

## SECTION 1 - FINANCIAL REGULATIONS AND ADVICE FOR SCHOOLS

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(Revisions since the last version are highlighted)

## 1. INTRODUCTION

- 1.1 These financial regulations/advice are necessary for the Governors, Headteachers and the Northamptonshire County Council (NCC) Head of Finance to meet their statutory responsibilities. To ensure effective financial management, managers and staff need to know what is required of them. These regulations identify the minimum requirements as far as the Authority is concerned. It is for each school to add to these as they see fit to meet their own requirements. The NCC Head of Finance will advise if requested.
- 1.2 The NCC Head of Finance is the officer required by Section 151 of the Local Government Act 1972 to be responsible for administering the financial affairs of the Authority and to perform duties as prescribed by the Accounts and Audit Regulations 1996. The NCC Head of Finance is also the Chief Finance Officer of the Authority for the purposes of Section 114 of the Local Government Act 1988 (imposing a duty to notify External Auditors and Councillors of illegal expenditure). He/she acts as the financial adviser to the Authority. His/her powers and responsibilities require him/her to exercise supervision over all financial matters and to maintain an adequate and effective audit over the Authority's financial affairs.
- 1.3 The Council's Financial Regulations set out responsibilities in relation to financial matters and give authority to the NCC Head of Finance to prescribe appropriate procedures to regulate financial administration.

## 2. GENERAL DUTIES AND RESPONSIBILITIES

- 2.1 The Council's Financial Regulations have been adapted to meet the particular requirements of schools. These Regulations apply to the Governors of schools covered by the County Council's scheme of delegated management of schools approved under the School Standards and Framework Act 1998, and to Headteachers and others to whom functions may be delegated under that Act.
- 2.2 Financial administration and arrangements within schools must be conducted in accordance with:
- (a) these Financial Regulations and any subsequent parts of the School Financial Management Handbook.
  - (b) the NCC Schools Property Management Handbook.
  - (c) the NCC Scheme for Financing Schools.
  - (e) the Schools Financial Value Standard
  - (f) other documents referred to in this handbook.
- 2.3 All Governors of a school have a collective responsibility for actions agreed in accordance with their own standing orders and regulations. Joint liability exists for such actions within the terms of the Education Act 2002.

- 2.4 The Governors and Headteacher are responsible for the proper financial management and financial probity of their school and assisting the NCC Head of Finance and the Assistant Director, Learning, Skills and Education in the discharge of their statutory duties.
- 2.5 Where it is suspected that money or property of the school has been stolen or misappropriated, or that a financial irregularity has occurred, the Governors and/or the Headteacher must immediately report the matter to the LGSS Internal Audit.

### 3. DELEGATION

- 3.1 Subject to statutory limitations the Governing Body is free to delegate any power granted to them by these regulations to a committee of Governors or to the Headteacher. These delegations must be formally agreed and minuted.
- 3.2 When a committee or the Headteacher carries out any delegated action such action is taken on behalf of the Governors and should be minuted and these minutes are to be put before the Governing Body at their next meeting.

### 4. BUDGETS

- 4.1 Schools finances must be managed in accordance with their notified budget allocation for each financial year. It is not permissible to budget for a deficit. Schools budget plans must be prepared with a view to breaking even or creating a surplus at the end of the financial year. Where schools have reason to anticipate a deficit, LGSS Schools Finance must be informed immediately. Where this is material, LGSS Schools Finance must inform the Assistant Director, Learning, Skills and Education.
- 4.2 The Northamptonshire Scheme for Financing Schools sets out the conditions under which a school may operate under a deficit budget i.e. a “licensed deficit”.
- 4.3 As soon as possible after notification of the total budget allocation for the financial year, the school Governing Body must approve a budget plan which takes account of the major categories of expenditure (and income) for that school. These categories must include employees, energy, premises, capitation, supplies and services, office expenditure, contingency and income.
- 4.4 Approved budget plans must be notified to LGSS Schools Finance on a standard budget proposal form, normally by 1 May. This is to be accompanied by 3 year budget plan which should take into account any known funding, staffing, pupil number or other changes which are likely to affect the school budget.
- 4.5 Subsequent variations from the approved budget plan (virements) must be minuted and approved by the Governing Body and must be promptly notified by the completion and return of a virement form to LGSS Schools Finance.

- 4.6 Where a Headteacher or a sub-committee has the delegated power to vire, details of a virement must be reported to the next Governors meeting and minuted.

## **5. ACCOUNTING**

- 5.1 The accounts maintained by the NCC Head of Finance are the Authority's statutory accounts. The amount of a school's net expenditure for a financial year shall be determined solely by reference to the statutory accounts. For this reason schools must comply with the Authority's standard accounting procedures and practices and must supply information as the NCC Head of Finance or his/her representative may from time to time require to fulfil his/her statutory responsibilities.

## **6. EXPENDITURE**

- 6.1 The Governing Body can delegate to the Headteacher power to incur expenditure for the purposes and up to the amount in the approved budget for the relevant financial year.
- 6.2 The Governors and Headteacher have a duty to manage effectively and efficiently the budget allocated to them.
- 6.3 All orders must be on official order stationery, and must only be made where there is sufficient budgetary provision. Where it is necessary to place orders orally, these should be confirmed immediately on an official order and clearly endorsed as confirmatory. Orders are required for the purchase of all goods and services except rents, rates or metered supplies of public utility services namely gas, electricity, water and telephone. Attention is drawn to Section 4 of this handbook, Ordering, Receiving and Paying for Goods and Services, and the instructions included in Section 2 - Local Bank Account Scheme.
- 6.4 A Headteacher may delegate authority to certify orders or payments to members of staff at the school provided that adequate division of duties is maintained, and must keep an up to date record of such delegations.
- 6.5 The payment of all salaries, wages, pensions, compensation and other payments to employees or former employees of the Authority must be made by the NCC Head of Finance or under arrangements approved in writing by him/her. Schools making their own payroll arrangements should refer to the relevant guidelines contained in Section 3 - Employees.
- 6.6 Such information as the NCC Head of Finance may require for the payment of salaries, wages, pensions, creditors etc must be certified as correct for payment by an authorised signatory. The certification of payments, etc must be controlled by the Headteacher as he/she and the Governors are responsible for ensuring secure systems exist.

- 6.7 The payment of a cheque by schools will be the responsibility of the Headteacher or members of school staff nominated by him/her. All expenditure must be supported by suitable documentation.
- 6.8 No member of staff may authorise the purchase of goods and/or services for themselves or their relatives. Neither may they authorise cheque payments relating to expenditure incurred or services supplied by themselves or their relatives.
- 6.9 The Governing Body of each school must establish a register that lists for each member of the governing body and the headteacher any business interests they or any member of their immediate family may have. The register must be kept up to date through the notification of changes and through annual review of entries. The register must be available for inspection by Governors, staff, parents and the Assistant Director, Learning, Skills and Education, the NCC Head of Finance and their representatives.
- 6.10 The local authority may retain control of budgets for specified purposes subject to approval by the Department for Education and/or the Northamptonshire Schools Forum and to the extent that responsibility for incurring expenditure on these items is allocated to schools, ('earmarked delegation'), schools are required to ensure that:
- (i) the sum given is not exceeded unless supplemented from delegated resources.
  - (ii) the sum given is spent only on the purposes for which it is given.
  - (iii) such evidence of expenditure incurred as may be reasonably required by the NCC Head of Finance and/or the Assistant Director, Learning, Skills and Education is provided.
- 6.11 Schools may commit expenditure over more than one financial year provided that such forward commitments are recognised in subsequent annual financial plans. Any such carry forwards will be subject to the balance control mechanism in the NCC Scheme for Financing Schools.

## 7. INCOME

- 7.1 The collection of all money due to the Authority must be in accordance with arrangements approved by the NCC Head of Finance. Schools must follow the regulations for Accounts Receivable in Section 8 – Income of this handbook and also the guidelines pertaining to income in Section 11 - Internal Control.
- 7.2 Surplus material, stores, equipment, furniture or any other asset should be dealt with in the manner the governing body concerned feels best serves the interests of the school. Governing Bodies should consider transferring the

items to other schools or disposing of them in a way that takes account of the likely realisable value.

## **8. BANKING ARRANGEMENTS**

8.1 Schools are not allowed to transfer any part of the school budget received from the Authority nor any end of year financial surplus to an external bank account, i.e. private funds bank account.

8.2 No official bank accounts can be opened in the name of the school except by, or with the prior approval of, the NCC Head of Finance, who is also responsible for effecting alterations to banking arrangements such as the opening and closing of accounts.

## **9. LOCAL BANK ACCOUNTS**

9.1 All schools must follow the regulations in Section 2 - Local Bank Account Scheme.

## **10. SECURITY**

10.1 Each Governing Body is responsible for the safe custody at all times of all stocks, stores, furniture, equipment, cash and other property under its control and must ensure suitable systems of control exist.

10.2 Governing Bodies are also responsible for keeping inventories of plant, furniture and equipment which must be maintained in all schools in a form, and to the extent, approved by the NCC Head of Finance. Such inventories must be checked with the physical assets at least once a year and on changes of responsible personnel, surpluses and deficiencies investigated and the inventories noted accordingly.

10.3 The Assistant Director, Learning, Skills and Education is responsible for the implementation and compliance with all requirements of the Data Protection Act 1984 and 1998, within his/her own directorate. Headteachers and Governors are responsible for this within the school, including data held on their own computers.

## **11. INSURANCE**

11.1 Schools receive a delegated formula budget for insurance in accordance to the local schools funding formula. Schools are able to purchase insurance from LGSS and the NCC Head of Finance will take out such insurances as are from time to time considered necessary to cover risks to which the school is exposed and will negotiate and recover all claims.

Alternatively schools may opt to make their own arrangements for insurance. Guidance is provided in Section 9 - Insurance.

- 11.2 The Headteacher must promptly notify the LGSS Insurance Section of all new risks, additions and alterations affecting existing insurances. The Headteacher must consult the LGSS Insurance Section with respect to the terms of any indemnity which the Council is requested to give.
- 11.3 The Headteacher must immediately notify the LGSS Insurance Section in writing of any loss, liability or damage or any event likely to lead to a claim and take such other action as may be necessary to satisfy any insurance policy conditions.
- 11.4 The school can take out any additional insurance that it considers necessary to supplement that insurance cover maintained by the NCC Head of Finance.
- 11.5 The Governing Body's attention is drawn to the Section 9 – Insurance of this handbook.

## **12. VALUE ADDED TAX**

- 12.1 The Governing Body must comply with current VAT regulations (see also Section 5 - VAT).

## **13. PRIVATE FUNDS**

- 13.1 All materials, goods and property purchased by a school for use on its premises will become the property of the Authority. Where items are received as gifts from external sources they also will become the property of the Authority when accepted by the school. Before accepting a gift, reference should be made to the Advisory note on gifts/loans, included at the back of this section.
- 13.2 The definition of a Private Fund is any fund other than public or official funds held by the school that is controlled wholly or in part by an employee by reason of his or her employment in the school. Funds held solely on behalf of other employees are outside the scope of these regulations.
- 13.3 The school Governors must be informed of all Private Funds that are maintained by employees in the course of their duties with the school. The Governors must make arrangements for the proper management of such funds.
- 13.4 The Headteacher must keep an up to date list of all Private Funds and ensure that such funds are audited to the extent and in the manner required for each particular fund as agreed with the NCC Head of Finance. They should also ensure that these audited accounts are presented annually to the Governing Body.

Headteachers must ensure that the accounts are audited by an independent person i.e. not the person keeping the accounts. Headteachers are recommended to ensure that this independent auditor is present at the Governor's meeting where the accounts he/she has audited are presented.

- 13.5 Private Funds must not be banked in the name of the employee.
- 13.6 All monies and records relating to a Private Fund must be kept separate from the official monies and records and from any other fund kept by the same employee.
- 13.7 All employees acting as trustees by virtue of their official position must ensure that accounts are submitted annually to the appropriate body.
- 13.8 The NCC Head of Finance is entitled to verify that the above provisions have been met.
- 13.9 Section 12 - Private Funds provides guidance for schools on the administration of Private Funds.

#### **14. INTERNAL AUDIT**

- 14.1 In order to meet the NCC Head of Finance's statutory responsibilities and to assist the Assistant Director, Learning, Skills and Education and Headteachers, a continuous internal audit exists to carry out an examination of accounting, financial and other operations. This audit is under the independent control and direction of the NCC Head of Finance.
- 14.2 The NCC Head of Finance or his/her authorised representatives, including LGSS Internal Audit, has authority to:
  - (i) enter at all reasonable times on any Council premises or land.
  - (ii) have access to all records, documents and correspondence relating to any financial and other transactions as is considered necessary.
  - (iii) require and receive such explanations as are necessary concerning any matter under examination.
  - (iv) require any employee to produce cash, stores or any other Council property under his or her control.
  - (v) attend meetings of Governing Bodies to give advice or report on matters affecting his/her responsibility.

## 15. EXTERNAL AUDIT

15.1 The County Council's External Auditor may at any time choose to visit a school and require access to all appropriate systems, vouchers and documents.

15.2 It is a requirement of the Accounts and Audit Regulations that the County Council's financial records are available for a period of 15 working days. This includes all vouchers and minutes relating to the financial decisions and other records supporting financial decisions. This includes all such records held by schools, and should these be required to be produced, schools will be contacted directly by the NCC Head of Finance.

## 16. OVERALL GUIDELINES

16.1 Headteachers and school staff are **required** to:

- (i) establish an appropriate framework of financial control in the public interest
- (ii) establish procedures which seek value for money
- (iii) ensure clear accountability for actions taken and not taken

16.2 To achieve 16.1 Headteachers should:

- (i) ensure clear records of financial transactions and decisions are maintained
- (ii) ensure the delegation of responsibility is accompanied by clear accountability and appropriate level of management supervision and monitoring
- (iii) ensure that financial procedures include adequate 'internal control'
- (iv) ensure these financial regulations and other financial instructions are available to their staff

## 17. ADVISORY NOTE ON GIFTS/LOANS

Where property is given to the school management please ensure the donor understands that the ownership of the property transfers to the Authority. The exception to this may be that in the case of Foundation schools the gift may be given on the understanding that it is to be held in trust by the Foundation. The terms of any gift should be recorded in writing.

When a loan of property or equipment is made, the basis should be agreed in writing by both parties before being accepted by the school. This should include arrangements regarding use and return of the loan.

Staff should be cautious when accepting loans as losses and damage could result in replacement or repairs having to be met by the school from its budget.

If a gift or loaned item is valuable and its replacement would be difficult to fund from the school budget, staff should consider insuring the item concerned.