

Sefton Council



Sefton Council

Financial Regulations for Schools

**Under Section 151 Local Government Act 1972 and Section 114
Local Government Finance Act 1988 and Section 48 and 49 School
Standards and Framework Act 1998**

**April 2019 - issued by the Head of Corporate Resources - S151
Officer**

FINANCIAL REGULATIONS FOR SCHOOLS

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1.0 GENERAL CONTEXT

- 1.1 Under the School Standards and Framework Act 1998 all schools are required to have a set of Financial Regulations. Schools can either draft their own regulations or adopt those contained in this document, but these regulations form the minimum standard, and school's own regulations must be no less rigorous than these.
- 1.2 These regulations are established by law and by the Sefton Council's Constitution (Financial and Contract Procedure Rules). They detail the responsibility of Head Teachers and Governors in ensuring the proper administration of the Council's financial affairs.
- 1.3 Under Chapter 9 of the Constitution, Sefton Council's (thereafter the Local Authority [LA]) Head of Corporate Resources (S151) is the Chief Finance Officer designated under Section 151 of the Local Government Act 1972 to be responsible for the proper administration of the LA's financial affairs. To achieve this, rules have been adopted to cover all those schools with delegated management. They are set out in the remainder of this document.
- 1.4 The Head of Corporate Resources (S151) is also responsible under Section 114 of the Local Government Finance Act 1988 to report formally any instance of unlawful expenditure (potential or actual) to the LA's members and external auditors.
- 1.5 The Head of Corporate Resources (S151) or his/her representative has the right to attend at his/her discretion, meetings of Governors and give advice or report on any major financial matter which may be under consideration by the Governors or which may be under consideration by the Local Authority and will affect that school.
- 1.6 These Financial Regulations for Schools should be read in conjunction with the Scheme of Financing Schools, the Schools Contract Procedure Rules and the Council's Financial Procedure Rules.

2.0 BUDGETARY PROCEDURES

2.1 Budget Allocations

- 2.1.1 Budget allocations for the following financial year are sent to schools by the Local Authority by 28 February.
- 2.1.2 In March, Schools that buy into the School Financial Services SLA will be given advice and support in:
 - estimating budget allocations for a multi-year period;
 - forecasting demography;
 - estimating staffing costs;
 - building a budget for submission to the LA.

2.1.3 Each Governing body (or committee), in consultation with the head teacher, must approve an annual budget. The approved budget must be sent to the LA by 30th June each year (***1st May for deficit budget plans***).

2.1.4 Budgets only generally change for reasons set out in the formula or in the Scheme for Financing Schools. The Schools Funding Pack sets out in detail all funding factors.

2.2 Earmarked Funds

2.2.1 The Local Authority may make devolved allocations to the school for specific activities or responsibilities outside the original budget. These sums will be 'earmarked' for those purposes, and you may not assimilate them into the school's budget share. The LA may require any unspent allocations to revert back to the LA.

2.3 Contingency Fund

2.3.1 The LA holds a small amount of funding as a contingency for maintained schools facing financial difficulties. This funding has been de-delegated by schools and can be used to support schools with staff reorganisation costs or staff dismissal costs. Schools wishing to draw upon this funding should write to the LA giving details of the situation and full costs. The details would then be forwarded to the Panel representatives for their opinion and agreement.

2.4 How Schools Receive their Budget Share

2.4.1 Schools not operating their own bank account will have their funding allocation assigned against the LA's Financial Management System (Agresso).

2.4.2 Schools who operate their own local bank account will have their budget share credited directly into school bank accounts each month, as per the funding statement using a LA timetable published at the beginning of each financial year. More details around schools having their own Bank Accounts are contained within the latest Scheme for Financing Schools document.

3.0 FINANCIAL CONTROL - GENERAL

3.1 The Governing Body must immediately inform the S151 Officer, Head of Corporate Resources, of any matters arising, decision or course of action or proposed decision, proposed course of action or entry of an item of account which may give rise to a report under Section 114 of the 1988 Act (see Regulation 1.3 above).

3.2 The Governing Body shall ensure that the Scheme for Financing Schools, Financial Regulations, Financial Procedure Rules & Schools Contract Procedure Rules are observed throughout the school.

3.3 The Governing Body shall:

- ensure that the allocation of resources promotes the aims and values of the school, as per the School Development Plan;

- safeguard the spending of public money from waste or misuse;
 - comply with any statutory obligations or requirements of the Local Authority in the management of school finances;
 - annually set a balanced budget, and where this is not possible to apply to the Local Authority for a licensed deficit budget, including submitting a recovery plan. The Local Authority cannot write off a school deficit.
- 3.4 The Governing Body is responsible for the control of staff and the security, custody and control of all other resources including plant, buildings (except where they are the responsibility of the Assets and Property Manager), materials, cash and stores appertaining to the school.
- 3.5 The Governing Body is responsible for the overall finances of the school. Day to day financial and management responsibilities must be aligned so that head teachers are responsible for the financial consequences of their decisions. Budgets must be assigned to one authorised budget holder only.
- 3.6 The Governing Body must report to parents annually on its stewardship of the school's finances. This should be in the form of a governance statement regarding how it has fulfilled its responsibilities – particularly in relation to its core functions, including:
- the governance arrangements that are in place, including the remit of any committees;
 - the attendance record of individual governors at board and committee meetings; and
 - an assessment of the effectiveness and impact of the board and any committees with details of any challenges that have arisen.

4.0 FINANCIAL SYSTEMS / RECORDS

- 4.1 The S151 Officer: Head of Corporate Resources is responsible for the operation of the LA's accounting system, the form of accounts and the supporting financial records.
- 4.2 All schools are required to keep a commitment accounting system. This must be a locally held system. The LA supports SIMS FMS, however schools can choose a different system if it meets Corporate requirements. Schools are required to maintain suitable back-up arrangements for the local system.
- 4.3 Agresso (the LA's main finance system) shall be the prime system upon which final assessments of financial performance shall be made in conjunction with the school's approved financial statements and Consistent Financial Reporting Return.
- 4.4 Schools must submit financial returns in accordance with required reporting procedures such as corporate requirements and closedown documents published annually. The LA may request additional reports or a change in reporting pattern due to concerns with a school or several schools.

- 4.5 All documents, invoices etc pertaining to transactions on local accounting systems must be retained in accordance with the requirements set out in Appendix A (Retention of Financial Records).

Other IT Systems operated by the School – On Line Collection Systems etc

- 4.6 Schools are increasingly using on-line payment systems, and these should be operated and treated in the same way as the Local Authority's own Financial system for the sake of controls and accountability.
- 4.7 Governors must ensure that all financial systems, including associated working procedures and records, accord with good practice, enable schools to meet any statutory requirements and minimise the risk of loss.
- 4.8 This includes ensuring that a complete management trail, allowing financial transactions to be traced from the accounting records to the original document are maintained, together with appropriate controls to ensure that all input and output is genuine, complete, accurate, timely and not previously processed.
- 4.9 Governors and the Head teacher must ensure that internal controls are in place for any systems they operate. Governors and Staff should be confident that transactions will be properly processed and that fraud is detected quickly.
- 4.10 Key internal controls should include:
- Internal checks – checking of 1 person's work by another
 - Separation of Duties – ensuring that key tasks are assigned to separate members of staff
 - Systems Manual – should be maintained describing how the system works and should operate
 - Staff training in the use of systems
 - There should be adequate notes for guidance around documentation; processes and procedures. This should include a documented and tested disaster recovery plan and that staff are trained accordingly in such procedures
 - Authorisations – by key staff to accept transactions at different stages
 - Clear audit trail covering all stages of a transaction from start to finish
- 4.11 The Head of Corporate Resources may offer direction as required regarding the use and operation of financial information and accounting systems.

5.0 BANKING AND CASH MANAGEMENT

- 5.1 The S151 Officer: Head of Corporate Resources has responsibility (delegated to him by Council) for the Treasury Management function (management of debt and the borrowing and investment of money) and arranging and operating the Local Authority's banking facilities. This means that no other officers (head teachers or governors) are empowered to open any kind of bank account, to invest or borrow any money, or to enter any credit arrangement. The exception on bank accounts is where schools are given permission to open accounts in accordance with the Local Authority's Scheme for financing maintained schools.

- 5.2 The Head of Corporate Resources: S151 Officer will approve a Scheme of Operation for maintaining the LA's bank accounts.
- 5.3 Schools wishing to operate their own bank account must use a local bank account. Schools can choose to bank using a sub-account of the LA's bank or with any other approved bank.
- 5.4 Schools must comply with the reporting and operating requirements specified by Schools Finance, details of which can be found in the *School Bank Account Procedure Manual (below)*. *Note this manual is for schools operating a bank account for payments only, operating on an imprest basis within the Council's banking arrangements (ie as a sub-account of Sefton's main bank account)*. *Details in respect of schools wishing to operate their own independent bank account may be found in the Scheme for Financing Schools document within Section 3.*



If, in the judgement of the Head of Corporate Resources (S151), a school fails to carry out the processes and requirements of running a bank account or reporting satisfactorily, ultimately a Notice of Concern may be issued, or in extreme cases withdrawal of the delegated budget as per the Scheme for Financing Schools.

6.0 FINANCIAL CONTROL - CAPITAL

- 6.1 Authority for expenditure of devolved capital funding is conferred on the Governing Body insofar as it relates to a project identified within the capital programme as agreed by the LA (normally via the School Asset Management Plan).
- 6.2 Schools are not permitted to undertake a capital project (a project costing over £15,000 to acquire or provide land, buildings or ICT hardware) without notifying the Head of Education and schools have no power to borrow externally to meet capital expenditure requirements.
- 6.3 The levels of authority within schools for capital expenditure shall be those defined in the school's own financial regulations, but it is recommended that these should be no greater than those specified in 7.3 below.
- 6.4 Energy schemes, which relate to capital investment projects that would see future savings from green energy efficiency generation, but are repayable over several years, should be entered with caution. Not all schemes are government approved. Certain schemes are deemed as not borrowing, and can only be entered after checking the finer detail of the contract. Schools must speak to the Energy team or the Central Purchasing Unit (CPU) for schools with an SLA at the earliest opportunity before entering any agreements.
- 6.5 Schools should ensure they have the funding to carry out capital expenditure prior to ordering the equipment or works.

- 6.6 Schools must seek permission of Corporate Finance Capital Team to capitalise any revenue funds (even if planned in budget prep), prior to **any** order being placed for works/equipment etc.
- 6.7 In considering an item of a capital nature, Governors should have due regard to the most efficient use of resources including the general requirements on value for money and health and safety and comply with Contract Procedure Rules.

7.0 FINANCIAL CONTROL - REVENUE

- 7.1 Authority for expenditure of delegated revenue funding is conferred on the Governing Body insofar as it relates to spending for the purpose of the school as outlined in the Scheme for Financing Schools or additional purposes as prescribed by the Secretary of State under Section 49.
- 7.2 Schools can use some of their budget share to meet the cost of capital expenditure on their premises. This is known as 'capitalising revenue' where revenue is transferred to capital. In all cases where revenue is to be capitalised, schools must ensure:
- a) That using revenue will not cause a revenue deficit in the next two years;
 - b) That all available capital funds have already been exhausted.
 - c) That they seek permission from Corporate Finance Capital Team, prior to ordering **any** works/equipment etc (even if the amounts were planned in budget prep).

If donations are due from external sources e.g. Parent Teacher Associations etc, to cover or contribute towards capital items or works, then the donations must be received first, or within the same financial year.

If the premises are owned by the LA, or the school has voluntary controlled status, the governing body must seek the consent of the LA to the proposed works. The consent of the LA would only be withheld if there were grounds in respect to Health and Safety.

- 7.3 The Governing Body may choose to delegate responsibility for some levels of expenditure, as defined in the school's own financial regulations, but these levels should normally be no greater than: -
- I. Up to £10,000 by approval from Head teacher
 - II. £10,001 - £20,000 by Governors Sub Committee
 - III. Above £20,000 Governing Body

It is however a matter for each Governing Body to determine such limits and any variation from the recommended levels must be recorded in the Governors' minutes and notified to the Head of Education and the Head of Corporate Resources.

- 7.4 Schools may vire money from one budget heading to another within their delegated budget, but not at the expense of statutory duties. The Governing Body should decide the appropriate levels of delegated responsibility to the head

teacher for virements. This should be recorded either in the school's financial regulations or in Governing Body minutes.

No virement responsibility levels are specified in the Scheme, other than the overall limit of the delegated budget.

- 7.5 Schools are required to maintain up-to-date budgets and profiles for Budget reporting each month. When additional funding is received, schools should adjust the budget and profiles to reflect the increase.
- 7.6 Under existing regulations, the only type of lease agreement that can be entered into by a State funded school (without prior specific approval), is an Operating Lease. Finance leases require prior Secretary of State approval, as they are treated as borrowing, which is strictly controlled. Permission to enter a Finance lease is rarely granted.
- 7.7 Operating leases may however, be entered into, using schools' revenue funds, so long as to do so, would not take the school into a deficit position. Funds must be available to pay the lease rental payments over the period of the lease. Under an Operating Lease, a school is only required to pay a proportion of the capital value of the equipment over an agreement term that is shorter than the equipment's 'useful economic life.' Schools can usually enter into operating leases where, over the period of the lease, the school pays 90% of the cost of the equipment and ownership does not automatically transfer to the school at the end of the agreement.
- 7.8 Schools Devolved Capital Funding (DFC) **may not** be used towards paying for Operating Leases in respect of equipment or facilities, as ownership of the leased asset does not pass to the school at the end of the agreement. Under a Finance Lease, ownership would pass to the school, however, as mentioned above, to enter a Finance lease requires the permission of the Secretary of State, which is seldom granted.
- 7.9 DFC is only used for the direct purchase of assets, e.g equipment; or towards the costs of repair or building work with a value above £2,000.
- 7.10 If a deficit materialises within community facilities, and there are insufficient prior years surplus funds to cover the deficit, then the school must bring the community facility back into balance before applying any schools budget i.e. the community facility must be sustainable going forward in its own right.

8.0 VOLUNTARY & NON-PUBLIC FUNDS AND TRADING ACCOUNTS

- 8.1 Voluntary funds must be registered with the Local Authority and be accounted for separately from the public funding and audited annually by an auditor, who is completely independent of the school. A copy of the auditor's certificate must be sent to Schools Finance. This is to ensure proper stewardship of non-public funds.

- 8.2 Any voluntary fund held by a school, where income from all sources exceeds £5,000 pa, should be registered with the Charity Commission. This is the minimum requirement for registration and would particularly apply to funds governed by a Charitable Trust for the 'advancement of Education', rather than funds designated for 'educational purposes'. This latter funding will not be an exclusively charitable purpose, because the designation is revocable. The distinction is a fine one and schools should seek the advice of the Charity Commission where there is any uncertainty (see below).

www.charitycommission.gov.uk

- 8.3 Any voluntary fund with a taxable income or expenditure greater than the limit specified by HM Customs and Excise (currently £81,000) must be registered for VAT.
- 8.4 A copy of the annual accounts of any trading units controlled by the school must be sent to Schools Finance.

9.0 PROMPT PAYMENT OF INVOICES

- 9.1 Under the Late Payments of Commercial Debt (Interest) Act 1998, interest may be payable to suppliers where invoices are not paid within 30 days of receipt or as specified in the contract terms. Schools are responsible for date stamping invoices upon receipt and ensuring prompt payment of their invoices. Any charges incurred because of the school delaying payment shall be borne by the school.
- 9.2 Construction Industry Tax Scheme (CIS) reporting - where a contract is between the school/governing body and a subcontractor (i.e. not with the Local Authority) CIS reporting is not required. This means that schools can pay the subcontractor direct and do not have to report these invoices via the Tax Officer. Where there are major capital works the contract is usually (but not in all cases) between the subcontractor and the Local Authority. Where this is the case invoices are paid by the Local Authority and will be reported for CIS purposes.

10.0 DEBT MANAGEMENT

- 10.1 Income / debt should ideally be managed and collected in accordance with procedures set by the Head of Corporate Resources (S151), in consultation with Corporate Finance Accounts Receivable Team.
- 10.2 The Governing Body is responsible for the collection of income and the management of debt relating to the school, and must adopt any procedures and targets set by the LA for the reduction of outstanding debt.
- 10.3 All schools should have an escalation procedure to ensure effective debt management, like that shown in Appendix B (Debt Management Escalation Protocol)

10.4 The Governing Body may write off debts to a limit of £500. For amounts greater than this, approval is required from the Head of Corporate Resources (S151).

10.5 When there are disputes relating to debts internal to the LA, these shall be resolved by the Head of Corporate Resources (S151) and the Principal Lawyer, Corporate Legal Services, after the debt has been outstanding for more than six months.

11.0 AUDIT

11.1 Under the Scheme of Delegation, the Chief Internal Auditor shall:

(a) maintain an adequate and effective internal audit of all the activities of the LA;

(b) have authority to visit all schools and have a right of access at all times to such documents, other records, computer systems, and LA property as appear to him/her necessary for the purpose of the audit;

(c) be entitled to require from any Governor or school employee such information and explanation as he/she thinks necessary to satisfy himself/herself on any matter.

11.2 The Governing Body shall bring immediately to the notice of the Chief Internal Auditor any suspected or apparent financial irregularity affecting the School or the Local Authority. If the irregularity is confirmed, the Head of Corporate Resources (S151), shall be advised.

11.3 Internal Audit shall test or examine financial arrangements and financial procedures in schools to ensure standards of internal control are adequate.

11.4 Attention is drawn to the statutory role of the LA's external auditors (currently Ernst & Young), which involves the same rights of access and entitlement as those set out for Internal Audit in Regulation 11.1.

12.0 RISK MANAGEMENT & INSURANCE

Strategy

12.1 The S151: Head of Corporate Resources, has delegated powers to establish and maintain a systematic strategy, framework and processes for managing risk including insurance. Part of the strategy is to identify the risks facing the organisation and analyse what types of insurance protection are required to manage adverse risks.

12.2 This strategy does not obviate the need for each Governing Body to manage all forms of business and operational risk with the running of the School and its activities.

12.3 National College for Teaching and Leadership outlines the benefits of integrating risk management within the school governance to help ensure the reasonable achievement of the schools strategic and operational objectives. Schools should

use a formal methodology, for example the Councils Risk Management Handbook, to identify, assess and manage risks.

- 12.4 The Governing Body should receive regular formal assessments of the current risks affecting the School and their proposed mitigation to help provide reasonable assurance on the achievement of the School's objectives.

Insurance Programme

- 12.5 Effective insurance is one element of that strategy which can be underwritten by insurance policies to give a measure of financial protection against loss.
- 12.6 The S151: Head of Corporate Resources has authority delegated by Council to effect and manage insurance cover for specific risks and decide what is the most appropriate package of internal (self-funded) and external insurance.
- 12.7 Schools have the option of buying into the Local Authority's insurance scheme or buying insurance cover from an external insurer, however **any alternative insurance cover must not be less than that provided by the Local Authority's scheme.**
- 12.8 In accordance with the Scheme for Financing Schools, the evidence required to demonstrate parity of cover should be reasonable, not place an undue burden upon the school, nor act as a barrier to the school exercising their choice of supplier
- 12.9 The Local Authority must be named on all insurance policies.
- 12.10 The S151: Head of Corporate Resources shall keep a register of all insurance policies held and a full record of what property and risks are covered thereby.
- 12.11 A brief statement of the main policies taken out by the Local Authority is given here. Where additional cover is required schools must contact the Insurance Section for advice to avoid duplication of existing insurance arrangements.

Centrally arranged policies are: -

- Fire and associated risks for all buildings which the Local Authority owns, or for which it has accepted legal responsibility by way of a lease or licence.
- Public and employers' liability, including libel, slander, professional indemnity, officials' indemnity and land charges.
- Personal accident cover for risk of assault on employees of the Local Authority and for injury to Local Authority members and authorised volunteers.
- Travel Insurance is available to all employees undertaking business trips and to all pupils on school trips. The main heads of cover relate to personal accident, medical, travel and cancellation expenses and personal property and money.
- Motor vehicles - comprehensive cover on all Local Authority vehicles, together with contingent liability cover for use of privately owned vehicles used on official business.

- Pecuniary loss (money, fidelity guarantee and cheques indemnity).
- Costs of reinstatement and recovery of business data and ensuring business continuity protection for ICT infrastructure and systems.

Details of the policy numbers, name of current underwriters or information on the scope of cover or policy terms and conditions are available from the Insurance Section.

12.12 The Local Authority insurance does not cover Non-Public Funds.

Notification of Changes of Risk

12.13 Governing Bodies shall give prompt notification to the Insurance Section of all new risks, property, vehicles and other assets or contractual obligations which require to be insured and alterations that may affect existing insured risks (including closure of buildings, sale of vehicles or disposals of other insured assets).

12.14 Where contracts are to be entered for services to be provided to an external party, the Insurance Section must be consulted on appropriate levels of cover before the terms are agreed. For lettings to casual users, insurance cover can be obtained via the Insurance Section. For lettings to regular or commercial users, the hirer should obtain their own insurance cover, which should cover legal liability.

12.15 Provision of indemnities which may assume legal liability for the actions of another party must not be accepted without full consultation with the Local Authority's legal advisers and if accepted must also be notified to the Insurance Section.

12.16 Governing Bodies must formally assess their insurance requirements at least annually. To avoid action that may unintentionally negate existing insurances, Governing Bodies must seek advice from the Insurance Section if additional insurance cover is purchased.

12.17 Governing Bodies are responsible for ensuring that all assets are included on inventory records, in accordance with Financial Regulation 21 below (Security of Assets) and Appendix C.

12.18 If a school converts to an academy school any Local Authority Insurance cover will cease at the date of conversion.

Reporting of incidents, losses and potential claims

12.19 Schools must make a written report of any event, loss, liability or damage which may result in an insurance claim and give full and timely assistance with the conduct of any investigation which may follow. Advice must be sought immediately from the Insurance Section if there is a suspicion that a civil legal action is in prospect.

12.20 Civil procedure rules and protocols must be strictly adhered to in order to avoid cost penalties or unnecessary litigation expenses. Employees and other persons

must not admit liability, attempt to negotiate a settlement, give interviews, make statements or offer to pay compensation in any way that may prejudice any civil legal action which may be brought subsequently against the Local Authority.

- 12.21 The same incident may lead to an investigation for an alleged breach of or failure to comply with some part of the Health and Safety at Work Act and the regulations made thereunder.

Use of motor vehicles

- 12.22 All staff using their own private vehicles on behalf of the School shall maintain appropriate insurance cover for business use. Schools should check on an annual basis and keep a record that:

- The staff member has a full valid Driving Licence
- Check the number of points that is on the Driving Licence through the DVLA
- The vehicle is currently insured with business use
- There is a valid and current MOT for the vehicle, where relevant

- 12.23 Requirements for all Drivers, Departments and Schools using minibuses are:

- MIDAS Scheme – Driver Training run under the Community Transport Umbrella
- Drivers should have either a Category D or D1 on their driving licence or passed their driving test before 1997 which gave them automatic D1 (Grandfather rights)
- CPC – Government scheme that is legal requirement for drivers

- 12.24 All school/college minibuses require a Section 19 Permit (Not for Profit / voluntary groups), which must be displayed prominently. In the absence of a permit, drivers of minibuses require a Passenger Carrying Vehicle (PCV) licence. Drivers must be authorised to drive School or LA owned or hired vehicles before use

- 12.25 If money is taken for the school trip that is classed as Hire and Reward and must be run under an Operator's Licence

- 12.26 **It is essential that all establishments set up a procedure for checking annually the driving licences for all approved drivers, who drive school minibuses for example, for endorsements received during the previous 12 months. Details of endorsements should be referred to the Insurance Team.**

13.0 PURCHASING OF GOODS / WORKS / SERVICES

Separation of Duties

- 13.1 The four elements of ordering and invoice processing should, as far as possible, be carried out by separate people, i.e.
- a) order completion, including authorisation;
 - b) checking that goods have been received as ordered, including certifying invoices to show that goods have been received;
 - c) checking off invoices against copy orders for correctness of price and ensuring items have not been previously passed for payment;

d) authorising invoices for payment.

- 13.2 In such circumstances where this separation is impractical, as a minimum the person checking that the goods per invoice have been received must not be the person authorising the order and/or certifying the invoice. This must be the exception, and only applied where the full separation of duties as outlined in 13.1 is not possible.

Use and Control of Official Stationery

- 13.3 If applicable, blank orders must be held securely, used sequentially, and all orders should be accounted for with any cancelled orders crossed through and retained.
- 13.4 Copy orders must be retained in accordance with Retention of Records and filed in an orderly manner and marked clearly to show items received and paid for.

Raising Orders for Goods / Work / Services

- 13.5 All orders must be signed by the appropriate Budget Holder or by a person who is authorised to sign orders on his/her behalf.
- 13.6 Lists of Council approved suppliers, including those in framework agreements, are updated and sent to schools on a regular basis for information. Wherever possible, schools are encouraged to use approved Local Authority suppliers for all purchases made. However, they are not compelled to use these. In such instances, where a school wishes to use a supplier, who is not on the Council's approved list, they are encouraged to advise the supplier to formally register with the Council as an official supplier, before any transactions are agreed. This may be done through the Council's internet, and offers some safeguard against fraudulent suppliers. Where no approved supplier can provide the goods/works/services, the CPU should be contacted for advice (for schools opting into their SLA.)
- 13.7 The Schools Contract Procedure Rules contained within the Scheme for Financing Schools (Annex E) must be followed in respect of all purchases. If a project is being accounted for through the school's account but is being managed by an external organisation (i.e. providing funding, arranging quotes/tenders, and appointing a contractor) the school needs to have an email/letter from the external organisation retained on file stating this. Otherwise the school is responsible for obtaining and retaining the quotes., i.e. the school must either demonstrate compliance with Contract Procedure Rules or have something in writing to evidence why they have not needed to comply.
- 13.8 Oral (telephone) orders must only be made with the prior knowledge and approval of the Budget Holder and should be confirmed immediately afterwards by raising an official order clearly annotated "Confirmatory Order" and signed by the Budget Holder.
- 13.9 Orders made over the internet must comply with the Schools Charge Card Procedures

- 13.10 The Budget Holder must authorise all orders raised.
- 13.11 When authorising the order, the Budget Holder is responsible for ensuring that the order:
- (a) is completed properly;
 - (b) complies with Financial Regulations, Contract Procedure Rules and EU directives;
 - (c) is appropriate for school purposes;
 - (d) offers the most favourable terms for price delivery and quality for the school;
 - (e) can be covered by the appropriate budget.
 - (f) Where goods are ordered and approved electronically, there must be an authorised requisition retained on file.

Payment of Accounts

- 13.12 Budget Holders and other authorised signatories are given authority by the school to authorise invoices for payment. Each authoriser is required to certify that the invoice is correct, necessary, and relevant to the school, prior to being paid.

For School operating their own bank accounts/ using Sefton Local Cheque facility
- On no account should cheques be signed that are blank i.e. have no supplier details or no amount on the cheque.

- 13.13 Cheques being processed by school staff must be sequential, and follow on from each other. It is the responsibility of the authorised signatories to check the next available cheque on their system matches the cheque book or next pre-printed cheque sheet. If numbers do not match it must be investigated as to the reason for this, and record the reason. Cheque books must be kept secure (this includes pre-printed cheque sheets).
- 13.14 Head teachers should, at least annually, perform spot checks on the payment system to check:
- Cheque number sequences do run on
 - Invoices match cheque amounts
 - Unreconciled items (e.g. unpresented cheques) are checked and reviewed
 - Check cheques are stored safely
 - Check cancelled/spoiled cheques have been retained
- 13.15 A register of specimen signatures of those authorised to pay accounts must be maintained by the school.
- 13.16 In certifying the invoice, the authoriser is responsible for ensuring that:
- (a) Payment is only made where goods or services have been received or carried out and examined as to quantity and quality. (Note: in certain limited circumstances such as payment of course fees, payment may be required in advance. In these circumstances, if unavoidable, payment may be made provided proper procedures are introduced that ensure that the goods/services paid for are received and are of sufficient quality and if not a refund obtained).

- (b) The expenditure is lawful (i.e. within the powers of the Local Authority).
 - (c) Purchases are only made for Local Authority purposes. Staff and any other organisations are not permitted to use Local Authority orders for non-Local Authority purchases.
 - (d) The prices, discounts and other allowances are correct, and that all calculations on the invoice (including VAT) are arithmetically correct.
 - (e) The expenditure is within budget limits.
 - (f) The invoice has not previously been passed for payment.
 - (g) Head teachers must regularly perform reviews of the unreconciled items list to ensure all payments are made and investigations are undertaken where balances are remaining for long periods unclear/unreconciled.
- 13.17 Virtually all VAT charged to the Local Authority by suppliers can and must be reclaimed. VAT must be coded out separately, otherwise schools and the Local Authority are bearing an unnecessary cost. For more detailed information or guidance on VAT issues, see the Scheme for Financing Schools document (ANNEX I), and/or contact the Corporate Finance Team (0151 934 4108).
- 13.18 Copy invoices and invoices that are hand-written or have no VAT registration number should be subject to thorough checks to establish their validity, and checks made to ensure that they have not been previously passed for payment. Statements of account must not be passed for payment.
- 13.19 Proforma invoices should not be used as a substitute for a creditor's proper invoice and, where possible, should be supported by correspondence or such other documentation as may be necessary to establish that payment is due. Where VAT is payable on advance payments, a VAT receipt must be obtained and filed.
- 13.20 All invoices must be paid within 30 days of receipt or within the time limits specified by suppliers. Therefore, all invoices must be date-stamped upon receipt, certified and authorised as per paragraph 13.15, and paid promptly. Any delays could result in the payment of interest charges by the school.
- 13.21 VAT receipts for purchases under £250 only need to have a VAT number. It is acceptable for the school to calculate the VAT, and add a description to the receipt of the type of goods purchased if not already shown.
- 13.22 Advice on whether a payment is lawful can be obtained from Schools Finance, or Accounts Payable. Any suspicion that a payment is not lawful must be reported to the Chief Internal Auditor.

14.0 PERSONAL EMPLOYEE EXPENSES

- 14.1 Payroll providers have a responsibility to provide the HMRC with details of all benefits in kind provided or expenses reimbursed to its employees, and must

ensure that income tax and national insurance contributions are collected on all qualifying expenditure.

- 14.2 Where schools fail to comply with the procedures set out by the HMRC or payroll provider, their own individual budgets will be charged with any tax, national insurance, interest and penalties assessed on the school.
- 14.3 All employee expenses claims must be approved by the claimant's line manager and by the appropriate Budget Holder as being correct and in accordance with the requirements of the service.
- 14.4 Staff must not authorise their own claims. Head teachers should get claims authorised by the Chair of Finance, or the deputy head/senior teacher. If the deputy head/senior teacher authorise claims, the Chair of Finance should review the claims on a quarterly basis.
- 14.5 The Budget Holder is responsible for:
 - (a) ensuring that payments are only made to bona fide employees who are eligible to receive payments at that time according to current rules laid down by the LA;
 - (b) ensuring that payments are in accordance with current rates;
 - (c) making prompt, complete and accurate returns to HR/Payroll providers, of information needed for returns to the HMRC such as cars provided to employees outside the normal lease car scheme, telephones, living accommodation etc, and any other possible taxable benefits.
- 14.6 All claims for reimbursement of expenditure by individuals must be processed through the school's payroll system and not via the school imprest, petty cash or, if applicable, bank account.
- 14.7 Claims must be made using the appropriate claim forms, with supporting receipts where applicable.
- 14.8 Schools can reclaim VAT on mileage claims, if deemed worthwhile. Such claims would need to have petrol receipts for the period with at least the amount of VAT being reclaimed.
- 14.9 Leavers must be notified to the school's HR provider and payroll provider to reclaim any repayment of expenses due. Relocation and training expenses can be repayable if the employee leaves within a specified period.

15.0 PAYROLL

- 15.1 The school's payroll provider is responsible for making payment of all salaries, wages, gratuities, compensation and other emoluments to all current and former employees of the school.
- 15.2 The rules for determining whether an individual is treated as an employee or as self-employed for tax purposes are complex, and there are severe penalties for

failing to deduct tax where it is due. Budget Holders should refer to their HR or Payroll provider for advice where necessary. Schools must ensure they follow HR advice, on workers legal status, i.e. employed or self-employed (and document these checks). This is to ensure the correct level of NI and PAYE is paid over to HMRC, as HMRC may deem that a person should have been employed through payroll and not paid directly.

- 15.3 It is the head teacher's (or other delegated person's) responsibility to ensure that: -
- (a) payments are correct (compared to the school staff spreadsheet), authorised and accounted for properly;
 - (b) payments are made only to bona-fide employees of the school and to valid beneficiaries of the Pension and Compensation Schemes;
 - (c) allowances and deductions are authorised, correct and are properly accounted for and the persons in receipt of allowances are eligible for them;
 - (d) payments are lawful (i.e. within the powers of the Local Authority);
 - (e) payments are within budget.
 - (f) The payroll provider validation reports, setting out the payment of employees for each given month must be signed off, within 4 days, as being accurate, by the head teacher (this is not to be delegated), prior to the payroll payment run.
- 15.4 Governors must ensure that payroll procedures are being operated in accordance with current local and statutory guidance and financial regulations.
- 15.5 The head teacher must ensure that the appointment of all employees is in accordance with the policies of the Governing Body, at the approved grades and rates of pay.
- 15.6 No person may authorise any notification to the payroll provider concerning amendments to his/her own pay.
- 15.7 The school's payroll provider must be notified as soon as possible, in a form acceptable to them, of all matters affecting payroll payments, such as appointments, dismissals, resignations and retirements, or any other change of circumstances affecting remuneration.
- 15.8 The school's payroll provider must be notified of all information to ensure that the correct deductions are made for pensions contributions, Income Tax, National Insurance, sickness and maternity pay, and other miscellaneous deductions.
- 15.9 All documents sent to the school's payroll provider should identify clearly to whom they relate, i.e. by showing the name, payroll reference number and/or job title and place of work.
- 15.10 Where a school does not purchase a Service Level Agreement for payroll and personnel services from the Local Authority, they will be required to provide full

details to the Authority of their expenditure and personnel data on an individual transaction/employee basis at the end of each month.

16.0 INCOME

- 16.1. It is the Budget Holder's responsibility to ensure that procedures for the collection or invoicing of income due are operating such that:
- (a) all income due is identified and accounted for properly;
 - (b) invoices for income due (or credit notes) are raised as soon as the chargeable goods or services are provided;
 - (c) all monies received are brought into account promptly, correctly, accurately and completely;
 - (d) all income collected is held securely, banked promptly and intact;
 - (e) VAT is accounted for correctly. (For further information, see detailed Guidance on Value Added Tax Scheme for Financing Schools document ANNEX I which includes VAT categories and advice on individual Income account codes).
- 16.2 All income received must be recorded on the school's prime accounting records.
- 16.3 All monies received must be receipted in a receipt book or otherwise adequately recorded (e.g. dinner register) at the time of receipt, and be reconciled to the bank paying in slip.
- 16.4 Receipts should also be provided for Non-Public Fund money.
- 16.5 For remittances where receipts are not always issued (e.g. settlement of debtor's invoices) an accounting record (such as a remittance list) must be made immediately on receipt.
- 16.6 Each person responsible for paying money into a bank account must enter onto the copy paying-in slip sufficient information to identify each transaction including the amount of the cheque and a reference (such as receipt number or debtor name) to connect the cheque with the service provided. On the back of each cheque the person should enter sufficient detail to identify the school.
- 16.7 On handing cash over to another person, all employees should ensure that they receive a suitable formal acknowledgement such as a receipt.
- 16.8 To ensure adequate separation of duties within the cash collection and banking process, so far as is possible, different people should undertake the following activities:
- (a) collecting or receiving money;
 - (b) recording and banking receipts;
 - (c) reviewing and reconciling receipts to cash banked;

(d) authorisation of debt write-offs;

(e) custody of saleable stock and materials.

16.9 Where the number of staff is not sufficient to allow such separation, as a minimum, the person responsible for reviewing and reconciling receipts to cash banked and/or authorising debt write-offs should not be the person responsible for collecting and/or banking receipts. This must be the exception, and only applied where the full separation of duties as outlined in 16.8 is not possible.

16.10 Regular reconciliations of amounts collected (per till rolls, receipts etc.) to cash banked as recorded on copy paying-in slips should be carried out, by someone independent of the persons carrying out the receipting, recording and banking of income.

17.0 CASH SECURITY

17.1 All persons involved in cash handling have a duty to ensure that practice and procedures properly safeguard cash holdings in their possession, **but not at any risk to their own person.**

17.2 Head teachers must ensure that written procedures exist covering the aspects of cash security covered below, and what action staff are to take in emergencies, e.g. attempted theft; fire alarms etc.

17.3 Head teachers must ensure that adequate arrangements are made to safeguard monies pending banking and within insurance levels. Such arrangements include:

(a) use of locked cashboxes held in a safe or locked drawer or cabinet;

(b) restricted access to the keys for the above;

(c) locking cash away when unattended;

(d) not counting cash or accessing the safe etc. in view of visitors and members of the public;

(e) where large amounts are collected, considering the physical security of the cashier's office (e.g. access arrangements to the cashier's area; screens; alarm systems etc).

It is a condition precedent to the liability of the insurer that whenever the office, room or area in which the safe or strong room containing money is situated is unattended:

(a) Such safe or strong room will be securely locked

(b) Any key and records of a code to such a safe or strong room will be removed from the premises or kept on the person of an authorised person except where a portion of the premises is occupied residentially by the insured or any

employee when any key and record of a code will be removed from the business portion of the premises.

- 17.4 Head teachers must ensure that banking arrangements minimise monies held, do not exceed insurance levels and minimise the risk to staff undertaking the banking. Such arrangements include:
- (a) measures to minimise actual cash (e.g. use of cheques and debit/credit cards);
 - (b) regular banking, to avoid cash and cheques on site exceeding maximum safe limit
 - (c) use of night safe facilities when banks are not open;
 - (d) varying the timing and route of visits to the bank, and the staff undertaking the banking;
 - (e) not utilising conspicuous bags etc. to transport monies;
 - (f) Headteachers must not allow levels of cash and cheques held to exceed the maximum permitted limits set under the insurance policy for monies held in a safe during working hours and overnight. The value will differ from school to school depending upon the type of safe in school and the schools should contact the Insurance Team 0151 9344061 for further advice

18.0 PETTY CASH

- 18.1 Petty cash can be held within the school providing that there are suitable arrangements in place for safeguarding the cash and that it is recorded using the school's financial system. Guidance on the day to day operation of petty cash imprest can be found below -



3.6 Petty Cash
Instructions Jan 2019

Inappropriate Expenditure

- 18.2 The following expenditure must not be made through Petty Cash: -
- (a) payment of salaries or wages to staff or payments which could be considered as such by the Inland Revenue e.g. honoraria;
 - (b) payment of any expenses to employees;
 - (c) payment for items which can be acquired using a Procurement Card (see Government Procurement Card Procedures Guide).

Supporting Documentation

- 18.3 Claims must be supported by adequate documentation to support the expenditure incurred. This should demonstrate that the expenditure is bona-fide, lawful and in accordance with the requirements of the service. The documentation should record:
- (a) the reason for/details of the expenditure;
 - (b) date expenditure was incurred;
 - (c) amount of expenditure; there is an upper limit of £35 per item
 - (d) signature of person incurring the expenditure;
- 18.4 Wherever possible the supporting documentation must be a VAT invoice/receipt to enable the VAT element to be reclaimed. Failure to obtain such a voucher means that the school budget will have to bear the VAT element of any expenditure.

Separation of Duties

- 18.5 There must be a separation of duties between the persons operating the petty cash system and reconciling it.
- 18.6 The person operating the petty cash must not be a cheque signatory.
- 18.7 An independent person should annually:
- (a) check that the documentation supporting petty cash is complete and satisfactory;
 - (b) check that the petty cash reconciliation statement is correct both in principle and arithmetically;
 - (c) physically checking the figures in the reconciliation statement;
 - (d) count the cash in hand, and ensure it agrees to the amount entered within the records.

Petty Cash Levels

- 18.8 The level of cash held should be reviewed annually to ensure they it is set at an appropriate level.
- 18.9 Head teachers will request and the Head of Corporate Resources will control increases, decreases and repayments of imprest / floats as required.
- 18.10 Schools shall not create imprest or floats from any sources other than those issued by the Head of Corporate Resources.

19.0 LOCAL AUTHORITY CHARGE CARDS

- 19.1 Schools are able to use the LA's Charge card scheme and further guidance can be found below and at Appendix D :



4.5 SCHOOLS
CHARGE CARD FINAL

- 19.2 Schools may apply for more than one charge card via the Finance Department's Treasury Management Team. Each charge card is assigned to an individual cardholder who has personal responsibility for its proper operation, in accordance with this Regulation. Charge cards must not be used for private use.
- 19.3 The Head teacher is responsible for ensuring that all staff assigned a charge card are operating procedures such that:
- (a) cards are safeguarded from theft and misuse;
 - (b) expenditure incurred using charge cards is bona-fide, lawful and in accordance with the requirements of the service;
 - (c) expenditure is within budget limits .

This will require the Head teacher to perform management checks regularly to check receipts match up to card payments, and are all for school expenditure only.

20.0 STOCKS AND STORES

- 20.1 The school will hold stocks and stores of some items needed on a day-to-day basis.
- 20.2 The Head teacher is responsible for ensuring that adequate procedures and financial controls are in place to ensure the appropriate use of these assets, such that:
- (a) records and procedures are sufficient to identify transactions and the volume and value of all usable stocks/stores held;
 - (b) stocks and stores are properly secured;
 - (c) best value is obtained in the provision of stocks and stores.

Best Value

- 20.3 In general, stocks/stores should be maintained at minimum levels consistent with operational requirements.
- 20.4 Order quantities should be calculated to obtain economies in purchasing consistent with minimising investments in stocks.
- 20.5 Where stocks have a limited shelf life or are liable to obsolescence, stores should be used on a first in first out basis.
- 20.6 Disposal of surplus or obsolete stocks/stores must be undertaken in accordance with the guidance provided in the Scheme for Financing Schools.

21.0 SECURITY OF ASSETS

- 21.1 This Regulation applies to all assets (owned or leased), which cost more than £1,000 and to all portable and attractive items owned by the Local Authority or the school.
- 21.2 Head teachers are responsible for ensuring that: -
- (a) Proper security is continually maintained for all buildings, furniture, plant, equipment, vehicles, stores, stocks, cash etc. under their control. They should also aim to achieve maximum utilisation of such assets in the provision of services.
 - (b) Appropriate inventory records are maintained, ***in accordance with the instructions in Appendix C.***
 - (c) Surplus or obsolete materials, stores or equipment are disposed of in accordance with the Financial Procedure Rules / Scheme for Financing Schools.
- 21.3 Inventory records should be maintained using an Inventory Book, or by alternative electronic means.
- 21.4 Registers of key holders for buildings, safes etc. should be maintained. Keys should be issued to as few people as possible.
- 21.5 The Assets and Property Manager shall maintain a register of all properties held by the Authority, showing the purpose for which the property is held, the location, extent and plan reference, purchase details and the nature of the interest.
- 21.6 The Principal Lawyer, Corporate Legal Services shall arrange for the safe custody of title deeds in respect of land and properties.

22.0 INFORMATION SYSTEMS SECURITY

- 22.1 Ensuring the integrity, availability and confidentiality of data is an important matter and is subject to several legal acts (e.g. Computer Misuse Act 1990, Data Protection Act 1998, Copyright Designs and Patent Act 1988).

The Local Authority's Information Systems Security Policy must be followed, the relevant policies aimed at safeguarding information include:

- IT Security Policy
- Email Policy
- Internet Policy
- Protective Marking Policy
- Safe Information Handling Policy
- Mobile Device Policy
- Flexible working policy.
- All are available (or can be signposted to) by the Communications Team

Therefore, schools should have policies for these, and as a minimum comply to the Local Authority policies, but can be tailored to better fit schools, provided the security of information is upheld.

23.0 FRAUD AND CORRUPTION

- 23.1 The Local Authority is committed to the elimination of fraud and corruption and is determined to protect itself from such unlawful activities, whether they are attempted from within or by an outside individual, group or organisation.

The Local Authority's Anti-Fraud & Corruption Policy must be followed:

<http://intranet.smbc.loc/our-council/counter-fraud.aspx>

24.0 AUDIT REPORTING AND ESCALATION PROTOCOL

- 24.1 The Chief Internal Auditor is responsible for ensuring the issue of audit reports within a maximum of four weeks of the completion of fieldwork and assessing that a satisfactory response is received from the School to address the recommendations. Schools are responsible for ensuring that a written satisfactory response is provided to the draft report including completing the audit action plan with details of the action to be taken, the date when it will be completed and the staff member responsible for undertaking the action. Schools should ensure that the response is provided within two weeks of the issue of the draft report. Reminders are issued after two weeks if a response has not been received.
- 24.2 Where material recommendations are not accepted or no response is received, after a further week the Chief Internal Auditor will discuss with the auditee and, if still no acceptance or response, will report to the S151: Head of Corporate Resources or his deputy.
- 24.3 If a satisfactory response is not received after referral at 24.2 above, S151 or his deputy will decide on further action. (This may involve reporting to the Principal Lawyer, Corporate Legal Services and/or Head of Education Excellence with recommendations for further action).
- 24.4 Where there are draft reports which have an outstanding satisfactory response from the school after two months the details of the review will be formally reported to Audit and Governance Committee.
- 24.5 Timescales will be accelerated where there is significant risk of material loss or error or where particularly sensitive or contentious issues are involved.
- 24.6 Principal Auditors are responsible for bringing to the attention of the Audit Manager and or Chief Internal Auditor significant audit findings and sensitive or contentious issues.
- 24.7 The Chief Internal Auditor is responsible for briefing the Head of Corporate Resources (S151) and his deputy on audit issues and findings arising from the school reviews.

- 24.8 The Head of Corporate Resources (S151), is responsible for identifying and reporting major issues to Chief Executive.
- 24.9 A report on the school audits that have been undertaken detailing the high-risk audit agreed actions is provided to the quarterly meeting of the Audit and Governance Committee.
- 24.10 The School is responsible to ensure that the final audit report is shared formally with the Governing Body.
- 24.11 Follow-up of audit recommendations will be undertaken by the Audit Team to ensure proper implementation of agreed audit actions stemming from the review particularly where major weaknesses in systems have been identified. The review of the agreed actions will take place in accordance with the Council's approach to managing the follow up of audit recommendations.

Appendix A - Retention of Financial Records

It is important that records (computerised or manual) are carefully retained and systematically filed as they are required for inspection by several agencies such as Internal Audit, External Auditors the District Auditor, HMRC officials, etc.

The required MINIMUM period for the retention of financial records is CURRENT FINANCIAL YEAR PLUS THE THREE PREVIOUS FINANCIAL YEARS.

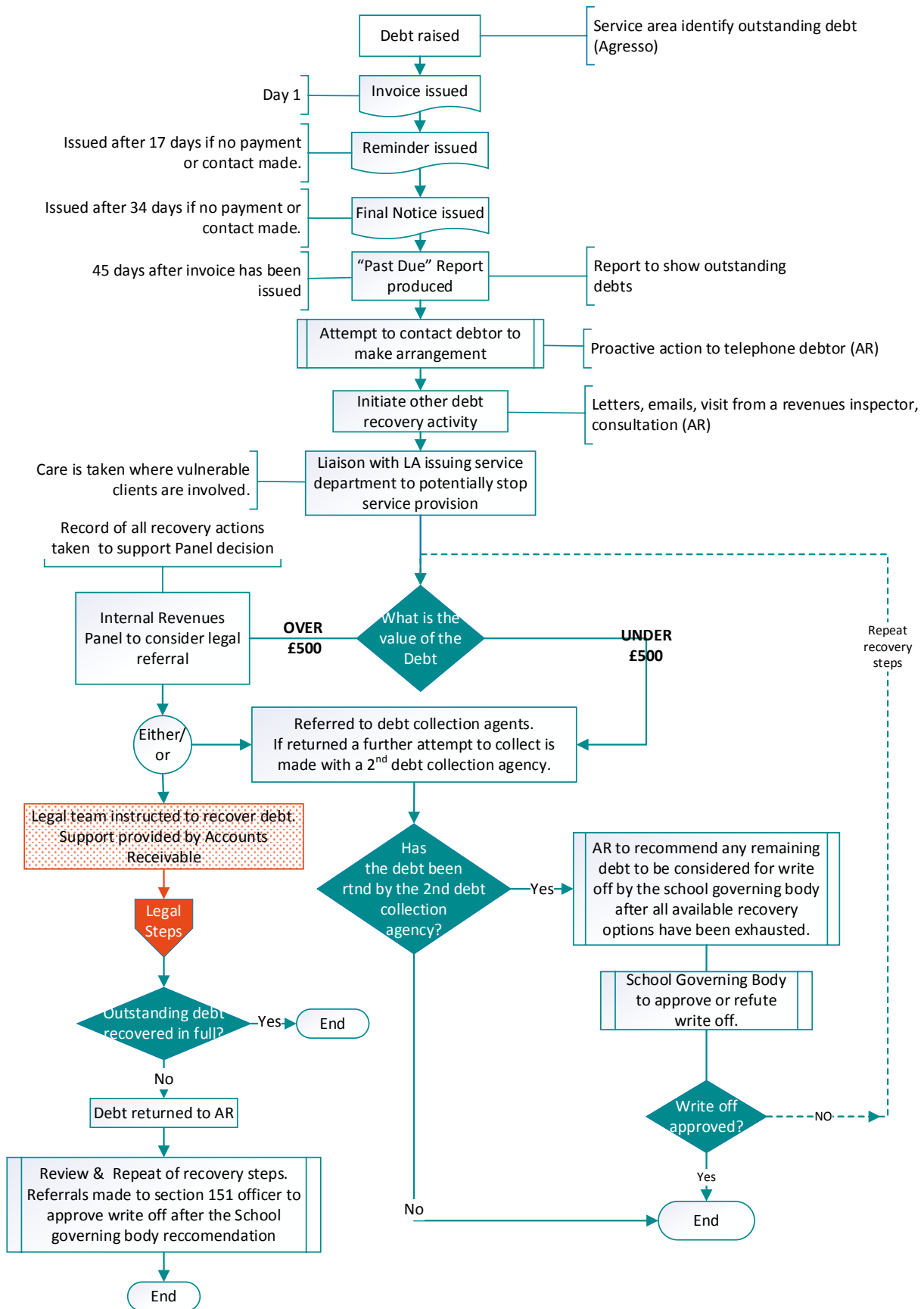
This applies to Receipts, Till Rolls, Invoices, Copy Orders, Audit Trails, School Meals and Non-Public Fund Records and Charge Card transaction logs.

The advised periods for the retention of other financial records are detailed below:

Accounts etc	Period of Retention
Sales Contracts	6 years after agreement ends
Purchasing Contracts	6 years after agreement ends
Stock Inventories	10 years
Published Accounts	Permanently
Taxation Returns	6 years
External Audit Reports	Permanently
Cheques	6 years
Bank Statements	6 years
Cash Statements	6 years
Deeds of Covenant	12 years after final payment
Primary Salaries & Wages Records	6 years
Expense Accounts	6 years
Pension Scheme Records	Permanently
Charge Card Statements	6 years
General	
Insurance Policies (Excluding Liability)	6 years after lapse
Liability Insurance Policies	Permanently / Indefinitely
Insurance Claims	6 years after settlement
Insurance Schedules	10 years
School Minutes	Permanently

Appendix B – Debt Escalation Protocol

Accounts Receivable Debt Recovery



Appendix C - Inventory Instructions

1. PURPOSE

2. INVENTORY RECORDS

- 2.1 The inventory should include of all items of furniture or equipment, all vehicles and all movable plant, whether provided by the Local Authority, purchased or hired by the school, or donated. Items valued at £50 or less may be ignored unless collectively they make up a substantial asset e.g. 100 chairs at £25 each; or they are individually both valuable and highly portable e.g. mobile telephones. As best practice, all individual items of value exceeding £1,000 must be included in some form of school inventory.
- 2.2 Serial numbers of equipment must be noted as this information may be very useful to the police if items are stolen. Security marking should be used to record the name of the establishment and its postcode. (Items on loan from other establishments etc. should not be marked).
- 2.3 Head Teachers must ensure that the register is kept up to date. Systems therefore should ensure that the person responsible for the inventory is kept fully informed of purchases, loans, write-offs etc.
- 2.4 Proper procedures must be established for loans of equipment, including authorisation policy, specification of finite periods of loan and written acknowledgement of loan. Loans out and items borrowed must be recorded in the sections provided at the back of the inventory book.
- 2.5 The Head Teacher must sign the inventory book to authorise write-offs, transfers and sales.
- 2.6 Head Teachers must ensure that inventories are checked at least annually. The existence of items loaned out, and those held on loan should also be checked. The annual check should be undertaken by someone other than the person responsible for the equipment on the inventory. The check must be documented as specified in the inventory book.
- 2.7 Where the Head Teacher is responsible for several establishments or offices, each with their own inventory, a master list of inventories held should be maintained.
- 2.8 Surplus, obsolete or unserviceable equipment must first be offered to other establishments or departments. If it is not required by other parts of the Local Authority, it should be sold at the best price available, in accordance with the Finance Procedure Rules. The agreed price must be paid before removal of the item.
- 2.9 Where computers are to be disposed of, IT advice must be sought in view of the implications for software licenses and data security.
- 2.10 A copy of the inventory must also be kept off-site.

Appendix D – Model Charge Card Policy

Appendix A

Application for approval to Obtaining and Operating a school charge card to

Name of School:

I hereby confirm that the Governing Body has approved the school obtaining a charge card from the Local Authority on The card will only be used for purchasing for the purpose of the school budget, where there is a pecuniary advantage. The card will not be used for general purchases which can be processed under the ordering and payments within the school's accounting system.

Signed:

Name:

Chair of Governors

Date:

For Local Authority Use Only

I hereby authorise the Governing Body of School to operate a charge card in accordance with the terms of Scheme for Financing Schools.

Section 151 Officer Sefton MBC

Model Charge Card Usage Policy

The Governing Body of XXXXXX School has agreed to obtain a charge card to be used in connection with spending of the school budget. The charge card shall only be used where it is more efficient / effective to obtain goods / services.

The charge card shall be managed and used in accordance with the Council's Financial and Contract Procedure Rules and the Schools Charge Card Procedure Manual

The charge card shall not be used to:

- procure goods / services from suppliers where the normal ordering / payment system can be utilized
- Circumvent the Council's /School's procurement rules.

The Schools shall keep appropriate records to provide a proper management trail and retain documentation in accordance with the Council's retention policy for financial records.

The charge card shall be issued in the name of the Head Teacher of School.

The charge limit shall be:

Single transaction and monthly transaction limits will be set for each card. For Nursery, Primary and Special Schools these limits will be set at £6,000 and £8,000 respectively for each card. For Secondary schools the limits will be £10,000 and £12,000 respectively

Administration of Charge Card

1. The Head teacher must sign a declaration to confirm that he / she understands the conditions of issue and will abide by the approved policy.
2. Procedures for the operation of the card shall be clearly documented in the School's Finance Manual.
3. The card shall not be used to withdraw cash or purchase foreign currency.
4. The card shall be held securely on the premises and access restricted to the card holder. The PIN, password and security code shall not be recorded and / or disclosed to anybody else.
5. The bank shall be notified promptly of the loss / theft of the card to avoid liability for any misuse.
6. Charge cards usage shall be limited to transactions where there is a financial saving and evidence of this shall be retained for management purposes.
7. The Card Holder will be responsible for downloading monthly statements from the Natwest Cards Online web site.
8. Transactions on charge cards statement shall be independently checked by the Card Administrator against the transaction documentation and the reconciliation form completed for certification by the Head Teacher. Any discrepancy on the charge card statement shall be reported promptly to the Governing Body.
9. Due care shall be taken when using the charge card for internet and telephone transactions.
10. The issuing bank will not honour transactions in excess of the credit limit.
11. Expired charge cards shall be destroyed and reported to the Local Authority.

12. The bank / Local Authority shall be informed in writing to cancel the card when the Headteacher leaves or the card is no longer required. In such instances, the charge card must be destroyed and reported to the Local Authority.
13. The charge card shall not be used for personal use. Any inappropriate use of the card may lead to disciplinary action and / or facilities withdrawn.
14. The Card holder is authorised to liaise with the bank and copies of all communication shall be retained securely in accordance with the Council's retention policy for financial documentation.
15. Any loyalty rewards obtained arising from the use of the charge card shall be used for the benefit of the school.

School Charge Card – template for receipt of a charge card

Charge

<u>SEFTON MBC</u>
<u>CORPORATE RESOURCES DEPARTMENT</u>
<u>CREDIT CARD RECEIPT FOR -</u>
I confirm that Card No. xxxx xxxx xxxx XXXX and PIN number were supplied to _____
on
Signed
<u>To be completed by the Cardholder and Administrator</u>
I _____ confirm receipt of Card No. xxxx xxxx xxxx XXXX and PIN number
on I confirm that I have read the Schools Charge Card Procedure Manual
dated December 2018 and agree to abide by the procedures set out.
Cardholder Signature
I confirm that I have read the Schools Charge Card Procedure Manual dated December 2018 and agree to
abide by the procedures set out.
Administrators Full Name
Administrators Signature
This receipt should be signed and returned to;
Sharon Garner
Corporate Resources Department
Treasury and Capital Section
2nd Floor Magdalen House

Appendix E Prudential Borrowing Scheme – Guidance for Schools

1 Introduction

- 1.1 These procedures have been developed to provide clear guidelines to schools when seeking to borrow funds from the council to acquire capital assets.

2 What Applications will be considered?

- 2.1 Applications will only be considered for expenditure on the acquisition, creation or enhancement of assets that can be capitalised (subject to a de-minimis level) providing that it will yield benefit to the Council and services it provides for a period of more than one year for example improvements to Land and buildings, computer hardware, furniture and equipment.
- 2.2 Applications cannot be considered for assets with a capital cost /purchase price less than £10,000 unless it is part of one large scheme where the total costs will exceed £10,000
- 2.3 In all cases, services will be required to complete an application form and demonstrate that the proposal is affordable, achievable and sustainable.
- 2.4 Applications will only be considered for projects, which have received the formal approval of the schools' Governing Body. A copy of the resolution should be enclosed with the completed application form (**See Appendix 1**). Applications can be submitted and considered in advance of this with signatures of the Head Teacher and Chair of the Governing Body.
- 2.5 All applications must in the first instance be submitted to the Corporate Financial Support Services, schools finance team, <mailto:schools.finance@sefton.gov.uk>

3 How are the annual repayments calculated & repayments made?

- 3.1 The annual repayment cost will be calculated on an annuity basis over the operational life of the asset. The interest rate will be the Public Works Loan Board annuity rate, as at 1 October, in the year of acquisition (**see Appendix 2**).
- 3.2 No charge will be made in the year of acquisition and first charges would be made in August of the following year, to allow schools time to plan repayments in their budgets (**see Appendix 2**).
- 3.3 Schools can opt to pay principal for a part year charge in the year of purchase to reduce the overall cost to the service.
- 3.4 The principal outstanding and interest accrued to date can be repaid in full at any time throughout the life of the loan up until the final year.
- 3.5 Schools will be charged via a journal transfer that will be recorded on the AFT document received in the August following the date the loan has been agreed and each subsequent year until the loan is repaid in full.

3.6 As the Local Authority finances the capital expenditure in totality, Schools cannot use Devolved Formula Capital (DFC) for prudential borrowing repayments. Any schools that wish to use DFC should request a lower loan in the first instance with a view to financing part of the total cost of the project with DFC.

3 This figure is based on the Council's level for de minimus capital expenditure, which is subject to annual review.

4.0. Conditions of the scheme

4.1 Repayments must be made immediately on receipt of request for payment or further interest becomes chargeable and the full balance of the loan plus interest to the end of the agreed term may become immediately payable.

4.2 Funding must be used for the purpose for which the application was made otherwise the full balance plus interest accrued to date will become immediately payable.

4.3 The level of schools prudential borrowing is no longer subject to restriction and will be assessed based on the business case provided. As a guideline however, the Local Authority will look very closely at Schools that are proposing to earmark more than 5% of their revenue budget (excluding pupil premium) to service borrowing charges.

4.4 The Local Authority will rigorously test each business case and schools will not be permitted to borrow beyond the useful life of the asset being acquired / enhanced as defined by the Council's accounting policies. In addition, where proposals affect the property estate they will be referred to the School Organisation team for endorsement as part of the evaluation.

4.5 The schools financial position including previous years closing balance, current years' budget plan and outstanding debts will be considered in the evaluation.

4.6 Schools must adhere to any Local Authority guidance to ensure the scheme complies with construction design and management regulations, health and safety requirements and has "landlords" approval to undertake works.

4.7 The Local Authority retains the right to refuse any application based on

(i) The Council's Treasury Management Strategy and compliance with the Prudential Code, which aims to ensure that capital investment plans, are affordable, prudent and sustainable.

(ii) The proposal not being in line with Education asset management objectives.

4.8. On all schemes over £0.250m, Schools are required to prepare a brief report to inform the Local Authority of completion of works and any matters arising.

4.9. Internal audit will review compliance with the conditions of the prudential borrowing scheme as part of their routine programme of school visits.

4.10 It should be noted the Council will demand repayment of the prudential borrowing in full before a maintained school converts to academy status, unless the Council agrees to renegotiate the terms of the loan.

5.0. Sources of information

5.1 In all circumstances schools are advised to contact the Head of Corporate Resources, FAO the Treasury Management Group Accountant for advice and indicative rates.

5.2 On behalf of Head of Corporate Resources, the Financial Management Team will

- Calculate the total cost and annual cost of the loan.
- Undertake modelling to assist with decision making for example the cost of different options.
- Provide assistance completing the application form.

6.0. How are schemes approved?

6.1 All applications will be reviewed in the first instance by the Treasury Management Team and the Schools Finance Team to assess against the scheme conditions. Schools Finance Team will liaise with School Organisation as appropriate. The scheme of delegation for the approval of schemes is

<=£0.100m	Head of Corporate Resources and Head of Education Excellence
> £0.100m <= £0.250m	Cabinet Member - Regulatory, Compliance and Corporate Services, Cabinet Member - Children, Schools and Safeguarding and Head of Corporate Resources and Head of Education Excellence
>= £0.250m	Cabinet

6.2. For schemes >= £0.250m the Treasury Management Team and Schools Finance Team will prepare a brief Cabinet Report with the recommendation.

6.3. The approximate timeline from the receipt of any applications through to approval is typically:

<=£0.100m	1-3 weeks
> £0.1>= £0.250m 00m	3-6 weeks
<= £0.250m	8 – 10 weeks

Schools Prudential Borrowing Business Case Template

<u>School:</u>	
<u>Description of project / assets to be purchased:</u>	
<u>Justification and benefits of the project:</u>	
Project cost in total (A)	£
Less: funds from other sources (please specify) (B)	
	£
	£
	£
Balance required from Council (A - B)	£
Expected asset life (C)	Yrs
Length of loan (D)	Yrs
Estimated annual repayment (as advised by the Local Authority) (E)	£

School budget share (excluding pupil premium) (F)	£
% of revenue budget to be assigned to repayments (E/F)	%

Affordability: what funding / savings / reductions have been identified to build the repayments into the school's operating budget

Will the project go ahead if this application is unsuccessful?	
Has it been explained to the Governing Body that the repayments would be unavoidable commitments for the term of the loan?	
Date of Governing Body Approval	

Signatures:

Headteacher: _____ **Date:** _____

Chair of Governing Body _____ **Date:** _____

For Office Use Only:

Date application received: _____

Decision: _____

Signed: _____ Date: _____

Illustration of Repayments

Purchase price	£30,000
Life of asset	5 years
Interest rate	1.67%
Date of purchase (2018/19)	1 st June 2018
Annual Charge	£6,411.00
Total Cost	£32,055.00

Financial Year	Annual Repayment £
2019/20	6,411.00
2020/21	6,411.00
2021/22	6,411.00
2022/23	6,411.00
2023/24	6,411.00
Total	32,055.00

**Interest rate is based on 1 October and first charges are made in the following financial year from the year of acquisition.

Appendix F – Contacts

In case of any general query on Financial Regulations please use contact details below.

Schools Finance

E-mail : nick.carbonaro@sefton.gov.uk or kevin.mcblain@sefton.gov.uk or
neil.lomax@sefton.gov.uk

For advice and support with capital queries please contact:

Corporate Capital Team

E-mail: thomas.walmsley@sefton.gov.uk or louise.alty@sefton.gov.uk

For advice with purchasing and contract compliance please contact
Central Purchasing Unit

E-mail: jane.taylor1@sefton.gov.uk

For any concerns of financial irregularities please contact
Internal Audit

E-mail: david.eden@sefton.gov.uk