

## **STANDARDS FOR FINANCIAL MANAGEMENT**

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## **INTRODUCTION**

### **Application of Financial Controls to School**

Each financial year the Local Authority distributes amounts from their Individual Schools Budget (ISB) amongst all maintained schools using a formula in accordance with regulations made by the Secretary of State. This enables the calculation of a budget share for each school.

This budget share is then delegated to the governing bodies concerned.

Subject to the provisions laid down in the 'Scheme for Financing Schools', the governing body of *Newfield School* may subsequently spend the budget share received for the purpose of the school.

Under this scheme however, the governing body has a significant responsibility for substantial amounts of public funding. The authority seeks to balance the need for the governing body to have freedom to manage the delegated budget, but with the requirement to maintain accountability and control over public funds and assets. As such the authority will require the school, in the management of the delegated budget, to comply with conditions specified under the scheme as well as audit requirements and Standing Financial Instructions.

This document outlines the financial procedures and controls in place in *Newfield School*. Procedures have been presented in a format which brings together the key elements under various headings. These are listed within the contents page.

It is the responsibility of the Governing Body to ensure compliance with these regulations, to review existing arrangements in relation to the financial standard required and to ensure that the information is communicated to, understood and observed by all school employees.

## **1. GOVERNANCE**

The governing body is collectively responsible for the overall direction and strategic management of *Newfield School*. This involves determining the guiding principles and strategies within which the school operates and making decisions about how to spend the budget allocation. The governing body is also responsible for ensuring that the school meets all its statutory obligations and, through the Headteacher and /or Finance and School Manager, complies with the authorities 'Scheme for Financing Schools' and the Council's own financial regulations and Standing Financial Instructions (SFIs).

Effective governance results in clear public accountability for the performance of the school. Weak governance reduces accountability, removes checks and balances and denies *Newfield School* a potentially valuable source of guidance.

The financial responsibilities of the governing body, its committees, the head teacher and other staff are defined in this financial manual. This should allow the governing body to

ensure that adequate systems of financial control are in place, and that it receives the information it needs to carry out its role.

## **Supporting Documents for Governance**

The documents required in order to assess our controls in this area are as follows:

- Delegation framework (written responsibilities of the governing body, its committees, the Headteacher and staff; financial delegation limits)
- Budget monitoring reports
- Governing body/finance committee minutes
- Register of business interests
- Governance: Roles & Responsibilities

### **1.1 Defining Financial Roles at *Newfield School***

This summary description of roles and responsibilities forms part of a wider document, sometimes referred to as the delegated framework. Subsequent standards set out further elements of this document. The following is an illustration of how the financial responsibilities of each party are to be defined:

#### **The Governing Body will:**

- set spending priorities
- consider, approve and monitor the budget
- determine virements and expenditure thresholds
- evaluate the effectiveness of spending decisions

#### **The Headteacher will:**

- ensure compliance with The Council's financial regulations
- ensure that sound systems of internal control are in place and are followed by staff involved
- be responsible for day-to-day financial management
- compile draft budgets
- supply the governing body with regular budget monitoring information

#### **The Staff will:**

- comply with *Newfield School's* financial regulations
- be responsible for any budget delegated to them

#### **The Business Committee will:**

- draw up the annual budget and longer term financial plans
- appraise expenditure options
- carry out budget monitoring
- make decisions in respect of Service Level Agreements
- comply with the Schools Financial Value Standard

The Business Committee has been delegated powers to take financial decisions on behalf of the Governing Body. The Committee shall consist of a minimum of 3 Governors not including the Head Teacher /Finance and School Manager. At the first meeting of each school year it will elect one of its members to be the chairman of the Committee. The Committee will meet at least once in each term and will make reports to the next meeting of the full Governing Body to ensure that the Governing Body is kept fully informed on all developments and matters of importance. The Committee may co-opt non-governors as advisors to extend its range of expertise as necessary but non-members may not vote on any matter. The Head Teacher and/or Deputies have the right to attend any meeting of the Committee and are permanently invited to do so.

## **Finance**

The Committee together with the Head Teacher /Finance and School Manager will review the budget delegated to school in accordance with the Funding Framework. A draft budget plan for *Newfield School* will be prepared on an annual basis to ensure that the delegated financial resources support the effective delivery of the curriculum and management of the school. This plan will be submitted to the Business Committee and on their recommendation will be presented to the full Governing Body for approval.

The formal budget plan will be submitted to the Local Authority (LA) by 1<sup>st</sup> May of the same financial year. A financial forecast covering each year of a multi-year period will subsequently be forwarded if requested by the LA.

## **Budgetary Control**

1. The Business Committee together with the Head Teacher /Finance and School Manager will ensure the effective allocation of the resources to appropriate budget headings for staffing, premises, administration, curriculum resources, central services and school meals.

2. Before presenting the annual budget to the Governing Body the Committee will have considered various options or 'what ifs' to ensure the needs of the school are covered within the funding available.

3. The Head Teacher may enter into contracts which do not exceed £4,000 without the need to seek written quotations or tenders provided that he/she is satisfied that value for money is being achieved.

4. The Head Teacher may enter into contracts between £4,001 and £7,500 in value without the need to seek tenders provided that up to three written competitive quotes are received.

4. **Additional Funding:** Receive details of all including:

- Pupil Premium
- Capital Allocations.

5. **Income Generation:** Receive a breakdown of income generated, review charges annually and investigate new ways of generating income for the school.

## **Monitoring**

6. Receive details and monitor the progress of the budget on a monthly basis and make regular reports to the full Governing Body.

7. Take the necessary steps to ensure that the school's financial performance is in line with the approved budget. This may involve the recommendation of virements. Where funds are to be transferred from either Reserves or from one area of the budget to another and are above the amount agreed of £5,000, authorisation from the Business Committee must be obtained. Virements which are less than £5,000, will not require Governors' approval but will be reported to the Business Committee by the Headteacher as a change to the original approved budget.

8. Ensure that an audit of all voluntary and private funds is carried out on an annual basis.

9. Annually review documentation relating to finance.

## **Contracts**

10. The Committee will ensure that the school has procedures set in place for establishing and monitoring contracts and for the review of contracts already in existence. *The Committee will expect to see evidence of monitoring best value from contracts and comparative information.*

The Committee will authorise the disposal of outdated equipment provided due steps are taken to ensure that best value is obtained and that the guidance and requirements set out in the Authority's Financial Regulations has been followed.

## **School Premises**

1. While delegating the day to day management to the Headteacher, the Committee will nevertheless ensure that at all times the school's grounds and environment form a positive, safe and clean environment for all users of *Newfield School*.

2. The Headteacher /Finance and School Manager will have day-to-day management responsibility for preparing budget forecasts for administering expenditure in accordance with the budget and for presenting reviews to this Committee.

3. **Building Programme:** The Committee will report and make recommendations to the Governing Body on:

- The Borough's Capital Building programmes
- Discussions on future programmes of building at *Newfield School*
- The school's premises development plan
- The schools ICT development plan

- The Borough's Asset Management Plan

*The Committee will expect the Headteacher /Finance and School Manager to prepare both a Premises and an ICT Development Plan and to review it annually.*

4. **Energy:** The Committee will consider details of energy use by the school and discuss recommendations. It will also be attentive to environmental issues.

5. **Lettings:** The Committee will oversee and advise on other uses of the school premises such as:

- Extended Schools / Community use
- Income generation

6. **Health and Safety:** The Committee will receive Health and Safety reports and will show due regard for the duties placed on the LA in relation to health and safety. Serious accidents will be reported to the Committee.

## **1.2: Business Committee**

The Business Committee provides the governing body with an on-going involvement in financial issues. It arranges to meet frequently enough to discharge its responsibilities (at least once a term) and compiles reports for the main governing body on all areas within the remit of the finance committee. All decisions made are reported to the next full meeting of the governing body, via sufficiently detailed minutes. Membership is determined by the governing body, but includes the Headteacher/Finance and School Manager.

Areas which will fall within its remit include:

- Preparation of a draft budget / budgets
- Appraisal of expenditure options
- Assessment of expenditure bids
- Preparation of an up to date 3 year financial plan
- The forecasting of pupil numbers and anticipated income levels
- Monitoring and adjustment where necessary to in-year expenditure
- Ensuring that the school operates within the Financial Regulations of the LA and the 'Scheme for Financing Schools'
- Ensuring accounts are properly finalised at year end and that Consistent Financial Reporting (CFR) requirements are adhered to
- Evaluating the effectiveness of financial decisions
- The administration and audit each year of voluntary funds
- Compliance with the Schools Financial Value Standard (SFVS)

Please see full terms of reference – Appendix 1

### 1.3: Clear Limits of Delegated Authority

The delegation limits set out below refer to thresholds above which the approval of the governors is required before goods or services can be purchased.

Contract Sum	Minimum no of quotes	Acceptance Procedures
£200 - £4000	Written quotation not required	Governors must make best effort to secure probity and value for money
£4,001 - £20,000	Three written quotes	Governors must make best effort to secure probity and value for money.
£20,000 plus	Formal tendering process	Governors must make best effort to secure probity and value for money

### 1.4: Financial Information to Governors

The Business Committee meet at least once every term and the Headteacher /Finance and School Manager will provide a report on financial matters. Business Committee Governors are provided with regular monitoring reports from the schools own accounting package – Finance 6. Termly / monthly monitoring reports which include a forecast of expenditure to year end are provided by the Education Finance Team.

### 1.5: Minutes of all Meetings

Minutes are taken at all Business Committee meetings which are duly circulated to the full governing body and agreed. Relevant information is subsequently distributed to staff members by way of staff meetings and briefings.

### 1.6: Register of Business Interests

Separate registers of business interests are held by the school for all school staff and members of the governing body. Both governors and staff with any significant influence on financial decisions to be made should declare interests which may impact on this. For example, governors and staff should declare any links they or their family members have with local firms from which the school may wish to buy goods or services. The registers of pecuniary interest aid transparency and demonstrate accountability in the administration of public funds. This procedure affords both the individual and the school, should the question of propriety arise.

Current registers are held in school.

## 2. FINANCIAL PLANNING

Financial planning is an essential part of good financial management. It provides *Newfield School* with a clear view of how it intends to use its resources. It has two interlaced elements: The school's own development plan (SDP) and its delegated budget plan.

The SDP forms a major building block for constructing the budget. It identifies *Newfield School's* educational priorities and has a strong focus on raising standards. It is important; therefore, that the school's own development plan indicates the resource implications of each priority to guide decisions on the budget plan.

Budgeting is essential to good financial management. The budget sets out how resources are allocated and provides a mechanism for monitoring expenditure throughout the year. Clearly identified links are needed between the school's annual budget and its development plan.

## **Supporting Documents: Financial Planning**

- School Development Plan
- Budget for the current financial year and longer term budget plans for the next 3 years
- Forecasts for new initiatives
- Financial planning timetable
- Budget working papers
- Finance committee minutes
- Cash flow forecast

### **2.1: SDP – Educational Goals**

The school development plan contains *Newfield School's* educational priorities in sufficient detail in order to provide a basis and contribute to the construction of budget plans for the next financial year. The SDP contains the following elements:

- A statement of school policy and objectives
- Spending priorities for the current year linked to action plans supporting the SDP.
- The budget for the current financial year
- A three-year plan, containing spending priorities and income and expenditure estimates. The three-year plan will necessarily be broad brush and will be based on predicted trends and estimates. Their value is in allowing an estimation of the financial impact of changing circumstances and priorities within the period of the report.
- An evaluation framework for the effectiveness of spending priorities/new initiatives.

### **2.2: Costs, Benefits and Sustainability**

Option appraisal and implementation generally involves the following steps:

- Identifying needs
- Generating options to cater for the desired outcome (with costings)
- Evaluating the options
- Choosing the most cost effective option
- Including this in the school development plan and budget
- Building success criteria into the school development plan for this initiative

The school development plan should also state intended expenditure on continuing commitments, including a short commentary on any significant changes from the previous financial year

### **2.3: Financial Planning Timetable**

This timetable covers the whole planning process, including both the School Development Plan and the budget. The timetable ensures that governors are provided with the information they need to evaluate the options, which will form the basis of the School Development Plan and budget.

The timetable maps information requirements and allocate responsibilities to staff where their input to the budgeting process is required.

Information requirements may involve analysing any benchmarking information provided by the DfES or Audit Commission.

### **2.4: School Development Plan – Budget Link**

It should be possible for anyone reading the SDP to locate in the budget for the same year, the proposed expenditure for continuing commitments and new initiatives. The exercise of linking the two documents is useful as it forces consideration of how improvements are to be funded, therefore ensuring that the budget and the School Development Plan relate to each other. New initiatives could span several budget headings and details will usually be stated within detailed and fully costed Premises or ICT development plans or in the case of Staffing Issues in minutes agreed at the Staffing Committee.

### **2.5: Balanced Budget Based on Income / Expenditure**

In practical terms, realistic budgeting means the school considers what was spent last year, adjusting for inflation/pay increases and any planned changes in staffing or provisions. Realistic estimates are equally important for the income side and are based on pupil number projections and the anticipation of other income - lettings and music tuition for example.

### **2.6: Periodic Review of Main Budget Headings**

Rather than simply carrying forward the budget from one year to the next it is good practice to challenge existing patterns of expenditure, which may have become obsolete over time. Review of this kind will demonstrate elements of best value. Financial benchmarking will be useful in this process.

### **2.7: Profiled Budget**

Profiling enables the school to carry out more effective budget monitoring. Therefore areas such as the energy budget for example, are profiled to account for higher energy consumption in the winter months. A budget deficit in a particular month may be the product of a one-off expenditure item. On the other hand, a surplus may merely reflect clustering of expenditure in future months.

A cash flow forecast will allow *Newfield School* to identify whether the budget as currently profiled is likely to be covered by funds available in any given month. Current reserves and regular monthly advances of delegated budget to the bank by the LA ensures the bank position is always adequate.

## **2.8: Earmarking of Surpluses**

Governors are informed about the intended use of all money carried forward in balances. Any carry forward above the 12% threshold is reported on to the LA and is mainly used in capital projects. Monies carried forward for this purpose may be subject to claw-back should the work fail to be carried out.

## **2.9: Approval of the Budget**

The governing body should approve *Newfield School's* budget before the beginning of the relevant financial year. A provisional budget plan is required by the LA by 31<sup>st</sup> March and the formal budget by 1<sup>st</sup> May. A template is provided by the LA to do this. If requested, financial forecasts will be submitted covering each year of a multi year period where the school has been funded beyond the current financial year.

## **3. BUDGET MONITORING**

Regular monitoring of income and expenditure against the agreed budget is central to effective financial management. It allows governors, the Headteacher and Finance and School Manager to maintain financial control by reviewing the current position and taking any remedial action as necessary. However, no matter how well the original budget has been planned it may need updating, following consultation with governors. This could be in order to take account of in-year developments and /or additional funding.

In practical terms, budget monitoring involves producing regular monitoring reports and drafting proposed plans of action to tackle any significant variances from what was originally anticipated. Budget monitoring is also necessary in the forecasting of school reserves.

### **Supporting Documents: Budget Monitoring**

- Monthly/termly budget monitoring report together with an explanation of variances and a projection of reserves as at year end
- Plans to address significant budget variances
- Papers showing monitoring of expenditure on particular initiatives
- Monthly cashflow report

### **3.1: Monthly/Termly Budget Monitoring**

All variances are expressed in terms of a monetary variance from the allocation. Budget monitoring is reinforced with plans of action to tackle any significant budget variances as early as possible. The Headteacher/Finance and School Manager will specify how any overspend is to be addressed, who is to be responsible and within what timeframe. The

governors are also consulted on how best to deploy any budget surplus above the virement threshold set out in *Newfield School's* Governance delegation framework.

Regular reports from Finance 6 ensure that budget information to governors is both timely and current.

A restriction of spending is normally enforced on cost centres towards the end of the financial year in order to assist in the school's year end closure process.

Departmental budget holders are able to request budget monitoring information / reports from Finance 6 from the school Finance and School Manager / school administrator.

### **3.2: Regular Monitoring Reports to Governing Body**

As part of the Service Level Agreement (SLA) purchased from the LA, termly/monthly monitoring reports are received from the Education Services Finance Team and are presented to governors. These reports are Excel driven using imported data from Finance 6. The monthly / termly budget monitoring reports presented to Governors detail income and expenditure including sums committed but not yet paid. The reports also include an outturn forecast against the approved budget.

Reports produced include up-to-date salary reconciliation from the LA MIS figures to the schools own Finance 6 system.

## **4. PURCHASING**

It is vital that as a school the best value for money is obtained from all our purchases, whether they are for goods or services. In this context, value for money is about getting the right quality at the best available price. This often means looking further ahead than the immediate purchase, especially when selecting equipment, and taking into account associated costs such as supplies and maintenance.

As increasing amounts of funding have been delegated to schools it has led to an even greater significance to the contracting element involved. It is important that contract specifications obtained by the school contain detailed service and quality provisions.

Many of the standards in this section are there to protect individuals and to ensure that public money is spent without any personal gain. Purchasing procedures are needed to prevent waste and fraud.

### **Supporting Documents – Purchasing**

- Scheme of Delegation (school financial delegation limits)
- Recent contract specifications - School order forms - Invoice/order file
- Details of staff authorised to certify invoices for payment
- Budget monitoring reports (to show commitments)

#### **4.1: Seek Value for Money When Purchasing**

*Newfield School* will always consider price, quality and fitness for purpose when purchasing goods or services. By complying with 'Best Value' the school ensures the purchase of goods or delivery of services is to clear standards, covering both cost and quality and by the most effective, economic and efficient means available.

#### **4.2: Expenditure Limits – Governors' Authorisation**

Prior approval from the governing body should be obtained for all expenditure above the predetermined limit of £5,000.

#### **4.3: Expenditure Limits**

Quotations should be obtained for all expenditure above the predetermined limit. If circumstances arise where this is not possible, the reasons for this should be reported to the governing body.

#### **4.4: Reporting When Quotation Accepted is not the Lowest**

Where a quotation other than the lowest is accepted, the reasons for this decision will be reported to the governing body and included in the minutes of the relevant meeting.

#### **4.5: Expenditure Limits - Tendering**

*Newfield School's* policy on tendering is as stated within The Council's Financial Regulations on tendering procedures.

The following are items which need to be considered in the event of the school entering the formal tendering process:

- Advertisement of tenders
- The procedures for the submission, receipt, opening and recording of tenders
- The evaluation of tenders
- Acceptance of tenders
- Cancellation clauses in cases involving corruption or bribery

Details of the Council's Financial Procedures if required may be requested from the LA or downloaded from the Blackburn with Darwen intranet site.

#### **4.6: Contract Specification Defines Service**

A tightly drawn up contract specification is the best way for the school to ensure that it receives the service it was expecting and is the basis on which it can seek redress for service quality or quantity if it falls below the level specified. This therefore provides a framework against which the success of the contract can be measured.

A contract specification should contain the following elements:

- Contract duration

- Definitions
- Contract objectives
- Services to be provided
- Service quantity
- Service quality standards (could include customer satisfaction surveys, number of user complaints, inspection checks)
- Contract value and payment arrangements
- Information and monitoring requirements
- Procedure for dealing with disputes
- Review and evaluation requirements

#### **4.7: Entering into Financial Agreements**

*Newfield School* will not enter into any financial agreement with capital implications without the approval of the Council.

#### **4.8: Use of Printed Pre-Numbered Order Forms**

Printed order forms ensure that *Newfield School* has a precise record of what has been ordered which in turn can be compared against delivery. Pre-numbered forms produced by the Finance 6 system will deter fraudulent orders, as a break in the order sequence will arouse suspicion and subsequent investigation. Telephone orders are not encouraged and if they must be placed, a printed confirmation order must be forwarded to the supplier as soon as possible. Orders should be raised before goods or services are received – never at the time of delivery.

#### **4.9: Orders Only Used for School Purposes**

- Orders should be used only for goods and services provided to *Newfield School*.
- No individual must ever use an official order to obtain goods and services for their private use.

#### **4.10: All Orders Signed by Authorised Signatory**

- Orders entered onto Finance 6 can ONLY be authorised by the Headteacher or nominated officer, normally the Finance and School Manager - Finance.
- Orders should never be amended following authorisation.

#### **4.11: Responsibilities of Signatory**

The signatory of the order should be satisfied that the goods or services ordered are appropriate and needed, that there is adequate budgetary provision and that quotations or tenders have been obtained if necessary. Where quotations have been obtained, these should be retained on file with the copy order. A record of verbal quotes must also be retained.

#### **4.12: Orders Entered as Commitments on Budget**

When an order is placed, the estimated cost is automatically committed against the appropriate budget allocation so that it features in subsequent budget monitoring reports from Finance 6.

#### **4.13: Check Goods and Services on Receipt**

*Newfield School* should check goods and services on receipt to ensure they match the order and the order should be marked accordingly. This should not be done by the person who signed the order.

#### **4.14: Payment Made Promptly and only Against Actual Invoices**

These checks should confirm:

- The receipt of goods or services, crossed referenced to the relevant order number
- That expenditure has been properly incurred and that payment has not already been processed
- Prices shown agree with any contracts catalogues, quotation or tenders involved.
- Correct accounting treatment of VAT
- Discounts are taken where available.

Note: *Newfield School* should not make any payment on the basis of a photocopied invoice (or if so to be stamped 'Copy Invoice, Not Previously Passed for Payment').

#### **4.15: Approved Staff Should Certify Invoices for Payment**

A member of staff approved by the governing body should certify invoices for payment. This person should never be the person who signed the order or if staffing levels permit, the person who checked the receipt of goods or services.

#### **4.16: Certification of Invoices for Payment**

Cheque run details are attached to the invoice and copy order to provide an audit trail to final payment. Easy accessibility of information is crucial to the audit process, both internally and externally.

### **5. INTERNAL CONTROLS**

#### **FINANCIAL CONTROL**

*Newfield School* has many systems for processing and recording financial transactions. These extend from petty cash to purchasing, through payroll and contracting services to income collection systems. By building internal financial controls into systems, both governors and staff should be confident that transactions will be correctly processed and that any errors or fraud will be detected quickly.

Examples of internal controls are:

- Separation of duties – distributing work so that key tasks are assigned to separate members of staff
- A system of authorisation - each transaction is authorised before passing on to the next stage of the process.
- A clear audit trail covering all stages of a transaction or process
- System manuals – provide clear descriptions of how each system works and of who does what.
- Control Risk Self Assessment (CRSA) – self evaluation of the efficiency and effectiveness of systems in place

## Supporting Documents: Financial Control

- Written descriptions of all financial systems and procedures
- Note on how long documents should be kept

*Please also see Records Management Policy*

### 5.1: Written Descriptions of Financial Systems

The school uses SIMS Finance 6 for the day to day running of finance at the school with manuals on the system and processes provided by the LA. For reporting purposes all Cost Centre transactions from SIMS Finance 6 can be exported into Excel and formatted to provide reports in a clear and readable format.

### 5.2: Financial Control - Staff Absent

Attempts should be made by the school to ensure that financial control is maintained in the absence of key personnel. Passwords to Finance 6 should ideally be kept in a sealed envelope in a secure place with the password changed immediately if used. If cover cannot be provided in school, the Education Finance Team should be notified of the problem as soon as possible and the temporary purchase of services such as reconciliation, placing of orders, invoicing and cheque runs may be organised. Wherever possible the knowledge of financial processes should be shared in school.

### 5.3: Separation of Duties

Where more than one individual has duties related to financial administration it is essential that there is a clear separation of duties.

#### The Access Rights Matrix

If you can	Then you can also	But you cannot
Authorise order	Sign cheques	Authorise invoices Order & hold stocks of cheques Prepare cheques for signing Reconcile bank account

Authorise invoice	Order & hold stocks of cheques Prepare cheques for signing Reconcile bank account	Sign cheques
Sign cheques	Authorise order	Authorise invoices Order & hold stocks of cheques Prepare cheques for signing Reconcile bank account
Authorise income	Issue invoices	Collect or bank income Write off debt
Collect or bank income		Write off debt Reconcile bank account

#### **5.4: Maintaining Proper Accounting Records**

*Newfield School* aims to maintain proper accounting records and retains all documents relating to financial transactions for at least the period recommended by the LA (six years).

#### **5.5: Transactions – Audit Trail**

All financial transactions can be traced from the original documentation to accounting records and vice versa.

#### **5.6: Rules of Document Alteration**

Any alterations to original documents such as cheques, invoices and orders should be clearly made in ink or other permanent form initialled. Copy Invoices should be marked 'Copy Invoice Not Previously Passed for Payment'.

#### **5.7: Security of Accounting Records**

All accounting records will be securely retained when not in use and only authorised staff will be permitted access. Information on SIMS is backed up on a daily basis and a copy kept off site.

### **6. INCOME CONTROL**

Income is a valuable asset and is therefore vulnerable to fraud. It is vital that cash and cheques received are banked on a regular basis and that appropriate controls are in place to ensure its security whilst in school. It is also important that *Newfield School* does not exceed the insurance limits on holding cash on school premises, and wherever possible cash is locked

away in one of the two safes. If this is not possible then cash should be held in a locked tin and placed into a locked storeroom and in these circumstances, the amount should not exceed £150.

Income can come from a variety of sources, including grant funding, school dinner money and lettings. The governing body has established both a charging and lettings policy which will be reviewed every year. The Finance and School Manager/ School administrator is responsible to the governing body for the accounting of all income due and cash collected and accurate records are required for this.

This section covers general income controls. These include establishing procedures that ensure that income is banked regularly and that the amount banked is reconciled to the amount receipted in the cashbook. Frequent and regular checking against bank records is important to ensure that all income is secure.

## **Supporting Documents: Income**

- Charging policy
- Record of regular income due
- Lettings policy - invoices (issued by school)
- Bank paying-in slips
- Income reconciliations
- Procedures for chasing debt

### **6.1: Governors' Charging Policy**

*Newfield School's* charging policies have been approved by the governing body. A charging policy ensures that *Newfield School* has a rational approach to setting charges for items such as individual music tuition or the use of school premises. In developing the policies, governors decided on the level of profits (if any) desired and the suitability of charges in relation to other providers and on covering the cost to school.

### **6.2: Records Kept of All Income Due**

Full details are held in school of all expected income due within the financial year as well as that for occasional invoice charging.

### **6.3: Lettings Authorised by Finance and School Manager**

There are currently no lettings approved by *Newfield School*.

### **6.4: Separation of Responsibilities**

Where possible the responsibility for identifying sums due to *Newfield School* should be separated from the responsibility for collecting and banking such sums.

### **6.5: Invoices Issued within 30 Days**

Where an invoice is to be processed these are issued within 30 days.

## **6.6: Pre-numbered Receipts Issued**

*Newfield School* issues official, pre-numbered receipts through the income facility on Finance 6. Receipts are stored on Finance 6 with paper copies held on file in the school office.

## **6.7: Security of Cash & Cheques**

Cash and cheques are locked away each evening to safeguard against loss or theft.

## **6.8: Paying into Bank**

Collections are paid into the bank account promptly and in full. Cash is collected fortnightly by G4S for paying into the school bank. Bank paying-in slips show clearly the split between cash and cheques and list each cheque individually.

## **6.9: Income Collection not used for Payments**

As per audit regulations income collections are never used for the encashment of personal cheques or for other payments.

## **6.10: Reconciliation of Collections and Deposits**

This reconciliation involves matching income receipts/other documentation to accounting records on the one hand and bank statements and paying-in slips on the other.

The cash/cheque split on paying in slips allows *Newfield School* to ensure that no personal cheques have been cashed against income collected, a practice known as teaming and lading (this means 'borrowing' from cash to repay by cheque at a later date). If any income is unaccounted for, the separate listing of all individual cheques on the paying-in slip allows the identification of the missing income element.

Paying-in slips show clearly the split between cash and cheques and list each cheque individually to enable *Newfield School* to identify the source of any discrepancy between the bank balance and accounting records.

## **6.11: Chasing Invoices and Writing off Debts**

*Newfield School* uses the Finance 6 invoicing system to record and monitor income due and as a procedure for chasing any invoices not paid within 30 days. Debts are only written off in

accordance with the LA's regulations as stated in the 'Scheme for Financing Schools' (2.1.6). *Newfield School* keeps a record of all sums written off.

Staff must never write off debts without appropriate approval. If all appropriate attempts to recover debts have been made and have proved unsuccessful, debts to the value of £500 may be written off following authorisation from the governing body. Debts of £500 or above must be submitted with sufficient covering information for the approval by the Director of Finance.

## **6.12: Machine Cash Handling by Two People**

Where cash is collected from machines which take money such as telephones or vending machines, ideally when emptied the cash should be counted by two people.

## **7. BANKING**

The correct administration of bank accounts is an important part of financial control. In particular, regular bank reconciliations are essential. They prove that the balances shown in the accounting records are correct and provide assurance that the underlying accounts are accurate.

The standards in this section cover bank account and cheque controls. Failure to keep to these standards leaves areas of the school's finances open to potential error or fraud and indicates a possible breakdown within the internal control systems.

### **Supporting Documents: Banking**

- Monthly bank reconciliations
- Document showing interest rate on account
- Correspondence with bank on overdraft prohibition
- List of banks and building society accounts held by school

### **7.1: Bank Reconciliation**

Bank reconciliation is a key element of financial control, since it can prove the accuracy of the accounts. Reconciliation involves the comparison of what is in the school's financial records with information contained in the bank statement relating to the same period. If the two records do not match (excluding un-cleared cheques and receipts), the discrepancies are investigated. This process will uncover any fraud or mistakes in the accounts.

### **7.2: Reconciliations Reviewed and Certified**

All bank reconciliations are signed by the person carrying out the monthly reconciliation process. Reports are then forwarded to the Education Finance Team, where the information

submitted by the school is then checked, logged and arrangements made for the update of MIS and VAT reimbursements etc.

### **7.3: No Use of Private Bank Accounts**

Individuals should not use their private bank accounts for any payment or receipt related to *Newfield School's* budget.

### **7.4: No Overdrafts**

Accounts held by the school need to be actively managed to ensure that the account does not overdraw at any time. **Overdrafts are prohibited.** An additional advance, as well as the normal monthly advance may be requested from the Education Finance Team in order to prevent this – an example of when this may be required would be to pay service level agreement costs during October / November.

### **7.5: Approval of Non-Council Loans**

*Newfield School* should never enter into any loan agreements, other than with the LA.

### **7.6: Two Signatories needed on all Cheques**

The LA procedures require that all cheques must be signed by two of the school's authorised signatories and in their own name. **Blank cheques should never be pre-signed**

### **7.7: Supporting Documentation for Cheque Signatories**

Financial procedures in school ensure the following:

- The goods charged for have been received and are as ordered
- The prices are correct
- The invoice is arithmetically correct
- VAT is separately identified and accounted for
- The invoice has not been previously paid
- The invoice is an original

To facilitate this, the invoice should be grid stamped and signed to confirm the above checks

### **7.8 Security and Use of Cheques**

The school is responsible for the ordering of cheques from the bank / specialist printer and care must be taken to ensure that technical requirements are met. Orders for cheques must not be made by any member of staff authorised to sign cheques. To help ensure that this does not happen, the bank is notified of cheque signatories.

Cheques other than those being processed for payment are kept in a locked safe with restricted access. Unused cheques are never left out especially on the printer.

Finance 6 accounts for all cheques used however a separate record is kept to ensure a full history of all cheques including cheques spoilt or cancelled.

## **7.9: List of Bank Accounts and Signatories**

The following table shows signatories for Newfield School's bank accounts:

Name	Account No.
Mr Geoff Fitzpatrick	22743311
Mrs Brenda Allen	22743311
Mrs Victoria Clements	22743311
Mrs Jennifer Riley	22743311
Mrs Caroline Richens	22743311

## **8. PAYROLL**

*Newfield School* is aware of a number of areas where Inland Revenue regulations may affect or determine the way payments are made. For example, there are strict rules about payments to individuals who claim to be self-employed. In such cases the school will follow the LA's advice.

### **Supporting Documents: Payroll**

- Personnel procedures
- Up-to-date list of staff employed from Capita Payroll
- MIS transaction report

### **8.1: Procedures for Personnel / Payroll Matters.**

*Newfield School* follows established authority procedures for the administration of personnel activities, including appointments, terminations and promotions. The school buys in to the Capita integrated Payroll and Personnel services.

### **8.2: Separation of Duties – Decisions**

The duties of authorising appointments, making changes to individuals' conditions or terminating the employment of staff (Head) are separated from the duties of processing claims (Business Services Manager / School Administrator).

### **8.3: Authorised Access to Personal Files**

The HR and Business Manager / School administrator will ensure that only authorised members of staff have access to personnel files and ensure also that arrangements are in place for staff to gain access to their own records if necessary.

## **8.4: Payment of Staff - Payroll Transactions**

Payroll transactions are processed **only** through the payroll system. Items such as travel and subsistence claims or payments for casual staff should never be paid from petty cash, for example.

## **8.5: Regular Updating of Staff Employed**

A list of staff employed in school is maintained and updated promptly to reflect new starters and leavers. An 'Establishment List' from Capita Payroll is forwarded to school to confirm school records.

## **8.6: Payroll Checks**

The Finance and School Manager undertakes monthly checks between MIS reports and school documentation such as staffing forecasts to ensure:

- Staff are being paid the correct rate of pay and allowances
- Employees from other establishments have not been charged to the school in error
- Leavers have been removed from the payroll

## **9. PETTY CASH**

Petty cash is useful for making small purchases. However, it is important that the appropriate controls are in place to prevent its loss or abuse.

The following standards contain petty cash controls covering authorisation, documentation and secure storage of cash.

### **Supporting Documents: Petty Cash**

- Document showing maximum level of petty cash approved by governors
- Petty cash records - reconciliations

### **9.1: Agreed Level of Petty Cash**

The agreed level of petty cash to be held in school is up to £300.

### **9.2: Security of Petty Cash**

The Finance and School Manager / School administrator ensures that the petty cash fund is held securely and that only staff involved in the process has access to it.

### **9.3: Correct Use of Petty Cash**

Petty cash may be used for the reimbursement expenses such as car parking or the purchase of small items of equipment or materials. Payments from the petty cash fund are approved in advance by an authorised member of staff as per LA instructions.

Petty cash cannot be used for:

- Payments for casual staff
- Car mileage and subsistence claims
- Gifts for staff
- Individual transactions in excess of £50

### **9.4: All Expenditure Supported by Receipts**

All expenditure from the fund must be supported by receipts identifying any VAT paid. It must be signed for by the recipient and countersigned by an authorised member of staff.

### **9.5: Accounting Records Kept**

Detailed records are kept of amounts paid into and taken out of the fund. All cash drawn is recorded on Finance 6. Payments made are also entered onto Finance 6, which allocates a unique number to record the transaction.

### **9.6: No Personal Cheques Cashed**

Personal cheques are never cashed from the school petty cash fund.

### **9.7: Reconciliation of the Petty Cash Account**

No dedicated bank account is kept for petty cash as cash is drawn from *Newfield School's* main account. Actual cash in hand is reconciled on a monthly basis against the Finance 6 system as part of the bank reconciliation process by the Finance and School Manager / School administrator. Reports are forwarded to the Education Finance Team as part of this process. An independent check of the actual amount of cash held is also undertaken on a monthly basis.

## **10. TAX**

The Headteacher /Finance and School Manager are responsible for ensuring that *Newfield School* complies with VAT and other tax regulations.

The school adopts the Council's guidance on VAT. Similarly, the school follows the guidance given on the Construction Industry Taxation Scheme.

## Supporting Documents: Tax

- School VAT, Tax and CITS procedures
- Copy of Construction Industry Taxation Scheme

### 10.1: Relevant Staff Aware of Tax Regulations

The school ensures that all relevant finance and administrative staff are aware of the implications of Value Added Tax (VAT), Income Tax and the Construction Industry Taxation Scheme (CITS) regulations as per LA instructions.

### 10.2: Payments Only on VAT Invoices

A correct VAT invoice is the only basis on which VAT can be reclaimed by the school. It will contain the following elements:

- The suppliers name, address and VAT registration number
- The date goods or services were supplied
- The name and address of the school
- The goods or services supplied
- Amount payable excluding VAT
- VAT rate

If the total invoice cost, inclusive of VAT, is less than £100, less detail is required.

### 10.3: Procedures for VAT on Business Activities etc

The following table sets out how VAT on business activities, school trips and other taxable activities should be accounted for, both within the delegated budget and in voluntary funds.

	Standard	Zero	Exempt	Non -Business
Sports Development Courses			<input type="checkbox"/>	
Private Telephone Courses	<input type="checkbox"/>			
Book sales				
Sale of School Uniform (Note 1)		<input type="checkbox"/>		

Exam / Enrolment Fees				<input type="checkbox"/>
Sale of Class Work to Pupils				<input type="checkbox"/>
School Trips - Curriculum				<input type="checkbox"/>
Meals Supplied to pupils				<input type="checkbox"/>
Meals Supplied to Adults	<input type="checkbox"/>			
Lettings - sporting < 10 lets (Note 2)		<input type="checkbox"/>		
Lettings - Non Sporting	<input type="checkbox"/>			
Catering	<input type="checkbox"/>			

1. School uniform sizes 34inches and above are standards rated items except where these are supplied to junior aged children and where the item bears the school logo.
2. The letting of sports facilities is exempt from VAT where 10 lets are booked at one time for the same facility with a gap of no more than 2 weeks between each let.

#### **10.4: Payments According to CITS**

*Newfield School* will only make payments to contractors and subcontractors in accordance with the Construction Industry Taxation Scheme (CITS). The Director of Finance has issued guidance on this issue and further information may be obtained for clarification from Tom Cannon – Capita payments controller on ( 01254) 273050.

#### **11. VOLUNTARY FUNDS**

Voluntary funds provide *Newfield School* with an additional source of income. Although such funds are not public money, the standards for the guardianship of these funds is as important as those for the administration of the school's delegated budget. The Voluntary fund account therefore, will be audited each year and an audit certificate obtained.

This section applies to voluntary funds belonging to *Newfield School*.

#### **Supporting Documents: Voluntary Funds**

- Bank statements, receipts and payments relating to voluntary funds
- Copy of last year's audited accounts, audit certificate and report
- Bank reconciliations
- Up to date insurance policy

## **11.1: Separate Accounting from School Budget**

The Finance and School Manager ensures that voluntary funds are accounted for separately from the school's delegated budget and are held in a separate bank account.

## **11.2: Finance and School Manager Appointed to Oversee the Fund**

The governing body has appointed the Finance and School Manager / School administrator to oversee the funds held.

The same standards of financial accounting which apply to the school's delegated budget are applied to the voluntary fund accounts.

## **11.3: Use of Voluntary Funds**

Any income, which relates to *Newfield School's* delegated budget, should not be credited to the voluntary fund. Lettings income, for example should always be paid into the main bank account.

## **11.4: Audited Accounts to Governing Body Annually**

Bishop and Co., Chartered Accountants has been appointed to audit the school fund accounts. This is reported to the governing body each year with a copy of the balance sheet made available and kept with the relevant minutes.

## **11.5: Procedures for Signing Cheques**

The Finance and School Manager / School administrator ensures that two signatories authorised by the governing body sign every cheque drawn against the school fund bank account.

## **11.6: Monthly banking**

Any voluntary fund income will be paid into the voluntary fund bank account at least once a month.

## **11.7: Procedures for Issuing Receipts**

Receipts will always be issued for any donations or income entering voluntary funds. This is to provide audit evidence and to reduce the possibility of theft. This is particularly important in the case of donations, as there may be no other proof that the income existed. The receipts should be numbered and copies kept.

## **11.8: Regular Reconciliation with Bank Statements**

The Finance and School Manager / School administrator will ensure that regular reconciliations between the accounting records and bank statements are undertaken and independently reviewed.

## **11.9: Insurance Cover for Voluntary Funds**

Voluntary fund losses are covered by Council general insurance scheme.

## **12. ASSETS**

School assets are kept securely and are recorded in our asset register which is updated and checked on a regular basis.

The Finance and School Manager / Premises and Services Manager has made the necessary arrangements to identify such items as school property, to record the cost and where they are located and off-site use, as appropriate.

It is also important that we have a plan for the use, maintenance and development of our school buildings. This plan is considered to be part of our school's development plan but is detailed in its content within *Newfield School's* Premises Development Plan (PDP).

### **Supporting Documents: Assets**

- Asset inventory
- Plan for the use, maintenance and development of premises

### **12.1: Maintenance of Stock Levels**

The Finance and School Manager / School administrator ensures that stocks are maintained at reasonable levels and subject to a physical check at least once a year.

### **12.2: Security Marking and Asset Inventories**

Up-to-date inventories are maintained of all items of equipment which are identified as school property with a security marking. Such items might include ICT equipment, videos, cameras etc.

The register contains details covering date purchased, order number, asset cost, identification number and location within school. It is vital that the inventory is kept up to date. School procedures ensure that every time an asset is purchased, disposed of or becomes obsolete the inventory is automatically updated. The inventory will quickly become meaningless if not updated.

This should help the school plan its equipment replacement programme. It will also provide evidence in the case of an insurance claim.

### **12.3: Check on Inventories Annually**

Arrangements are in place for inventories to be checked at least once a year against physical items. All discrepancies should be investigated and any over a pre-determined sum reported to the governing body.

### **12.4: Procedures for Property Taken Offsite**

Whenever school property, for example musical instruments or computers, is taken off site it should be signed for and a record made of this in the schools inventory.

### **12.5: Authorisation of Write-Offs and Disposals**

All write-offs and disposals will be reported regularly to the Business Committee in accordance with Council regulations.

### **12.6: Security of Safes and Keys**

The school's safe is kept locked and the keys removed and taken home by the Finance and School Manager.

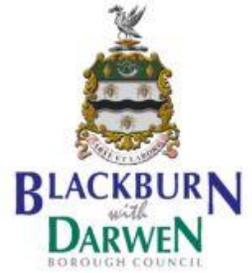
### **12.7: Plan for Use Maintenance and Development of Buildings**

The governing body have a plan for the use, maintenance and development of *Newfield School's* buildings as outlined in the Premises Development Plan.



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## 13. INSURANCE

The school is protected against risk via the LA insurance scheme. This policy covers areas such as; Premises, Balance of Risks, Employee Liability, and Public Liability, which in turn covers the legal liability to pay compensation to any person for accidental bodily injury or accidental damage to any property as a result of the normal educational activities of the school.

Exposure to risks is reviewed on a yearly basis to ensure that cover purchased by way of the service level agreement, remains adequate.

### Supporting Documents: Insurance

- Up-to-date Insurance Service Level Agreement (SLA)

#### 13.1: Annual Review of Risks

The school reviews all risks on an annual basis to ensure that the sums insured are proportionate to the risks.

#### 13.2: Additional Insurance Cover Where Appropriate

The governing body should consider whether to insure risks not covered by the Council. The cost of such premiums should be met from *Newfield School's* delegated budget.

#### 13.3: Notification of Insurance Losses and Claims

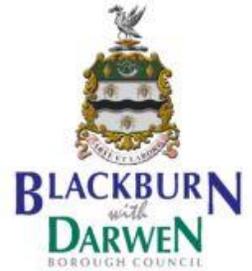
The school should immediately inform its insurers (the Council) all accidents, losses and other incidents, which may give, rise to an insurance claim.

#### 13.6: Insurance of Property Taken Off Site



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Insurance arrangements will cover the use of school property, for example musical instruments or computers, when off the premises (as long as the item being taken is for work purposes and has been recorded and signed for in the school's inventory register).

## 14. DATA SECURITY

*Newfield School* is now fully reliant on computers to process and record personal, financial and other management data. Most of the controls in this section therefore cover access to data held on computers. It is important that management information is properly protected from unauthorised access and that it is backed up on a regular basis. It is also important that the school has a recovery plan to ensure continuity of financial management in the case of an emergency.

The Data Protection Act 1998 is designed to protect the rights of individuals in relation to the personal data that is held about them. It sets out requirements about the processing, storage and disclosure of that data and extends the coverage of the previous legislation from data handled electronically to certain manual record systems.

The Act requires governing bodies and head teachers to notify the Data Protection Commissioner where the activities they are engaged in are covered by this legislation. It is highly probable that pupils' paper records will fall wholly or partly under the requirements of the Data Protection Act 1998 and be subject to notification.

### Supporting Documents: Data Protection

- Emergency recovery plan
- Notification to the Data Protection Commissioner (Data Protection Act 1998)

#### 14.1: Security of Access



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Computer systems used for school management are protected by password security to ensure that only authorised personnel have access. Members of staff are advised that passwords should be changed on a regular basis. Passwords are cancelled immediately when staff leaves.

It is necessary on some systems at school to introduce graded passwords, giving different levels of access, to ensure that no one has inappropriate access. Graded access could, for instance, allow a member of staff to read but not alter records, as is the case on Finance 6.

## **14.2: Back-up Procedures**

The Premises and Services Manager ensures that data is backed up regularly and that all back-ups are securely held in a fireproof location and that a second copy is held offsite.

## **14.3: Recovery Plan for Emergency**

The school has an established a recovery plan to ensure continuity of financial administration in the case of emergency.

## **14.4: Protection against Computer Viruses**

To prevent viruses being imported, only authorised software should be used.

School computer systems are protected against viruses in two main ways:

- By installing and regularly updating anti-virus software
- By blocking the use of unauthorised software

## **14.5: Data Protection Act Notification**

The governing body ensure that the school complies with the Data Protection Act and that the use of any electronic or relevant manual systems to record or process personal information, and any disclosure of that information, complies with the legislation.