a maximum 3 year period.

Schools must submit a recovery plan to the local authority when their revenue deficit rises above 5% at 31 March of any year. Local authorities may set a lower threshold than 5% for the submission of a recovery plan if they wish. The 5% deficit threshold will apply when deficits are measured as at 31 March 2021.

Should a school forecast a deficit position for the current year and wish to agree a deficit budget, the Head teacher shall, without delay:

- Apply in writing to the Strategic Director of Finance and the Strategic Director, Children and Young People’s Services.
- Attend a meeting to discuss the budget with the Strategic Director of Finance (or where the school buys back the Services of the Schools Finance Team – their designated officer) and the Director of Resources and Access, Children and Young People’s Service.
- Representatives from the School’s Human Resources provider, Governing Body and School Effectiveness team may also be requested to attend the meeting (by either the School or the Council).

The Council cannot write off the deficit balance of any school. However, the Council may give consideration to the allocation of funds from the Schools in Financial Difficulty fund, if deemed to be appropriate, with criteria for the use of such funds to be agreed on a case by case basis. If schools wish to access the Schools in Financial Difficulty fund, the same procedure as for the Licensed Deficit Approval process, except there would be a need to demonstrate the achievement of a balanced forecast outturn position within the current financial year.

5. Linking Budget Management with Cash Flow Management

For schools operating their own bank accounts cash flow is a matter to be considered during the budget planning process and during the course of the year. Schools should complete cash flow forecasts to

ensure that they will have sufficient funds to meet their expenses month by month during the year.

Further information on is included in the Rotherham Schools Bank Account Scheme

6. Schools in Financial Difficulty

If a Secondary school is unable to set a balanced budget, the school may apply for a licensed deficit. The procedure followed would be as described above in 4. For other schools, each year a limited amount of Curriculum Intervention funds are set aside to assist schools who find themselves in unforeseen financial difficulty. The school is required to submit details of its budget, pupil numbers and class structures to the Strategic Director, Children and Young Peoples Services once a financial difficulty is anticipated. On consideration of the request, funds may be allocated and added to the budget of the relevant school for that year. Once allocated the school would be expected to be able to demonstrate the use of the funds upon request.

E. BUDGET MONITORING AND REPORTING

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1. Presentation of the School Budget Plan

The School Budget Plan must be approved by the Governing Body (or Finance Committee if this task has been delegated and is reflected in the Finance Committee's Terms of Reference) before it is entered on to the schools financial management system

The budget plans presented to and approved by the Governing Body or Finance Committee should be in a format that is easily understood. This may be the format of the schools financial management system as this will assist in the subsequent budget monitoring process. Whichever format is used for the budget plans approved by the Governing Body, the same format should be used for presenting budget monitoring information to the Governing body.

Budget plans must also be submitted to the Council annually as described in [Chapter D Section 1](#) above, a revised budget plan must be submitted before half term in the autumn term.

2. Monitoring and Review

Budget Monitoring is the process of:

- Comparing actual income and expenditure against planned income and expenditure
- Identifying and explaining any variations
- Considering what impact the variations will have on the outcomes set out in the School Development Plan
- Calculating the forecast outturn position for current and future financial years
- Planning and implementing remedial action as necessary to ensure a balanced budget position can be achieved alongside the achievement of the outcomes set out in the School Development Plan

Monitoring of expenditure and income against budget should be a continuous process which should take account of current and future year planning and decision-making. It is essential that the school's accounting systems and financial control arrangements are adequate to ensure regular and reliable information is available to budget holders, the Head Teacher and Governors.

To ensure budgets are effectively monitored all income and expenditure, including committed expenditure and estimated income, should be reported to give budget holders, the Head Teacher and Governors a clear view of the overall forecast financial position of the

school. Regular reports should be produced to allow for corrective action to be taken quickly if the need arises (e.g. reduction in planned purchasing, or actively seeking further funding to mitigate the expected loss of income).

Regular in year monitoring and reporting should take account of:

- Extra funding realised during the year;
- Shortfalls in expected income e.g. reduction in letting of school premises or a decrease in the interest received on bank accounts (applicable to bank account schools)
- Unexpected expenditure e.g. additional members of staff may be required, a planned building works project may cost more than originally estimated.
- Adjustment to initial assumptions in preparing the budget, if required.
- The need to consider the impact of over or under spends on future budget and School Development Plans.

3. Virements

Virement is defined by CIPFA as “the transfer of resources from one budget head to finance additional spending on another budget head, in accordance with an Authority’s Financial Regulations”.

All approved virements must be actioned promptly so that subsequent budget monitoring submitted to the Council and to the Governing Body will provide meaningful financial control information. All approved virements should be highlighted during the process of budget monitoring.

4. Central funds and Earmarking

Where the local authority makes allocations to schools from centrally retained funds which are separate to the schools budget shares (for example SEN) these funds should be earmarked to be spent only for the purpose for which it was given. The school will be required to demonstrate that this has been complied with and it is recommended that an appropriate accounting mechanism is in place to assist with this.

F. FINANCIAL MANAGEMENT AND ADMINISTRATION

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Each school should have a Financial Procedures Manual in order to meet Schools' Financial Value Standard (SFVS) regulations.

1. Income

A School may receive Income from a range of sources, some examples are:

- Funding delegated by the Council
- Funding devolved by the Council
- Grants
- Donations received
- Income from lettings (excluding Building Learning Communities Lettings income)
- Income from sale of assets

It is essential that all income due is identified, collected, receipted and banked correctly. Incoming mail must be opened by a minimum of two members of staff wherever practicable.

All online income is receipted, recorded & reconciled to reports from the schools online payment software.

2. Receipt and Banking of Cash and Cheques

The systems for the collection of all money due to the Council shall be subject to the approval of the Strategic Director of Finance & Customer Services.

A receipt should be issued to immediately acknowledge every remittance or sum of money, received by an employee, Governor, or other nominated officer of the school, on behalf of the Council. If possible, cheque guarantee cards should be requested and the number noted on the back of the cheque.

Remittances received by post on behalf of the Council for payment into the school's budget share must be recorded on remittance sheets or in a post book as part of the post opening procedure. Cheques must be stamped and crossed to indicate that they are to be credited to an account of the Council or the school (bank account schools only).

All monies received on behalf of the Council, which are to be credited to the school's budget share, must be banked or deposited into the school's Bank Account at regular intervals and at least once per week. All bankings must be made intact, without deduction of payments.

When banking or depositing cheques or cash, the paying in slip must be completed correctly to ensure accurate and timely recording of income into the schools financial management system (e.g. FMS) and in to the Council's General Ledger (e5).

The front of the paying in slip must include: -

- Date
- Name of person paying in
- Head Teacher's signature
- School name
- Breakdown of cash paid in
- Total amount of cheques paid in
- Total amount of cheques and cash

The reverse of the paying in slip must include: -

- Individual listing of all cheques paid in
- A cost centre for each type of income analysed
- The total value of monies paid in

Paying-in books will allow amounts to be entered either: -

- Inclusive of VAT so that where type S (standard rate) is shown against an amount cashiers will automatically deduct VAT & the school will receive the net amount.

Or

- Exclusive of VAT & show details of VAT separately.

It is essential the total of income paid in shown on the front and on the reverse of the paying-in slip agree.

Failure to comply with these instructions will delay the posting of the income to the relevant account. If income is not identified to a correct budget code by the end of the financial year this income may be credited to a departmental account resulting in the loss of income to the school.

3. Cash Security

The Governing Body must ensure that all cash (and cheques) held on the school premises are secured.

Adherence to good practices in relation to cash handling will reduce the risk to the School of monies going missing, and will provide protection for individual members of staff against possible allegations of financial irregularities or suspicions of theft, should monies go missing.

Transfers of money between members of staff of money belonging to or due to the School or Rotherham Metropolitan Borough Council shall be evidenced in the records of the school by the signature of the receiving officer.

The handling of cash may take place in various ways e.g. receipting, reconciliation and banking of income, handling of petty cash floats, school funds and other unofficial funds.

Specific guidance is contained within the Councils financials regulations.

4. Petty Cash

Petty Cash is an amount of money held by establishments in cash, or in a bank account which is used to make minor purchases

All petty cash accounts should be maintained on an imprest basis and reconciled regularly i.e. once the value of the receipts plus petty cash claims plus the cash in hand and at bank should equal the total amount of the petty cash imprest float originally issued.

Petty cash claims should be submitted for reimbursement to Financial Services, Financial Systems Support Team. This should be done on a regular basis, *as a general guide, when approximately one quarter of the total petty cash imprest has been spent.* This is to allow sufficient time for processing of the reimbursement request and receipt and cashing or banking of the reimbursement.

Requests for permanent or temporary imprest or increases or reductions should be submitted to the Strategic Director of Finance.

5. Charging and Remissions

The Governing Body is required to establish, review annually and monitor compliance with policy statements covering charging and other policies for the supply of goods or services, lettings Etc.

6. Value Added Tax (VAT)

VAT is a tax which is levied on the supply of goods and services. It is payable if supplies are made in the UK, by a taxable person (i.e. an individual or a company registered for VAT) in the course or furtherance of business, which is not specifically exempted or zero rated.

All Local Authorities must register for VAT and as a consequence, must pay VAT on purchases made in the normal course of conducting their business, and charge VAT on some goods and services supplied by them. The Council's VAT Registration includes all Local Authority schools. The Strategic Director of Finance is responsible for submitting the Council's VAT return on a monthly basis. It is essential that procedures are in place to account for VAT transactions in a proper and timely manner and enable the Council to reclaim the money quickly.

The Council can reclaim tax paid (on purchases) from HM Revenue & Customs (HMRC), and tax charged (on sales) is paid over to them. By the very nature of a local authority's business, the tax paid on purchases far outweighs that charged on goods and services supplied, resulting in RMBC reclaiming VAT in excess of £25 million per year.

VAT that we charge our customers is known as Output Tax, whilst tax that our suppliers charge us is called Input Tax.

There are currently three rates of tax (as at 4th January 2011):

<https://www.gov.uk/vat-rates>

- 20% - Standard Rate
- 5% - Lower Rate (this applies to fuel and power for domestic and charitable use only).
- 0% - Zero Rate

N.B some suppliers are exempt from VAT

If you are unsure which VAT rates to use, please contact the Schools Finance Team (schoolsfinhelpdesk@rotherham.gov.uk) or the Taxation Section taxationsection@rotherham.gov.uk.

7. Construction Industry Taxation Scheme (CITS)

From the 6th April 2007, where a construction type contract is made between the school/governor and the subcontractor, CITS reporting is **NOT** required. Schools can employ painters, builders, plumbers, electricians etc. and pay them (whether from their own bank account or the Council payment system), without having to check if they are CITS registered, or whether or not a tax deduction is required. Payments can be input just like payments to any other supplier.

However, where there are major Capital Works undertaken (e.g. large rebuilds etc.) where the contract is 'usually' - but not in all cases - between the subcontractor and Local Authority (centrally), these still need to be reported. Where this is the case invoices will be paid centrally by 'Purchase to Pay' and will be reported by the Authority for CITS purposes.

8. Employment Status & IR35 Assessments

The Council is obligated to carry out assessments for any worker which they engage. If the work is deemed to be that of employment - in HMRC's view – then deductions of tax and national insurance must be made from payments, then reported and paid over to HMRC. To not do so would have serious reputational and financial implications for the Council. Firstly, to not follow Public Policy would be frowned upon, but also, the Council could be found liable for any taxes which should have been due, plus penalties and interest.

8.1 Employment Status

H. M. Revenue and Customs' (HMRC) employment status rules apply to anyone who is receiving money in return for work but is not an employee or an organisation with employees. For example, an agency worker, a sole trader, a company with only one director or individuals carrying out what would ordinarily be employed work on a self-employed basis.

It should be noted that when a payment is made to 'individuals' as opposed to limited companies, consideration should be given to the employment status of that individual to ensure that the payments are made correctly and lawfully.

To determine if an individual is employed or self employed, please refer to guidance provided by the Financial Services intranet site in the first instance or by contacting taxationsection@rotherham.gov.uk.

8.2 IR35 Assessments

IR35 and employment status assessments are the same however, employment status relates to an assessment carried out on an individual and IR35 is the legislation which applies to assessments on Companies.

When engaging the services of supply or other staffing through an agency or provider ensure an 'Agency Proforma' has been completed and forwarded to Taxation Section for each provider used. A copy of the Agency Proforma is available on page 26.

Taxation of Agency Workers Pro Forma

Agency name	
Contact name	
Contact email	
Contact number	

Worker name	
Work description	
Work title	
Name of engager	
Individual	Y/N
Limited Company	Y/N
Is PAYE being operated on payments to this worker by your agency?	Y/N
Is PAYE being operated on payments to this worker via an Umbrella Company?	Y/N
What is the Umbrella Company's name?	
Are there any other parties involved i.e. are there any further intermediaries between the worker and umbrella company, or the umbrella company and the agency? If so, please explain arrangements and tax implications in the notes box below.	Y/N
Do you require the Council to carry out an IR35 assessment?	Y/N
IR35 outcome (to be completed by RMBC)	In Scope/Out of Scope
Tax deductible by	RMBC/Agency/Umbrella

Further notes regarding this engagement:

Agency agreement (please add name/signature) _____

Date agreed _____

9. Invoicing

It is not necessary to produce an invoice for all types of income e.g. income delegated or devolved to the school from the Council is not invoiced, vending machine takings. However it is necessary to invoice third parties (including other schools (bank account schools only))

If the Governing Body's charging policy defines a source of income as a payment in advance, then there will be no need to raise an invoice. However, it is essential that any VAT (output) relating to the supply of the goods or services delivered are supported by appropriate records and are correctly accounted for.

Follow this link for details of how to raise an invoice via the Council's Sundry Debtors system.

For further information on the Council's Sundry Accounts collection policy, please refer to the Authority's Financial Regulations.

Bank account schools can produce invoices via the 'Accounts Receivable' module within FMS. Information can be found at the link below:

10. Retention of Documents

Financial records including documentation relating to contracts for work done, services and supplies shall not be disposed of other than in accordance with arrangements approved and amended by the Strategic Director of Finance. Unless otherwise stated the period records are required to be retained in school is the current financial year and the six years previous.

Retention of other documentation should follow current policy guidance.

[RMBC Record Retention & Disposal Schedule 2022-25](#)

11. Year End Closedown Procedures

At the end of each financial year, the Strategic Director of Finance has the responsibility for preparing the annual accounts for the Council. Each year the Corporate timetable and procedures are issued to the Children and Young People's Services Directorate in the form of a letter in early March of the closing financial year. The letter summarises the key actions to be taken by schools and any changes to the associated financial procedures for the current year.

12. Service Level Agreements

Any services or facilities that are provided under a Service Level Agreement, whether free or on a buyback basis should be reviewed at least every three years if the agreement last longer than that. This excludes centrally arranged premises and liability insurances.

13. Capital Spending from Budget Shares

Governing Bodies are permitted to use their budget shares to meet the cost of capital expenditure on the school premises. In order to help meet the responsibilities with the School Premises (England) Regulations 2012, the Workplace (Health, Safety and Welfare) Regulations 1992, the Regulatory Reform (Fire Safety) Order 2005, the Equality Act 2010, and the Building Regulations 2010 the Governing Body should notify the authority, especially if the premises are owned by the local authority.

14. Maintaining Debtor Records

A debtor record is maintained detailing the following:

- Legal name and address of debtor
- Credit terms and limit
- Payment method

A quarterly review will be made of all outstanding debts to ensure that further credit is not extended to a bad debtor

A request to write off a bad debt can be made when all reasonable steps have been taken to secure the recovery and it is deemed impossible or no longer cost effective. The headteacher may approve requests where the debt is less than £100. For amounts over £100 but less than £500 approval must be sought from the Governing Body. Such decisions should be minuted by the Governing Body. For debts in excess of £500 – refer to the Financial Regulations for Maintained Schools.

All requests for write off and approval should be documented on the attached form.

REQUEST FOR WRITE-OFF FORM

From.....

Date.....

Please authorise write-off of the following debt:

Invoice Ref	Customer Name	Age of Debt	Value of Write-off

Reason and Circumstances for the request:

Request Approved Y/N

Signature..... Name:.....

1. Background

The majority of maintained schools in Rotherham hold external bank accounts for 'official' funds. Schools must ensure proper administration of bank accounts and must adhere to the regulations set out in the bank account scheme. Failure to adhere to the scheme leaves areas of the school's finances open to potential error or fraud, and indicates a possible breakdown in the school's internal control systems.

Potential risks associated with banking of school resources include:

- Not detecting bank errors
- Failure to bank all income collected and inadvertent use for other purposes e.g. payment of expenses
- Not banking all income received
- Failure to record all transactions
- Erroneous, fraudulent or duplicate payments
- Loss of interest on bank account

It should be noted that all money paid to schools by the Local Authority remains the property of the Local Authority until spent.

2. Choosing a Bank Account

New bank account arrangements may only be made with effect from the beginning of each financial year provided written notification is received and acknowledged prior to the 31st January prior to the financial year commencing. New bank accounts must be reported to and minuted by the Finance Committee and noted at a meeting of the full Governing Body.

If the school's delegated budget is in a deficit position at the time of request this must be cleared before the authority approves the request.

Investment accounts may also be set up with an approved Bank provided there is no risk to the principal sum. Any investment must be made through the school itself and not through an intermediary.

Individuals must not use their private bank accounts for any payment or receipt related to the school's budget.

3. Business Cards

Schools are permitted to use business cards issued in the name of the school and for low value purchases only. They must not be used for the withdrawal of cash.

The Governing Body or delegated committee is responsible for ensuring that there are adequate controls in place for the use of debit cards, including the nomination of responsible officers and determination of spending limits. These controls must be reviewed regularly.

It should be noted that VAT rules still apply to debit card purchases; therefore, VAT receipts must always be requested.

4. Reconciliation of bank accounts

Schools operating their school budget using a bank account must reconcile to the schools own records of payments and receipts at least on a monthly basis. Any irreconcilable differences should immediately be reported to the Director of Internal Audit and Governance.

A reconciliation statement must be produced on a monthly basis and submitted, with supporting documentation (e.g. bank statements) to the Schools Finance Team located at Riverside House on a termly basis.

This is in order to satisfy the requirements of financial probity, the needs of the school and/or the Council and Central government for monitoring information regarding expenditure by schools and finally the need to satisfy any requirements placed on the Council regarding VAT, Income Tax, Construction Industry Taxation Scheme, National Insurance, etc.

1. Value for Money

'**Best Value**' is a government policy designed to provide Value for Money (VFM) achieve continuous improvement in services provided. In schools this is applicable to the raising of standards of attainment through, for example, improved leadership and management. The principles are known as the 4 C's:

- Challenge – why, how and by whom an activity is carried out
- Compare – performance against other schools (benchmarking) and between parts of each school
- Consult – include stakeholders (e.g. pupils, and parents) in decisions, and seek feedback
- Compete – as a means of securing efficient and effective services

It should be noted, however that Best Value is not a statutory requirement for schools and does not apply formally to Governing Bodies in their use of delegated and devolved budgets.

The Council's Scheme for Financing Schools requires that when the Governing Body submits their annual budget plans to the Authority, they should include a brief statement 'setting out the steps they will be taking to ensure that expenditure reflects the principles of Best Value'. This is commonly known as a **Best Value Statement**.

2. Authorisation Limits

The Governing Body should formally agree a 'Scheme of Delegation'; details are outlined in [Section C.4 above](#) .

The scheme must specify the following: ¹

- the names, grades, post references and job titles of authorised officers for the purposes of –
 - recording the receipt and safe custody of completed tenders
 - opening tenders
 - entering into contracts
 - placing orders on behalf of the Council; and
- the maximum contract value allocated to each authorised officer for those purposes.

3. Standing orders (Competitive Tendering)

¹*Extract from the Council's Financial Regulations*

Schools have the right to opt out of local authority arranged contracts.

Governing Bodies are empowered under paragraph 3 of schedule 1 to the Education Act 2002 to enter into contracts and in most cases do so on behalf of the Local Authority as maintainer of the school and owner of the budget share.

3.1 Ascertaining the Value of Contracts

When determining the proposed value of a contract for work, services, or the supply of goods and where estimated values are sub-divided in to several elements, the value of the elements must be aggregated in to the total estimated value. It should not be divided artificially in to separate contracts in order to avoid Standing Order regulations.

No contract with an external supplier that exceeds **£5,000**, for the supply of goods, materials or services or the execution of any work shall be entered into unless ***at least three written quotations have been obtained.***

You should seek advice from the Schools Finance Team if you require clarification on any issues regarding these limits. Please note that the process of ordering, obtaining quotes and tenders, etc., should only be carried out in line with the delegated authority agreed by the Governing Body.

Authorised officers must keep a written record of all oral quotations sought, including the full name and address of the contractor, details of the contract and the contractor's price for its performance.

A written quotation must be obtained before an order is placed or a contract made in accordance with this Standing Order.

3.2 Contracts valued at £50,000 or more

If the estimated value of a contract is £50,000 or more between three to six tenders must be invited for the contract from external contractors.

3.3 Contracts Requiring Tenders

A contract need not be tendered if –

it is valued at less than £50,000 and the requirements of Standing Order 47 (contracts valued at less than £50,000) are met, except where notwithstanding Standing Order 47 the contract must be tendered as required by law;

4. Receipt of Goods or Services

All goods and services received by the school will be checked to ensure they are in accordance with the Purchase Order.

Such receipt will be verified by an appropriate member of staff as specified by the Governing Body in its Scheme of Delegation the person verifying the receipt of the goods or services must not be the same person who approved the Purchase Order.

If any discrepancies are found, these should be noted on the copy Order and the matter resolved with the supplier without undue delay.

5. Payment of Invoices

It is important that controls on the payment of invoices must be sufficiently robust to assure the Headteacher and Governing Body that funds are being spent in line with approved procedures.

Each Headteacher is responsible for ensuring that all payments made are properly authorised. The payment for works, goods or services may only be authorised by staff that have the Headteacher's written authority to do so. A current schedule of the positions, names and specimen signatures of authorised officers must be held at the school, with a current copy sent to the Head of Finance whenever an amendment is made. The schedule must specify which documents and to what value the staff are authorised to sign.

The method of payment of invoices shall be in accordance with the payment scheme adopted by the school e.g. central payments or local bank account.

Headteachers shall ensure that arrangements for processing payments accord with instructions issued by the Head of Finance covering invoice payment arrangements approved by their school. Certification and checking of invoices for payment shall be carried out properly by the Headteacher or a member of staff approved in writing by the Headteacher to also certify payments.

Staff authorising a payment will be declaring that all of the following points have been complied with:

- the payment is being made in response to an official invoice, which complies with VAT regulations;
- the work, goods or services to which the payment relates have been received or carried out, examined and approved for payment;
- the prices, totals, trade discounts, other allowances, credits and tax are correct, and in accordance with the order;
- that the correct expenditure code has been provided;
- where necessary, inventories, stores records or registers have been updated;
- the item has not been previously provided for payment.

Payments through local bank account arrangements MUST NOT be processed where to do so would cause the account to become overdrawn.

No member of staff shall certify a claim form for reimbursement to him/herself.

No amendments are to be made to any invoice, which includes VAT. When an error is found, the supplier must be asked to supply a fresh invoice. To avoid duplicated payments, loss of VAT recovery or retention of document problems, payments must not be made from photocopies or faxed copies of invoices.

If payment is made on a Proforma invoice and VAT reclaimed, then a full VAT invoice must be requested and received within 28 days or the VAT will need to be returned.

Headteachers are responsible for ensuring that appropriate staff have read and understood the council's General VAT Guide.

6. Leases

See Appendix 1 Guidance for schools on leases (See Page 46)

I. STAFF

[\(index\)](#)

In schools, staff costs are the largest item of expenditure. It is therefore important that payments are accurate, timely, made only where they are due for services to the School and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for.

1. Payroll

Governing Bodies must ensure that all payments of wages, salaries and other emoluments are only made through their chosen payroll service. Employee expenses should be processed through the payroll system rather than payment by cheque or cash.

Governing Bodies may purchase their payroll services from an external provider (i.e. other than the Council's).

If an external supplier is chosen, the procurement of this service must be conducted under the Regulations contained in [Section H](#) of this document.

Whichever payroll provider is used, the Governing Body retains the responsibility for ensuring that payroll and personnel controls are in place.

Where the payroll is administered by an external provider, the Governing Body should ensure that the provider is supplied with the names and specimen signatures of certifying officers, in accordance with those specified in the up to date individual Schools [Scheme of Delegation](#).

Where the Governing Body does not source its payroll services from the Council, it will ensure that appropriate salary, service and pensions data is provided to the Council, which the Council requires to submit its annual return of salary and service to the Teachers' Pensions Agency and to produce its audited contributions certificate. The Council will advise schools each year of the timing, format and specification of the information required. These requirements should be reviewed prior to a school entering any contract for the provision of payroll services.

Similarly, where the Governing Body does not source its payroll services from the Council, it will ensure that any Additional Voluntary Contributions (AVC's) are passed to the Council, within the time limit specified in the AVC scheme. <https://www.teacherspensions.co.uk/employers/employer-hub.aspx>

Also see section 8.5 of The Rotherham Scheme for Financing Schools

2. Personnel Administration

Governing Bodies must establish procedures for the administration of

personnel activities, including appointments, terminations and promotions.

The Governing Body should ensure that, where practicable, the duties of authorising appointments, making changes to individuals' conditions of employment or terminating the employment of staff are separated from the duties of processing claims.

The Governing Body should ensure that:

- At least two people are involved in the processes of completing, checking and authorising all documents and claims relating to appointments, terminations of employment and expenses.
- Access to personnel files is restricted to authorised staff only, and that the arrangements for staff to gain access to their own records are in place, a list of all staff employed by or in the School is kept and regularly updated with new starters and leavers. (The list should record, for each member of staff, the grading, additional allowances, etc, and the start and end date of the contract of employment.)
- Retention of HR information is in line with Council guidance: -

Attendance and Time Recording	2 years after date created
Employment Contracts Management	6 years after end of Council employment
Disciplinary and Grievance Procedures Administration	6 years after end of Council employment
Disclosure and Barring Service Checking (DBS reports)	6 months after receipt
Disclosure and Barring Service Checking (Records of checking)	6 years after termination of relevant contract
Industrial Relations Management	10 years after date created or end of agreement
Performance Monitoring and Review	6 years after date created
Recruitment and Termination Administration (Unsuccessful candidates)	1 year after recruitment decision
Recruitment and Termination Administration (Successful candidates)	6 years after end of Council employment
Sickness Absence Management	6 years after end of Council employment
Leave Administration	3 years after end of financial year
Staff Training (Individual training records)	6 years after end of Council employment
Training Provision (Course administration)	6 years after date created
Training Provision (Course content)	6 years after superseded or course no longer provided

3. Benefits in Kind

The Governing Body will ensure that the School's payroll provider is supplied with appropriate details of any taxable 'benefits in kind' attributable to any of the staff employed by or in the School. This is to allow the production of P11D tax returns. For guidance on this area refer to the Financial Services Taxation Section P11D guidance.

4.Using the Services of the Self Employed

HM Revenue and Customs have a series of criteria to establish whether any such person should be considered an employee.

The Governing Body must ensure individuals who must be regarded as 'employees' are paid through the payroll service with appropriate deductions for PAYE and National Insurance. Please see [Section F8](#) or contact your payroll provider.

J. SCHOOL AND UNOFFICIAL FUNDS

[\(index\)](#)

1. Definitions:

Official funds are any fund provided by the Council or other body to meet the Council's legal requirement to provide education.

Official funds are:

- School Budget Share (including the Dedicated Schools Grant, (DSG) Specialist Schools Grants, other specific grants.)
- School Standards Grant
- Standards Fund
- School Trips
- Income from letting of premises

Unofficial funds are any funds, operated wholly, or in part, by any employee of the school, which the Council does not have a statutory right to provide the resources, for which the fund is being used.

Examples of unofficial funds are:

- School funds
- Tuck shop funds
- Vending machine funds

2. Accounting Standards

School funds may provide schools with a substantial additional income. These funds are not public money but the school has a responsibility to ensure that the benefactors of such funds receive the same standards of stewardship as those required when administering the schools delegated budget.

3. New Funds

b

The Governing Body must approve any new funds set up. Audited financial statements must be submitted to the Governing Body on an annual basis.

The Rotherham Scheme for Financing Schools requires a continuous internal audit of all accounting, financial and other operations within schools. All books, records and any other information relating to the operation of unofficial funds, maintained by LA funded schools, must be made available for internal audit inspection on request.

4. Separate Bank Account and Separate Accounting

Any income relating to the school delegated budget should not be credited to any private fund. Private funds should be held in a separate bank account to any bank account associated with the schools budget share. Separate records and systems should be set up for each private fund held by the school. These records should ensure funds are accounted for separately and independently of the schools budget.

5. Responsibilities

5.1 Governing Body

The Governing Body has overall responsibility for unofficial funds and must ensure that all staff involved in the operation of these funds are aware of their responsibilities in complying with these guidelines.

The Governing Body should nominate a member of the school staff to be responsible for the day-to-day operation of any unofficial fund. All unofficial funds should be independently audited on an annual basis and a financial statement be prepared and submitted to the Governing Body (or Finance Committee if applicable) for approval. The Governing Body is also responsible for the appointment of an auditor(s) to carry out the audit of all unofficial funds maintained by the school.

5.2 Head Teacher

The Head teacher is responsible for providing the Governing Body with details of the operation and purpose of each unofficial fund maintained.

The Head teacher will ensure that all systems and procedures are documented and available for inspection by any member of staff, Governing Body or Internal Audit.

The Rotherham Scheme for Financing Schools requires that all unofficial funds records should be made available to auditors when required.

6. Charity Commission Registration

The Charities Act 1993 requires school unofficial funds to be registered with the Charity Commission where the charitable income received totalled more than £1,000 per annum. Also, Voluntary Aided, Voluntary Controlled and Foundation schools were classified as charitable organisations and were exempt from registration.

However, this has now been amended by the Charities Act 2006 which requires registration only where the income received exceeds £5,000 per annum. A further amendment to the Act, effective from 1st October 2008 removes the exemption from registration previously applied to VA, VC and Foundation schools.

A school fund account may serve the following purposes and each purpose is deemed to be 'charitable' or not as follows:

a)	It is a holding account for monies paid or donated in advance for school visits and journeys.	Not Charitable
b)	It is a banking account for monies raised for specific charities by pupils, parents and staff.	Not Charitable
c)	It may be a trading account used for the sale of items of uniform, photographs or stationery etc.	Not Charitable
d)	It may be a holding account for a variety of other activities e.g. book sales, retirement collections.	Not Charitable
e)	It may be a holding account for monies raised by fund-raising events or otherwise, either generally for educational purposes or for special projects e.g. the purchase of a mini-bus or computer or for covering the cost of a field trip.	Charitable

The Charity Commission should be contacted for further guidance:

www.charity-commission.gov.uk

K. INVESTMENTS, BORROWING AND LOANS

[\(index\)](#)

1. Borrowing by Schools

The Governing Body may borrow money only with the written permission of the Secretary of State (including the use of finance leases, credit cards and overdraft facilities). The Strategic Director of Finance and the Strategic Director, Children and Young People's Services must be notified in writing of such intent at least ten working days before submission of the request to the Secretary of State. Any Governing Body of a school proposing this course of action is advised to consult with the Strategic Director of Finance and the Strategic Director, Children and Young People's Services.

This does not apply to Trustees, Academies and Foundations whose borrowing, as private bodies, makes no impact on Government accounts. Such debts may not be serviced directly from the delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able to provide as a consequence of their borrowing. Governing Bodies do not act as agents of the Council when repaying loans.

1.1 Bank Overdrafts and Business Cards

Bank overdrafts are a form of borrowing, and therefore account mandates should explicitly authorise Banks to prevent a School from going overdrawn on any account. Schools must not borrow to finance a revenue deficit either through a bank overdraft or other means.

A [licensed](#) deficit arrangement is a Loan arrangement which a Governing Body may enter into with the Council e.g. to finance a licensed deficit.

[Debit Cards and Government procurement](#) cards are permitted to be used with spending limits attached.

2. Investments by Schools

Governing Bodies cannot withdraw any delegated resources for deposit in any private fund, or in any other account not officially approved by the Strategic Director of Finance.

L. SECURITY AND CONTROL OF ASSETS

[\(index\)](#)

1. Asset Register

The Council holds assets in the form of property, vehicles, equipment, furniture and other items worth many millions of pounds. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both assets and information required for service operations. An up to date asset register is a prerequisite for proper fixed asset accounting and sound asset management.

The Governing Body is required to maintain a listing of all physical assets used and owned by the school – including leased and grant funded assets. Minor assets with a value below £50 need not be included, unless the asset is of an attractive and portable nature, whose loss would have a material effect on the effective operation of the School hence its inclusion, would be beneficial.

The inventory listing will also provide an accessible reference of essential information in the case of fire or theft and will aid either an insurance claim and/or police investigation.

Day to day management of the asset register should be delegated to the Headteacher or Business Manager and they hold the responsibility for ensuring the correct process is followed. The Governing Body must approve any further delegation of the duties covered in this document.

1.1 Purchase of Inventory

All asset acquisitions must follow the procurement process and rules as documented in the individual Schools Financial Procedures Manual and be consistent with purchasing guidance in the Rotherham Scheme for Financing Schools.

All new equipment should be clearly marked with the name of the school and postcode by the Headteacher or Business Manager upon receipt of goods before it is brought to use. Care should be taken when marking assets to ensure the resale value is not reduced. Sticky labels are easily removed and should not be used for the purpose of labelling assets. The Headteacher or Business Manager will ensure that leased assets, and assets funded by specific grants are separately identified. This is because there are special rules relating to the disposal of these kinds of assets.

1.2 Recording Assets/Inventory

Generally, all moveable non-capital items of equipment, tools and furniture with a value over £250 should be recorded on the inventory. However, items that are considered 'desirable' and open to theft or damage should also be included. The responsibility of determining which items should be included in the schools inventory lies with the Headteacher and the Business Manager.

All items such as laptops and audio visual equipment that can easily be removed should be locked away securely when not in use.

Detailed records of office equipment and furniture should also be maintained for insurance purposes.

The main log should record all items such as laptops, ipads and student specialist equipment. ICT equipment should have a unique reference number (asset number) applied to it and will be used to track it throughout its useful life.

The table below gives examples of items to be included in the school's inventory.

Office	Premises	Classrooms	Other
Office Furniture	Electric Fans	Audio Visual Equipment	P.E. Equipment
Safe	Floor Polishers	ICT Equipment	Musical Instruments
ICT Equipment	Vacuum Cleaners	Interactive White Boards	Fridges, Microwaves etc.
Photocopiers	Gardening Equipment	Classroom Furniture	Cameras
Laptop	Testing Equipment	Laptops & iPads	T.V.s

The table below below gives an example of the information that should be captured and maintained on the asset register.

Details by location	Costs	Disposal Detail
Equipment or Asset No.	Supplier	Date of Disposal
Item Description	Unit Cost	Method of Disposal
Serial Number	Quantity	Reason for Disposal
Brand / Model	Invoice No	Authority Given
Location in School	Invoice Date	
Holder (if assigned to staff)		
Condition of Item		
Security Marked (Y/N)		
Insurance Policy Detail		

The data held on the Register must be updated when any of the following happens:

- A new asset is acquired.
- A portable asset is moved from one location to another – including authorised removal from the school premises in the normal course of activity
- An asset is disposed of, lost, stolen or damaged.

1.3 Annual Stock Checks

An annual stock check of all inventory should be undertaken for the whole school, **ensuring that the information from the previous year's check is not overwritten.**

All items recorded in the inventory should be checked for both location and condition and details updated on a room-by-room basis. Any new items that have been missed off the original register should be included. Any assets that have deteriorated in condition should be noted for repair or disposal/replacement following the correct procedures. Similarly, where assets that are no longer in use are identified they should be brought to the attention of the Headteacher or Business Manager so a decision can be made with regards to disposal.

It is important that a new inventory record is saved each year to ensure an audit trail is maintained.

On completion of the annual inventory check, the Headteacher will prepare a report on the findings to present to the Governing Board or delegated sub-committee.

Proceeds from the sale of an assets may be retained by the school if the asset was purchased with non-delegated funds. If the asset was purchased using delegated funds it will be up to the authority to decide whether the school should retain any proceeds arising from the sale.

2. Security, Maintenance and Disposal of Assets

The Governing Body is responsible for ensuring the proper security and safe custody of all buildings and vehicles, equipment, furniture, stock, stores and other property belonging to the Council and under their control.

The Governing Body will ensure that no School asset is subject to personal use by an employee.

School assets should only be moved from the premises for official purposes and with the permission of the Governing Body. A record should be kept of all authorised removals, which should be signed for.

Staff and parents are responsible for school equipment 'on loan' and must ensure the security and safekeeping of the equipment whilst it is in their possession and as such accept the responsibility at the time of the loan as per the school's acceptable usage policy.

The Governing Body should maintain its premises and other assets to an adequate standard to avoid the future need for replacement.

The loss of assets is one of the risks which must be considered when compiling the risk register as described in [Section M below](#).

The Governing Body should have an appropriate business continuity or disaster recovery plan.

2.1 Asset Disposal and Write-Off

Assets that are no longer any use to the school should be disposed of and updated on the asset register.

When assets are either sold or donated to staff members the Governing Body or appropriate sub-committee should provide approval prior to the transaction taking place.

Income generated from the sale of assets that were purchased from delegated funds, or school budget share, can only be spent for the purposes of the school.

Schools can retain the proceeds of sale of assets except in cases where the asset was purchased with non-delegated funds (in which case it should be for the Authority to decide whether the school should retain the proceeds), or the asset concerned is land or buildings forming part of the school premises and is owned by the Authority.

The Asset Disposal / Write-Off form should be completed for each disposal. In the case that multiple disposals are proposed a separate spreadsheet detailing the items may be attached to Asset Disposal / Write-Off form.

Consideration must be given to the disposal of assets that may contain confidential school information such as computer equipment and ipads. It must be ensured that all data is permanently removed from the memory and confidentially destroyed prior to the disposal of the asset.

Asset Disposal / Write Off Request

Asset Details

Asset no	Asset Description	Serial Number	Location	Purchase Value

Disposal Details

Reason for Disposal	Method of Disposal	Is this item to be replaced (Y/N)	Is the replacement budgeted (y/N)	Is this item covered by insurance (Y/N)	If insured, has a claim been lodged (Y/N)

Ob = Obsolete	D = Damaged beyond Repair	U = Upgraded	UR = Uneconomical to Repair
T = Theft	F = Fire Damage	M = Missing (Lost)	O = Other (Specify)

Authority

Name	Position	Date	Signed

The Authoriser must have delegated powers in excess of the value of the asset being disposed.

The Authoriser must hold a more senior position to the requester or have approval from the Governing Board (state date of minutes reflecting Governor approval).

Once authorised, the disposal must be recorded on the Inventory Register

Security of Data

The Governing Body will ensure:

- That all computer systems used for school management should be protected by password security to ensure that only authorised staff can access such systems. Passwords should be changed regularly and updated for staff changes. Staff must not share passwords, and any attempt to gain access using the password of another member of staff must be forbidden.
- That all staff are aware of their responsibilities with regard to safeguarding the School's assets and information, including the requirements of the Data Protection Act 1998 and software copyright legislation.

The Governing Body should establish a policy that describes how its ICT equipment and access to the Internet may and may not be used. This is known as an "acceptable use policy". This needs to be a policy that all key stakeholders subscribe to, so it is a good idea to get staff and pupils involved in its development.

M. RISK MANAGEMENT

[\(index\)](#)

Risk Management is a corporate priority within the Council. A Corporate Risk Management Group exists to drive the Authority's approach to this issue serviced by representatives of each Directorate

1. Definitions:

Risk

All organisations, whether private or public sector, face risks to people, property and continued operations. 'Risk' is the threat that something (an event or action) will adversely affect a school's performance and its ability to successfully deliver its strategies.

The Association of Local Authority Risk Managers (ALARM) defines risk management as "the identification, analysis and economic control of all threats to the achievement of the organisation's strategies and operational objectives

Risk management is a much broader concept than financial management. There are, however, many overlaps between risk and financial management with the 'internal control system' being the most obvious and most notable one. See also, Section [C.3](#) – Internal Control

Risk Management

Risk management is the process by which such risks are identified, their severity assessed and cost effective actions are taken to reduce (mitigate) them to acceptable levels. It is a key element of the framework of a school's overall governance. Therefore, it is essential that Governors and staff all understand the principles and practices of risk management.

Risk Management is not about eliminating risks. It is however, about mitigating risks – that is, reducing risks to an acceptable level.

2. Benefits of Risk Management

The benefits of establishing a risk management culture have been suggested by the Audit Commission to be:

- Increased focus on what needs to be done (and not done) to meet objectives.
- More satisfied stakeholders
- Better management of change programmes
- More calculated/innovative risk taking
- Fewer complaints
- Better controlled insurance costs
- Improved quality of learning environment
- Better ability to justify actions taken
- Delivery of Best Value
- Getting things right first time more often i.e. less waste

Each school should, therefore, seek to maintain a sound system of internal control based on the regulations contained in this document. This system should be documented in the School's Financial Procedures Manual (It makes sound business sense for schools to manage risk effectively and for all staff to exercise internal control and risk awareness in every aspect of their work. In particular recognising and dealing appropriately with the key strategic risks facing a school enables it to identify the key actions it must take to achieve its main goals.

A Summary Guide which has been developed by IPF as part of the Toolkit supporting the DFE Financial Management Standard in Schools gives further information on why risk management is important; the benefits of risk management; and types of risks, with links to more detailed guidance.
<https://www.gov.uk/government/collections/integrated-risk-management-planning-guidance>

N. ACCOUNTING STANDARDS

[\(index\)](#)

All schools will have many procedures and systems e.g. management systems (such as FMS6) which relate to the control of its assets. Most schools rely upon software and spreadsheets to produce their management information. Schools must ensure the necessary controls are in place to maintain accurate records and to enable the prompt detection of errors.

1. Accounting Timetable

The Council issues a financial deadlines timetable each year that gives details of dates of submissions.

2. Basis of Accounting

Accounting transactions should be recorded in accordance with the **Accruals principle**. This is defined as follows:

Expenditure and Income is recognised (included) in the accounts when the goods are received or provided i.e. not when the cash flows out of, or in to the bank account (the bank account may be RMBC or the Schools own bank account – the same principle applies)

N.B

If the payment is in relation to a rent or other charge, which covers a period of time, the expenditure recorded against any accounting period, should reflect the proportion of the total charge appropriate to the period covered by the accounting period.

For example, equipment hire at a cost of £300 for a period of 3 months from 1st March 2009 to 30th May 2009, £100 must be recorded against the financial year ending 31st March 2009 and £200 should be recorded against the following financial year.

This can be achieved by completing a creditor accrual.

[\(See Section F-10 Closedown procedures\)](#)

O. EXTENDED SCHOOL ACTIVITIES

[\(index\)](#)

1. Background

The Education Act 2002 gave schools the opportunity to undertake activities, functions and projects to involve and serve the local community. Schools may now offer childcare provision and other services for children who may attend their school or from the local community.

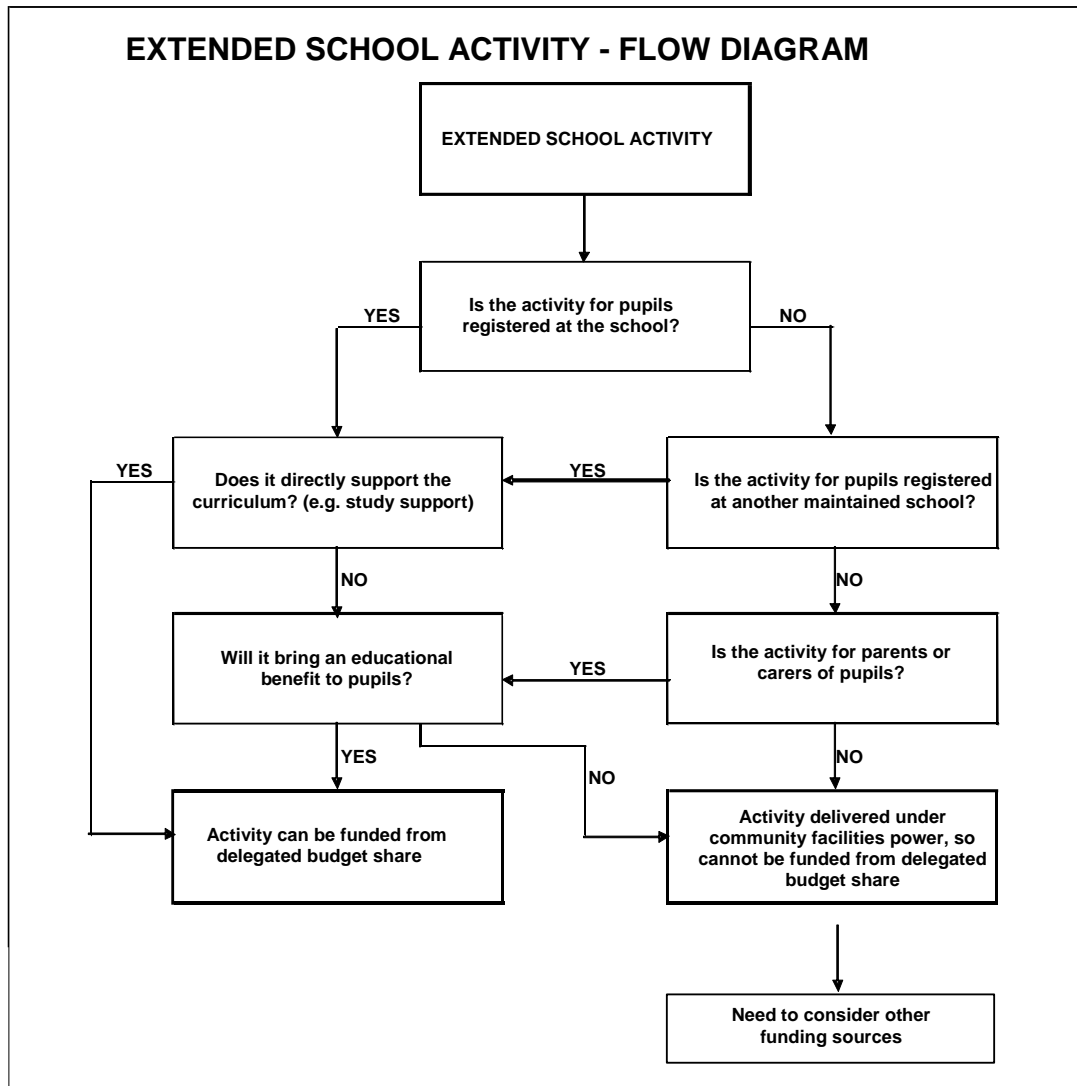
From April 2006 schools have been given the power to use their delegated budget allocation for the 'purposes of the school'.

The meaning of the term, 'purposes of the school', is not spelt out fully in legislation, but is understood to cover all the activities that the school is required to deliver in respect of the teaching and learning of the pupils registered at the school, or at other maintained schools (where, for example, schools are working collaboratively). The legislation does set out certain activities that are not 'purposes of the school', and which cannot therefore be funded from a school's delegated budget, and these include the provision of community facilities or community use. (At present there is an exception to this for maintained nursery schools, which may fund community facilities from their delegated budget.)

Further guidance on extended school activities, including funding matters may be found at the following link:

<https://www.education-ni.gov.uk/articles/extended-schools-programme>

The flow chart below may be used to determine whether or not an activity can be termed an extended school activity:



2. Financial Management Issues

When embarking on extended school activities, schools should be mindful of potential financial aspects which could pose a financial risk to the school or the Council e.g. where the school works in partnership and there are financial implications for the school.

3. Business and Financial Planning

It is essential that any costs (set up, support or on-going) associated with community activities should not be met from the school's budget share. In Section 13 of The Rotherham Scheme for Financing Schools the school is required to consult the Council regarding its intention to provide community facilities in order to ensure sufficient planning has taken place and rigorous accounting procedures and controls are in place.

Notification (in the form of a Business Plan) must be submitted to the Council of the school's intention to provide community facilities should include details such as:

- a) The planned activities
- b) The planned income and expenditure, which should include details of:
 - additional staff be employed to support the proposed activities and associated costs
 - additional staffing, premises, equipment, materials and utilities costs
 - Funding sources e.g. income from fees and charges, amounts to be allocated from the Schools Standards Grant allocation, any external funding, other Council funding specifically for community facilities e.g. Standards Fund distributed by the Children and Young People's External Funding Team.

Once a school has embarked on community facilities projects they must provide the Council with financial statements every six months as described in the The Rotherham Scheme for Financing Schools Section 13.4.

Schools must ensure they can demonstrate a clear audit trail and evidence sources of funding.

They must have in place a robust costing system for all extended school activities and they must have in place a clear in transparent processing for determining and actioning all relevant charges.

P. INSURANCE

Funds for insurance are delegated to schools, the local authority may require school to demonstrate that cover relevant to an 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 and paid for from contributions from schools' delegated budgets.

The evidence required to demonstrate the parity of cover should be reasonable, not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier.

The scheme requires the local authority to have regard to the actual risks which might reasonably be expected to arise at the school in question in operating such a requirement, rather than applying an arbitrary minimum level of cover for all schools.

The budget for insurance is fully delegated to schools. It is the responsibility of each Governing Body to ensure that its school has adequate insurance cover. This may be arranged through the Local Authority or with an external insurance provider.

Instead of taking out insurance, a school may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA. Schools may do this individually when any insurance contract of which they are part expires. All primary and/or secondary maintained schools may join the RPA collectively by agreeing through the Schools Forum to de-delegate funding.

Schools must give at least 12 months notice of their intention to seek alternative insurance provision.

A copy of insurance cover documents should be sent to the LA insurance manager alongside evidence of payment within 14 days of commencement.

Appendix 1 - Leasing Guidance

Leasing is a common method of financing ICT and similar equipment in the private sector. It involves paying for equipment over its useful life rather than at the time of acquisition. Leases generally fall into two categories: finance leases and operating leases.

Schools are not allowed to enter into finance leases because these constitute borrowing under local government finance legislation and schools are not allowed to borrow, except by way of a loan from the local authority.

Schools are allowed to enter into operating leases but should take care to ensure that such leases do not meet the criteria for finance leases set out in the current local authority accounting code of practice (see below). Schools should also carefully consider whether any lease offers value for money; as experience shows that this is often not the case.

Finance Leases

A finance lease is defined by international accounting standards as a lease that transfers to the lessee (i.e. the school) substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than on the form of the contract. Examples of features which individually or in combination would normally lead to a lease being classified as a finance lease are:

1. the lease automatically transfers ownership of the asset to the lessee by the end of the lease term;
2. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the market value to make it reasonably certain that the lessee will wish to purchase;
3. the lease term is for the major part of the economic life of the asset;
4. the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset (i.e. the lessor need not rely on the sale proceeds to recover his investment);
5. the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

Points (3) and (4) mean that most computer leases are likely to be finance leases, as computer equipment is not likely to have any market value at the end of the lease.

Operating Leases

Schools are allowed to enter operating leases of equipment (including vehicles and plant if appropriate) provided that they are satisfied that those leases don't satisfy the test of being a finance lease. Schools must inform the Local Authority

when they propose to enter into any lease and confirm when they have entered the lease. They should provide the following details:

Name of Lessor and contact details

Nature of Lease – what goods and services are provided

Length of lease - start and end date

Lease payment per year and frequency of payment (excluding any maintenance charges)

Estimated capital cost of equipment

Devolved Formula Capital or any other form of capital funding, cannot be used to meet payments under leases. When leasing equipment, schools should also be aware of the need to make arrangements to replace the equipment on the expiry of the lease.

Please Note: Sales people will sometimes claim that their product is an operating lease when it is not. Therefore it is important to check the terms of the lease to ensure that it is not a finance lease. Schools are also warned that the fact that other schools, whether in Rotherham or elsewhere, have used a particular leasing product, is no guarantee that it is not a finance lease. A lease cannot be an operating lease if the product has negligible resale value. Schools should be satisfied that there is evidence that the product does in fact have a second hand market before agreeing to an operating lease.

Companies offering rebates or initial discounts on leases/rentals

Schools leasing or renting equipment should be particularly wary of contracts whereby they pay a high rental to the supplier and receive a partial rebate of rentals from a third party. Previous experience has shown that schools have been liable for the full rentals and have never received the rebates.

Reporting leases to the Council

The Council is required to include in its annual statement of accounts the value of all its operating leases, including those entered into by schools. Accordingly, the Council asks schools to provide this information annually including value of equipment, annual payments, and remaining length of lease. A request will be issued annually seeking this information. If as part of this exercise the Council identifies that schools have entered into finance leases, the Council may instruct the school to take appropriate action, at the school's own cost, in respect of those leases.

Leases of land and buildings

In principle, leases of property may also be operating or finance leases and the same tests apply as above. It is not anticipated that schools will often have cause to lease land and buildings but it is essential that the council is consulted before a school enters into any such agreement this is because the Council is required to analyse the cost of property leases in its accounts between the cost of land and buildings.

Appendix 2 – Freedom Of Information Exemptions

A requester may ask for any information that is held by a public authority. However, this does not mean you are always obliged to provide the information. In some cases, there will be a good reason why you should not make public some or all of the information requested.

You can refuse an entire request under the following circumstances:

- It would cost too much or take too much staff time to deal with the request.
- The request is vexatious.
- The request repeats a previous request from the same person.

In addition, the Freedom of Information Act contains a number of exemptions that allow you to withhold information from a requester. In some cases it will allow you to refuse to confirm or deny whether you hold information.

Some exemptions relate to a particular type of information, for instance, information relating to government policy. Other exemptions are based on the harm that would arise or would be likely arise from disclosure, for example, if disclosure would be likely to prejudice a criminal investigation or prejudice someone's commercial interests.

There is also an exemption for personal data if releasing it would be contrary to the General Data Protection Regulation (the GDPR) or the Data Protection Act 2018 (the DPA2018).

You can automatically withhold information because an exemption applies only if the exemption is 'absolute'. This may be, for example, information you receive from the security services, which is covered by an absolute exemption. However, most exemptions are not absolute but require you to apply a public interest test. This means you must consider the public interest arguments before deciding whether to disclose the information. So you may have to disclose information in spite of an exemption, where it is in the public interest to do so.

If you are refusing all or any part of a request, you must send the requester a written refusal notice. You will need to issue a refusal notice if you are either refusing to say whether you hold information at all, or confirming that information is held but refusing to release it.