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 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 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 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

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.
1. THE REGULATIONS AND THE FAIR FUNDING SCHEME FOR SCHOOLS

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 (Fair Funding Scheme). The Fair Funding Scheme 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 Rotherham Scheme requires that Schools manage and control their finances within the rules set down in the Financial Regulations for 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

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 principal elements of a sound approach to the administration and control of school funding are set out in the OfSTED The (Office for Standards in Education, Children’s Services and Skills) document ‘Keeping your balance’.

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 Fair Funding Scheme and Financial Regulations for Schools. Alongside the Head Teacher they have direct control over and make decisions on the allocation of financial resources.

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.

The detailed statutory responsibilities of Governing Bodies and Head Teachers are included in the DfE Financial Management Standard Toolkit and the OfSTED publication ‘Keeping your balance’.

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. Further guidance on the required format and content of the statement is available on the Financial Management Standard In Schools (FMSIS) website at Section 5.2. A specimen statement can be found at the following link: Specimen statement of internal controls for schools.

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.

See example

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. Register of Business Interests
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 Authority’s Financial Regulations.

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. See Example at Appendix 1

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. Check the FOI page on the intranet for a full list of the exemptions.

Further advice and guidance is available at the following links:
http://intranet.rotherhamconnect.com/C2/Freedom%20of%20Information/default.aspx

http://publications.teachernet.gov.uk/eOrderingDownload/FoIFinal.doc

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. Further information
on competencies guidance is available in Section 2: People Management of the document ‘Evidence Sources’ for FMSIS available at the following link:


9.1

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 Whistle blowing, 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 updates on budget forecasts.

11. Financial Management Standard in Schools (FMSIS)

From January 2007 it is a legal requirement that all schools achieve the Financial Management Standard (FMSIS).

‘The Financial Management Standard is a simple one page statement of the characteristics you would expect to find in a school that is well managed financially. These cover: Leadership and Governance; People Management; Policy and Strategy; Partnership and Resources; and Processes. Those characteristics are set out in terms of the principles to be achieved, rather than the precise way they should be achieved. This
reflects the fact that schools have vastly different levels of financial management resource and are organised in different ways.

Nevertheless, the principles of the Standard should be achievable by all schools.’

Extract from the DFE Standards site –

http://www.standards.dcsf.gov.uk/vfm/financial/standard/
D. FINANCIAL PLANNING

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 (Fair Funding Scheme) 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 by 31st May each year in the format specified at Appendix 2 See also Chapter E. Section 1

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. The DfE CFR website outlines details of the framework: http://www.standards.dcsf.co.uk/vfm/financial/reporting/framework/

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 which is available at the following link: http://intranet.rotherhamconnect.com/C12/Benchmarking/default.aspx

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. Guidance on how to use the website is
available at the following link: DFE Schools Financial Benchmarking – Website Guidance.

Further guidance is contained within the DFE document: Strategic Planning – the Key to Financial Sustainability

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.

[Link to summary of Consistent Financial Reporting Headings]

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.])

For further guidance on budget setting see the [Schools Financial Procedures Handbook page 14]

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. 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 (as per the Fair Funding Scheme Section 4)

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. (Fair Funding Scheme section 4.10).

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. See Appendix 3 Licensed Deficit Approval Process for guidance on the content of the letter.

- 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, (see Section 6 below) 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.

FS/JR/FEB10/01
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. A suggested format is provided at the following link:

Appendix 4 Cash flow forecast

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.

Appendix 5 Schools in Financial Difficulty Application Form 2009/10
E. BUDGET MONITORING AND REPORTING

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 school’s 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 school’s 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 and in the Fair Funding Scheme-section 2.8 in the format given at Appendix 2.

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.

See also: The Schools Financial Procedures Manual – Budget Monitoring

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.
Each school should have a Financial Procedures Manual in order to meet Section 5.5 of the Financial Management Standard in Schools (FMSIS). A template for this purpose is provided at the following link. **Financial Procedures Manual**

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)

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.

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.

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 in to 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 in to the schools financial management system (e.g. FMS) and in to the Council’s General Ledger (CedAR).

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.**

Further guidance is provided in the [Financial Procedures Manual](#).
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.

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 Guidance Note (Extract from the Council’s Financial 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 imprests or increases or reductions should be submitted to the Strategic Director of Finance. Guidance.

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. Council Charges & Remissions Policy

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 June 2009):

- 15% - 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.

Further guidance on VAT can be found on the Financial Services intranet site:

http://intranet.rotherhamconnect.com/C12/C7/Available%20Downloads/default.aspx
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.

7.1 Employment Status

It should be noted that where 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.

HM Revenue and Customs would prefer payments to ‘individuals’ to be paid via a payroll system to ensure that tax and national insurance are deducted at source.

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.

Information Sheet CIS 4 status

8. 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. **How to complete an SD3.**

For further information on the Council’s Sundry Accounts collection policy, please refer to the Authority’s Financial Regulations. **Sundry Accounts Collection Policy**

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

[Accounts Receivable Module Section 23, page 120 of the FMS Guidance.](#)

### 9. 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 number of complete financial years as outlined in the **Guidance Note** *(Extract from the Council’s Financial Regulations)*

### 10. 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.

[Year End Letter](#)
G. BANK ACCOUNTS

1. Background

Currently 70 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

The Authority will approve accounts with banks listed at Appendix A of the Bank Account Scheme.

New bank accounts must be reported to and minuted by the Finance Committee and noted at a meeting of the full Governing Body.

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 credit 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 credit card purchases; therefore, VAT receipts must always be requested.

For further guidance is available in the RMBC document ‘Guidance for the Use of School Business Cards’

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 Grove Road by the 7th of each month. 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.

Please refer to the Schools Bank Account Scheme for detailed guidance.
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 Fair Funding Scheme (Section 2.9) 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.

Further guidance on the application of Best Value in Schools can be accessed by following this link: VFM Document 31

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.

¹Extract from the Council’s Financial Regulations
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 into several elements, the value of the elements must be aggregated into the total estimated value. It should not be divided artificially into separate contracts in order to avoid Standing Order regulations.

No contract with an external supplier that is between £5,000 and £20,000 inclusive in value, for the supply of goods, materials or services or the execution of any work shall be entered into unless at least two written quotations have been obtained.

For contracts of more than £20,000 but less than £50,000 three written quotations must be 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

Guidance for schools on the payment of invoices is available here.

6. Leases

Guidance for schools on leases is available here on the intranet.

I. STAFF

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 strategic partner: RBT).

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.

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. http://www.teacherspensions.co.uk/employers/employers1.htm

Also see Section 8.4 of the Fair Funding Scheme

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.)

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 F 7.1 or contact your payroll provider.
J. SCHOOL AND UNOFFICIAL FUNDS

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 Individual Schools Budget (ISB), Learning and Skills Council (LSC) funding, 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

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 Fair Funding Scheme 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 Fair Funding Scheme 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:

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<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>a)</strong></td>
<td>It is a holding account for monies paid or donated in advance for school visits and journeys.</td>
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<tr>
<td></td>
<td>Not Charitable</td>
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<tr>
<td><strong>b)</strong></td>
<td>It is a banking account for monies raised for specific charities by pupils, parents and staff.</td>
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<td></td>
<td>Not Charitable</td>
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<tr>
<td><strong>c)</strong></td>
<td>It may be a trading account used for the sale of items of uniform, photographs or stationery etc.</td>
</tr>
<tr>
<td></td>
<td>Not Charitable</td>
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<tr>
<td><strong>d)</strong></td>
<td>It may be a holding account for a variety of other activities e.g. book sales, retirement collections.</td>
</tr>
<tr>
<td></td>
<td>Not Charitable</td>
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<tr>
<td><strong>e)</strong></td>
<td>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.</td>
</tr>
<tr>
<td></td>
<td>Charitable</td>
</tr>
</tbody>
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The Charity Commission should be contacted for further guidance:

[www.charity-commission.gov.uk](http://www.charity-commission.gov.uk)
K. INVESTMENTS, BORROWING AND LOANS

1. Borrowing by Schools

The Governing Body may borrow money only with the written permission of the Secretary of State. 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.
1. Identification of Assets

The Governing Body will ensure that all physical assets are clearly marked with the School's name, and carry some form of unique identifying reference. This should be done, as a matter of routine, when the asset is first acquired, before it is brought into use.

The Governing Body will ensure that leased assets, and assets funded by specific grants are separately identified. This is because there are special rules, particularly related to disposal, related to these classes of assets.

2. 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 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.
- A periodic stock check is undertaken

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.

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

4. 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.

Further guidance is available from the DFE FMSIS website:

http://www.fmsis.info/uploads/S_4_5_ICT_Plans_10-3-08.doc
M. RISK MANAGEMENT

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: [http://www.standards.DfE.gov.uk/vfm/management/risk](http://www.standards.DfE.gov.uk/vfm/management/risk)

4. Risk Register
N. ACCOUNTING STANDARDS

All schools will have many procedures and systems e.g. management systems (such a 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 link below gives details of the key dates

Rotherham Council Intranet Useful Documents School's Finance Deadlines

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)
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: [http://www.teachernet.gov.uk/wholeschool/extendedschools/](http://www.teachernet.gov.uk/wholeschool/extendedschools/)

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.

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. As per the Fair Funding Scheme Section 13.2, 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 Fair Funding Scheme for Schools at Section 13.5.

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.