

# **Schools Financial Regulations – 2023 update**

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## **Background**

This edition of the Schools' Financial Regulations supersedes all earlier editions.

It has been updated to reflect developments in financial management and to give School Governors and Headteachers a framework within which they can discharge their statutory and professional responsibilities to manage and be accountable for public money.

These financial regulations support the implementation of the Scheme for Financing Schools at a local school level.

The Governing Body of each local authority maintained or voluntary aided school must adopt this set of Financial Regulations. Any amendments proposed by the school must be approved by the Executive Director of Finance and Resources in advance of consideration by the Governing Body.

In managing their delegated budgets schools must abide by the Council's requirements on financial controls and monitoring.

Financial Regulations are also required in order to show that the Local Authority is meeting its statutory responsibilities for proper financial management.

Advice on the interpretation of the regulations and their implementation may be obtained from the Council's Schools Finance team by e-mailing [schoolsfinancesupport@hounslow.gov.uk](mailto:schoolsfinancesupport@hounslow.gov.uk)

## **1. Schools Financial Governance**

### **1.1 The Governing Body**

- 1.1.1 The Governing Body is collectively responsible for the overall direction of the school and its strategic management. This involves determining the guiding principles within which the school operates and then making decisions about, for example, how to spend the school's budget. Effective governance results in clear public accountability for the performance of the school.
- 1.1.2 The Governing Body has a strategic role and the responsibility for setting educational and financial objectives, and for ensuring the budget is managed effectively. It is also responsible for ensuring the school meets all its statutory obligations, and, through the Headteacher, complies with these Financial Regulations.
- 1.1.3 Governing Bodies are encouraged to refer to The Governance Handbook issued by DfE. It sets out the roles and responsibilities of Governing Bodies and provides a first point of reference on the legal duties of Governing Bodies. Section 6 focuses on compliance and includes sections on finance and the use of school premises.

### **1.2 Roles and Responsibilities**

- 1.2.1 The roles and responsibilities of the Governing Body, its committees, the Headteacher and other staff in relation to financial decision-making and administration should be clearly defined in writing and formally agreed by the Governing Body in the form of the school's Scheme of Delegation.
- 1.2.2 These terms of reference should be reviewed and updated annually.
- 1.2.3 The responsibilities of the Governing Body include establishing and maintaining sound systems of internal control to enable the proper processing of the school's transactions and activities. Examples of key features of the system of internal control include:
- appropriate segregation of duties
  - the presence of internal checks
  - the establishment of clear audit trails and retention of appropriate financial documents
  - access controls for IT systems
  - setting an annual school budget and a three-year budget projection and the planned use of balances
  - implementing the Scheme for Financing Schools, these financial regulations and a local scheme of delegation, together with DfE financial requirements as appropriate
  - establishing limits of delegated authority through the school's Scheme of Delegation to the finance committee and Headteacher, which allow sufficient freedom to manage the school at the operational level, whilst maintaining an overall degree of control
  - the provision of regular budget monitoring reports to the Governing Body and the Council, which provide a clear projection of the schools' expenditure and income for the year
  - oversight of procurement activity by the Governing Body
  - an agreed charging policy, e.g., for school trips and lettings of school premises

- approved procedures for personnel matters, including appointments, terminations, and promotions
- the appointment of auditors for any unofficial school funds
- the review of internal audit reports and the resulting management actions by the Governing Body/ Finance Committee
- The approval of school Government Procurement Card (GPC) holders and regular reviews of transactions incurred on school credit cards by a senior member of the school staff who is not the card holder or a school governor where the GPC is held by the Head Teacher
- the completion of monthly bank reconciliations
- Limiting the use of petty cash
- The regular review of key policies and procedures.

### **1.3 School's Local Scheme of Delegation**

- 1.3.1 The Governing Body or its Finance Committee shall establish a Scheme of Delegation that clearly defines and establishes the responsibilities of the Governing Body, sub committees, Headteacher and school staff for the financial, human and asset resource management of the school.
- 1.3.2 The school's Scheme of Delegation should clearly delegate responsibilities to the Headteacher for the following:
- The management of the school's finances.
  - The maintenance of effective systems of internal control.
  - The management of other financial issues, including human resources and asset management issues that have financial implications.
  - Signing with the Chair of the Governing Body or other approved person, the Financial Returns to the Council ensuring they are properly presented and adequately supported by the underlying books and records of the school.
- 1.3.3 The decision to agree the school's Scheme of Delegation should be recorded in the minutes of the Governing Body.
- 1.3.4 The Governing Body should also receive periodic reports on actions taken by the Headteacher under delegated powers.
- 1.3.5 A list of the delegations to the Headteacher and other school staff and along with the limits on such delegation should be approved by the Governing Body at least annually.

### **1.4 The Finance Committee**

- 1.4.1 Each school may have a Finance Committee consisting of at least 3 governors plus the Headteacher to consider strategic financial issues on behalf of the Governing Body. This Committee's functions may include other resource responsibilities such as personnel or premises. The remit of the Committee and its membership should be reviewed annually. Alternatively, the Governing Body could choose to meet more often in order to fulfil its responsibilities avoiding the need to establish a Finance Committee.
- 1.4.2 Any responsibilities delegated by the Governing Body need to be defined as part of the Committee's terms of reference. All Finance Committee minutes should be reported to the Governing Body. Responsibility for agreeing the budget may be

delegated to the Finance Committee but this must be reported in full to the Governing Body.

1.4.3 The requirement for meetings will vary between schools and will be influenced during the year by financial issues arising which require the committee's attention, such as setting the annual budget. In any event the Finance Committee should meet at least termly.

1.4.4 Terms of reference for the Finance Committee would normally include:

- Either setting the school's annual budget and then reporting this to the full governing body; or the recommendation of the annual budget to the Governing Body;
- The regular monitoring of actual income and expenditure against each budget and revised forecast for the year along with the reports to be provided;
- The awarding of contracts possibly up to a specified limit;
- Reviewing reports by Internal and External Audit as to the effectiveness of the financial procedures and controls;
- Receipt of the school voluntary fund audited accounts.

## **1.5 Job Descriptions**

1.5.1 It is important that any financial responsibilities and duties of staff are clearly set out in their job description

## **1.6 Minutes**

1.6.1 Minutes should be taken of all meetings of the Governing Body and its committees and should include all decisions and by whom action is to be taken. The minutes should be signed and dated as a true record of the meeting by the chair of the respective committee.

## **2. Bank accounts and the management of cash**

### **2.1 Official School Bank Accounts**

2.1.1 The school should keep a bank account for official purposes. Official bank accounts may only be opened or changed by prior agreement with the Executive Director of Finance and Resources and must bear an official title.

2.1.2 Schools should have at least 3 authorised signatories. Only current members of the school staff can be signatories to the official bank account. Any changes of signatories including signatories leaving and being replaced must be notified to the Finance Processing Team (Finance.Processing@hounslow.gov.uk ) (not directly to the Bank) in a timely manner in order to ensure these are kept up to date.

2.1.3 Schools should all be banking with the Council's appointed banker (currently NatWest) and may access electronic banking through provisions made by the Council with NatWest

2.1.4 Schools' payments can be made as follows:

- By Bankers Automated Clearing Services (BACS) order direct to the recipient's personal account.
- By Faster Payments or CHAPS using the online banking system provided by the school's bankers
- By crossed cheque bearing the impressed or manuscript signature of the school's authorised signatories as notified to the Council

2.1.5 Payments for amounts greater than £1,500 must be signed or approved by any two signatories. The person signing the cheque or authorising the payment is responsible for satisfying himself or herself that the payment is a proper one. The member of staff who orders the goods or services and approves the invoice for payment should not be the same person who signs the cheque or authorise the payment. Subject to the agreement of the Governing Body, one signatory may sign cheques or authorise electronic payments for less than £1,500 only.

N.B. in the smallest schools, e.g., single form of entry primary school, where the number of finance or support staff may be very few, the Headteacher and governors will need to ensure there is still an appropriate split in duties relating to ordering and payments e.g., between Headteacher, deputy head, Finance Officer.

- 2.1.6 The Council will pay to the school an agreed sum on a regular basis into its official bank account subject to the timely submission of school financial returns.
- 2.1.7 Schools must submit financial returns to the Finance Processing Team on a timely basis and in a form specified by the Council to enable schools income and expenditure to be reflected in the Council's accounts and VAT returns to be submitted by the Council.
- 2.1.8 If returns are not submitted to the Council on a timely basis in the form requested the Council may delay payment of the next instalment of the school's funding for the year.
- 2.1.9 Any large items of expenditure, which cannot be met from within the funds held in the school bank account can be paid for by requesting a temporary advance from the Finance Manager (Schools). In exceptional and agreed circumstances, high value items may be passed to the Council for payment centrally and will be charged to the school's budget (Note invoices to be paid by the Council must be addressed to the London Borough of Hounslow).
- 2.1.10 Other official school income should also be banked promptly into the School's official bank account.
- 2.1.11 The Official School Bank Account must not be used for cashing personal cheques, nor should expenditure be incurred for other than official school purposes.
- 2.1.12 Schools should not incur an overdraft on their bank accounts nor enter into any other loan, credit, leasing or rental agreement with an external body without the express approval of the Executive Director of Finance and Resources.
- 2.1.13 Bank accounts should be reconciled once a month using a format provided by the Finance Processing Team.
- 2.1.14 Schools must also reconcile their bank balances to their accounting system at least once a month. The monthly bank reconciliations should be reviewed by an independent senior member of the school staff on a timely basis. That review should be confirmed by signing and dating the reconciliation.

2.1.15 For audit purposes bank statements (in paper or electronic form) should be kept securely by the school for at least six years

## **2.2 Investments & Borrowing**

2.2.1 Investments and borrowings are strictly controlled by Government legislation and schools should under no circumstances attempt to borrow or invest funds or enter into other forms of credit without the written approval of the Executive Director of Finance and Resources.

2.2.2 This restriction also prohibits schools from taking out finance leases (although an operating lease may be permitted).

## **2.3 Unofficial Funds**

2.3.1 Where an 'unofficial fund' or 'private fund' that is under the control of the Governing Body is to be established the following information must be submitted to the Governing Body for approval:

- The title of the fund, its purposes and its sources of anticipated income.
- The name(s) of the person(s) proposed to administer the fund, and other necessary arrangements for the administration of the fund, including the operation of any bank accounts and the names of proposed authorised bank signatories.
- Nominations for the appointment of suitably qualified auditor(s) who must not be members of the staff of the School, nor in any way under the influence of the fund administrators.

2.3.2 It is essential that there is a clear understanding as to who is directly responsible and accountable for all monies being handled.

2.3.3 Records must be kept of all income and expenditure against each fund. Reports of income and expenditure against unofficial accounts should be provided to the Governing Body at least 3 times per annum.

2.3.4 If a bank account is to be used, it must be in the name of the Fund concerned and not in the name of an individual. The title of the Bank Account should include the word 'Unofficial' or other suitable words to distinguish it from official funds.

2.3.5 Payments must only be made by the authorised signatories as agreed by the Governing Body.

2.3.6 The bank balance must be reconciled with the cashbook for the Fund at least once a quarter.

2.3.7 There must at all times be a clear separation of unofficial and official funds.

2.3.8 All monies received must be banked as soon as possible.

2.3.9 An inventory must be maintained of all assets purchased through these funds.

2.3.10 For Unofficial Funds a statement in the form of a receipt and payments account or an income and expenditure account and balance sheet, must be prepared and signed by the person(s) responsible for the accounts, and suitably certified by the Auditor(s), to be submitted to the Governing Body at least annually. A copy must also be sent to the Finance Processing Team for monitoring the management of school's unofficial funds accounts.

2.3.11 Suitable forms of audit certification are on the following lines:

(i) For receipts and payments accounts:

'I have examined the above Receipts and Payments Account which in my opinion gives a true and fair view of the Fund's financial transactions for the period ended..... (state period end date)..... and that all cash and bank balances have been accounted for'

(ii) For income and expenditure accounts with balance sheet:

'I have examined the above Balance Sheet and Income and Expenditure Account(s) which in my opinion give(s) a true and fair view of the Fund's financial position at.....(state date)... and its transactions for the period ended..... (state period end date).

2.3.12 Where it appears to the fund administrator(s) following consultations with the Headteacher that an Unofficial Fund has served its purpose and may reasonably be closed, a final statement of account covering the period following the last audited statement must be submitted to the Governing Body and copied to the Finance Processing Team.

2.3.13 The Council's auditors shall have access to the records of unofficial school funds.

## **2.4. Income**

2.4.1 All income received should be banked promptly. Income received in the form of cash should be minimised and counted by two members of staff and be held securely until it is banked.

2.4.2 Where the School becomes entitled to any income, invoices must be raised and issued promptly by the School. Invoices raised via the school accounting system should be consecutively numbered. There should be consideration of whether VAT should be charged before any invoice is raised.

2.4.3 Only a member of staff duly authorised by the Headteacher may give a receipt for monies received on behalf of the School. An official receipt or ticket (whether issued by machine or manually) should be used.

2.4.4 Charges for use of accommodation and or facilities and goods supplied by the School or services rendered shall be determined by the Headteacher under the general direction of the Governing Body and in compliance with any guidelines issued by the Council. Charges should take due account of any community subsidy received.

2.4.5 If a school accepts payments via credit or debit card they must ensure that card details are not written down and are stored securely in accordance with the Payment Card Industry Data Security Standard (PCI DSS).  
<https://www.pcisecuritystandards.org/>

2.4.6 If card payments are made via a third-party system eg ParentPay the school should carry out regular checks to ensure that their provider is PCIDSS compliant.

## **3. Procurement of goods and services**

### **3.1 General principles**

3.1.1 School Leadership Teams and Governing Bodies must be mindful that:

- expenditure incurred by the school is expenditure from public funds
  - any expenditure must be able to be justified as representing appropriate use of public funds
  - there is scope for differing interpretations as to the 'appropriate use of public funds' particularly with regard to expenditure that schools may consider to be appropriate as it facilitates 'staff wellbeing'.
- 3.1.2 School delegated budgets must never be used to fund alcoholic beverages.
- 3.1.3 School delegated budgets should not be used to fund activities that might be considered to be 'social events' including meals/ gatherings held in pubs/ restaurants to mark the retirement/ leaving of a member of school staff, the end of a school term or school year or festivals such as Christmas.
- 3.1.4 Schools may choose to allocate some of their delegated budget to fund 'staff wellbeing' activities subject to:
- paragraph 3.1.3
  - there being a 'school wellbeing plan' that sets out how this budget is to be used that is considered and approved by the Governing Body
  - any expenditure on food and non alcoholic beverages incurred as part of a wellbeing event/ activity being modest and not exceeding £5 per member of staff attending
  - wellbeing activities being made available to all members of the school staff
  - good practice on wellbeing for schools staff being considered as the development of the 'school wellbeing plan'.
- 3.1.5 The procurement of supplies, services, and works of any value must;
- At *all times* provide value for money
  - Be undertaken in a fair, transparent, equal and non-discriminatory manner
  - Not involve fraud or corruption
  - Be an auditable and transparent process.
  - Adhere to ethical and sustainable procurement principles;
  - Receive the appropriate approval to commence and award a contract;
- 3.1.6 A contract is any verbal or written agreement where a party (the Contractor) agrees to provide supplies, services or works to the school in return for something for a payment (or something else which has monetary value), and where the Contractor may retain part of the payment as a profit. These contracts include but are not limited to:
- Purchase orders;
  - Operating leases (e.g. Photocopiers)
  - Quotations
  - Service concession contracts

## **3.2 Use of consultants or advisors to support a procurement exercise**

- 3.2.1 Where a consultant or other advisor is engaged to provide advice to the school to support a procurement process, the school should
- Create a schedule of requirements that sets out the consultant or advisor's role in the procurement exercise
  - Challenge their level of experience in undertaking procurement exercises particularly the technical aspects of a procurement process

- Ensure that the relevant level of Professional Indemnity Insurance appropriate to the risk involved has been obtained by the consultant or advisor
- Obtain a declaration of interest from the consultant covering any pre-existing relationships with members of the school staff or contactors who may bid as part of the procurement process
- Receive their fee proposals up front
- Report the engagement of the consultant to the Governing Body
- Not permit the consultant or advisor to communicate directly with bidders unless that communication has been authorised by the school
- Not allow the advisor to be the sole person who evaluates any tenders that are received (this helps mitigate against the risk that the advisor may have a relationship with the supplier that causes them to have a biased view towards a supplier)
- To consider whether IR35 is applicable or not in the commissioning of a consultant or advisor.

### **3.3 Pre-tender research**

- 3.3.1 Prior to starting a formal procurement process it is helpful to undertake some market research to understand what the leading suppliers in the marketplace offer to help the school shape its requirements and understand the potential costs.
- 3.3.2 If the school opts to undertake pre-tender market research they should not seek or accept technical advice on the preparation of an Invitation to Tender or Quotation from anyone who may have a commercial interest in it, this may prejudice the equal treatment of all potential tenderers or distort competition.

### **3.4 Use of London Borough of Hounslow's corporate contracts**

- 3.4.1 Schools may use some of the Council's corporate contracts without the need for further tendering. These include the Council's banking, corporate purchasing cards, corporate services contract, cleaning, energy efficiency and facilities maintenance contracts.
- 3.4.2 Clarification as to other corporate contracts that may be available to schools can be obtained from the Council's procurement team.
- 3.4.3 Schools may also make use of contracts that have been tendered via school buying hubs such as <https://www.gov.uk/guidance/buying-for-schools>.

### **3.5 Tendering/ Quotation requirements**

- 3.5.1 The procurement process that needs to be followed depends on the value of the contract. Prior to commencing a procurement exercise the school should make a genuine estimate of the total value (including all payments to the Contractor) of the supplies, services or works being supplied during the entire term (including any extension period) of the contract. Contracts must not be artificially divided into two or more contracts to avoid Public Contracts Regulations or these Regulations.
- 3.5.2 The application of Public Services (Social Value) Act 2012 should be considered for all procurements above £30,000. The Council's procurement service can advise on the application of this Act.
- 3.5.3 The table below sets out the tendering requirements for contracts of different values.

<b>Contract Value</b>	<b>Minimum Tendering Requirement</b>
Up to £1,000	Minimum of one quotation should be obtained.
£1,001 - £5,000	Minimum of two written quotations should be sought.
£5,001 - £75,000	Minimum of three written quotations should be sought. Details of procurements for contracts above £15,000 should be reported to the Governing Body prior to the commencement of the procurement.
£75,001 – FTS (Find a Tender Service) Threshold	Full competitive tendering process or a compliant framework should be used. At least 5 Contractors should be invited to tender. Details of the procurement must be reported to and agreed by the Governing Body prior to commencement of the procurement.
Above FTS threshold	Full competitive tendering process or a compliant framework must be used, adhering to the Public contract regulations 2015. Details of the procurement must be reported to and agreed by the Governing Body prior to commencement of the procurement.”

3.5.4 A quotation can take the form of:

- A price from a supplier catalogue; or
- An email or letter from a supplier confirming an amount to be charged for goods and services

Is it important that those with delegated authority to authorise purchases on behalf of the school are satisfied that the required number of quotes are being obtained. If prices are obtained verbally from a supplier, they need to be confirmed via email or with reference to a supplier catalogue.

3.5.5 Schools must seek legal advice where they are unclear as to the legal or financial implications of any terms of a contract they are asked to sign. This is particularly important when signing contracts for the lease or hire of equipment including IT equipment and photocopiers.

- 3.5.6 Contracts that involve a third-party having access to personal information about pupils or staff must include appropriate provisions on the security and ownership of this data.
- 3.5.7 All contracts must include appropriate provisions on the level of insurance to be held by the contractor. The Council currently requires a minimum of £5m public liability insurance but this should be increased in line with the risk presented. Professional Indemnity Insurance must be in place where a contractor is providing any form of professional or advice-based services to the school.
- 3.5.8 **Legal advice must be sought on the terms and conditions of all contracts in excess of the relevant FTS threshold to help ensure that a compliant procurement exercise is undertaken.** The FTS has different thresholds for Works and Services contracts.
- 3.5.9 School staff and Governors must declare to the Governing Body any pecuniary or business interest they have in a contract to be let
- 3.5.10 A register of contracts over £5,000 in value should be maintained.
- 3.5.11 In very exceptional cases it may not be possible to comply with the above procedures on the grounds of urgency. Exceptional cases will include natural disasters where swift action has to be taken to save life or property. In the event of such a situation arising then the Headteacher may proceed to let the contract, if possible, in consultation with the Chair of Governors. All such cases should be reported to the next meeting of the Governing Body. The report should include a justification for the urgency and the action taken, together with full details of budgetary implications and any necessary virements.

### **3.6 Specifications**

- 3.6.1 Specifications must set out a clear and comprehensive description of the school's requirements with regard to the supplies, services or works to be supplied. The specification should include the defined outputs/ outcomes expected.
- 3.6.2 All supplies, services or works must be specified by reference to European standards or National standards if no European standards are set.
- 3.6.3 Named products or manufacturers must not be specified for procurements above the FTS threshold.
- 3.6.4 Specifications must contain *measurable* objectives to enable the school to ascertain whether requirements are being met.
- 3.6.5 Specifications must incorporate the relevant requirements in respect of:
- Professional or Industry accreditations or qualifications to be held by the service providers
  - Responsibility for the management, safeguarding and ownership of any data to be held and/or used as part of the contract
  - Safeguarding
  - Health and Safety
  - Reporting to the school on key service metrics
  - Equalities analysis
  - Sustainable procurement and social value.
  - UK GDPR

### **3.7 Advertising**

- 3.7.1 Procurements at or above £75,000 must be published *in a trade journal or on a procurement portal e.g., Contracts Finder* <https://www.gov.uk/contracts-finder>
- 3.7.2 Where the requirement is above the relevant FTS threshold a notice must first be placed in the Find a Tender Service in the form prescribed by FTS for all procurements.
- 3.7.3 All documents relating to an above FTS threshold Procurement must be made available at the first point of publication.

### **3.8 Evaluation Criteria**

- 3.8.1 Criteria must be set for the evaluation of tenders that are received; the evaluation criteria should be issued with the specification so that tenderers are clear as to the school's expectations.
- 3.8.2 Evaluation criteria should consider both quality and price and be applied in the same way to each tender through a scoring system.

### **3.9 Submission of Tenders**

- 3.9.1 Tenders must comply and be submitted in accordance with the rules and instructions set out in the Invitation to Tender.
- 3.9.2 Ensure that during a procurement process all information remains confidential until a contract has been awarded. Information stipulated as sensitive in the contract must continue to be treated as such after award.
- 3.9.3 Tenders received after the specified deadline can only be considered if the tenderer provides evidence that submission was delayed due to circumstances outside of their control.

### **3.10 Awarding contracts**

- 3.10.1 Where the contract price is in excess of the value reported to the Governing Body prior to commencement of the procurement the Headteacher and Chair of Governors must be consulted prior to award of the contract.
- 3.10.2 Where the contract price is in excess of the estimate reported to the Governors and this generates a budget pressure for the school the Governing Body should approve the contract award.

### **3.11 Managing contracts following award**

- 3.11.1 Every awarded contract should have an identified Contract Manager who is responsible for:
- Monitoring the performance of the supplier to ensure that the specification is being met
  - Ensuring that the supplier maintains the insurance policies required by the contract by requesting evidence of renewal on each occasion
  - Ensuring the supplier maintains appropriate safeguarding and health and safety arrangements

## **4. Ordering goods and services and payment of suppliers**

### **4.1 Ordering goods and services**

- 4.1.1 Once a decision has been made on which supplier to use, an official order should be placed with the supplier. This could take the form of:
- A purchase order generated via the school finance system
  - An order raised on the supplier's website (e.g., where goods and services are being purchased via a school GPC card)
  - A telephone order – this should be confirmed in writing via email or a purchase order.
- 4.1.2 Orders generated from the school finance system should be sequentially numbered.
- 4.1.3 All orders must clearly indicate the date of the order, nature and quantity of the supplies, services or works required, the delivery and billing addresses, the estimated price including any agreed discounts, and other relevant details.
- 4.1.4 Copies of all orders must be retained and be signed by the Headteacher (or by a member of the school staff designated by him/her) to confirm that they are approved official orders. The person signing the order is responsible for ensuring that there is sufficient budget allocation to cover the proposed expenditure. A record must be maintained of the members of staff who are authorised to sign orders.
- 4.1.5 The Headteacher should ensure that there are adequate arrangements for checking the delivery of supplies and ensuring that services and works meet the specification required by the order.

### **4.2 Payment of Invoices**

- 4.2.1 The Headteacher will be responsible for the arrangements for the examination, verification, certification, and payment of invoices and for allocation of expenditure to the relevant cost centre/ledger code.
- 4.2.2 All invoices must be checked by the Headteacher or by an officer of the School and authorised by him/her. The invoice should be signed to confirm it has been checked before it is paid.
- 4.2.3 The certifying officer must ensure, by reference to the copy order where appropriate, that: -
- (i) The relevant expenditure has been properly incurred
  - (ii) The invoice is a proper liability of the School and has not been previously passed for payment.
  - (ii) The supplies or services to which the amount charged relates have been received/ carried out.
  - (iii) The amount charged is correct
- 4.2.4 Regardless of when the payment is actually made, care should be taken to ensure that the expenditure is charged to the financial year in which the goods or services were received, or the works were carried out.
- 4.2.5 The Headteacher may make arrangements to have regular payments made to a supplier by direct debit. However, in order to ensure that the VAT is dealt with

correctly, the supplier must agree to supply an invoice to cover each deduction showing the amount deducted and the VAT content of that amount. Schools must make sure that the VAT is coded correctly and complies with HMRC's MTD (Making Tax Digital) initiatives. A proper audit trail must be maintained of all direct debits entered into.

- 4.2.6 Schools buying into the Council's HR & Payroll Service will have the salary payments and associated costs, national insurance, pension contributions etc, posted against their appropriate staffing codes. Reports from the Council's financial system will be provided regularly to help schools to reconcile their total outgoings by including both payroll expenditure and non-staffing payments.
- 4.2.7 Payment of invoices will generally be done at school level, except where alternative arrangements have been made such as where building contractor invoices may be paid directly by the Council as part of a capital project.
- 4.2.8 No debts exceeding £1,500 may be written off as irrecoverable without the authorisation of the Council. Governing Bodies should keep records of amounts below £1,500 which they have identified for write off.

### **4.3 School Credit Cards and Government Procurement Cards (GPCs)**

- 4.3.1 Schools should not use credit cards that are issued by banks and credit card companies as this constitutes borrowing which schools are not permitted to do. Schools may use a Government Procurement Card (GPC) which operates in a similar way to a credit card but with the balance being paid off in full after each bill is issued.
- 4.3.2 All local authority maintained schools in Hounslow Borough can apply for a GPC under the terms of the Council's corporate contract (currently with NatWest). GPCs operate and look like credit cards. A GPC card can be used to purchase goods and services via the internet or telephone and in shops that accept card payments.
- 4.3.3 GPCs are issued to individual named members of staff as they are chip and pin cards. A school cannot be issued with a GPC for general use by any member of staff. Cards must be used by the individual they are issued to only and the PIN or card details must not be shared.
- 4.3.4 Application forms for GPCs can be obtained from the Finance Processing Team.
- 4.3.5 Cardholders must be official school bank account signatories.
- 4.3.6 The school must maintain a list of authorised users and restrictions on the use of the cards and their spending limit.
- 4.3.7 Transactions per card statements must be reconciled monthly to the school financial system by a senior member of the school staff other than the cardholder. Each monthly statement must be reviewed by a senior member of staff to ensure that all charges have been incurred on behalf of the school and the statements authorised to this effect. If the Headteacher is a cardholder their statement should be reviewed by a member of the Governing Body and the statement authorised to this effect.
- 4.3.8 If there are any charges on the monthly statement that are not the school's the school must take this matter up with NatWest immediately and request that they are investigated and that the money is returned to the school's account.

4.3.9 Where VAT is payable on goods purchased with a GPC a VAT receipt should be obtained so that the VAT may be reclaimed.

4.3.10 Payments made by the cards must be recorded on the schools financial system on a timely basis.

## **5. Pay costs and staff expenses**

- 5.1 The Governing Body must agree a policy with the Headteacher on pay, recruitment and selection, deciding on the level of delegation of responsibility e.g. there should be clear agreement on the membership of any interviewing panel.
- 5.2 Where a school opts not to use the Council's Payroll service the Governing Body is responsible for ensuring that there are appropriate arrangements in place for the payment of staff, payment of tax, national insurance and the apprenticeship levy to HMRC and payment of pension contributions to the relevant fund. The school must manage their cashflow so that they have sufficient funds in their official bank account to cover their payroll costs.
- 5.3 Appropriate HR advice must be taken regarding decisions affecting individuals to ensure that the Council's HR policies are being complied with and minimise the risk of legal action being taken against the school or Council on an employment matter.
- 5.4 Advice must be sought on any payments being made to individuals outside of the school payroll to ensure that the tax, national insurance and pensions implications are understood and properly accounted for.
- 5.5 Payment of travel and subsistence costs should be made in line with the Council's HR policies via the school's payroll system.
- 5.6 Where agency staff are being employed schools should use a reputable agency and obtain assurances as to how the payroll for the worker is being administered.
- 5.7 Time records and HR contracts must be in a form agreed by the Council's Head of HR and the Headteacher, and must be certified by or on behalf of the Headteacher. An approved list of members of staff delegated to sign such records must be maintained and provided to the school's HR and Payroll provider.
- 5.8 Starters and leavers must be notified to the school's payroll provider on a timely basis.

## **6. VAT**

### **6.1 Payment of VAT**

- 6.1.1 VAT paid on invoices can only be recovered from HMRC where valid tax invoices are held. If the payment is not supported by a proper tax invoice the VAT cannot be recovered and must be charged against the schools budget
- 6.1.2 VAT paid by schools will be recovered from HMRC by the Council as maintained schools share the same VAT registration number as the Council. VAT can only be recovered if schools submit financial returns to the Council in the form specified by the Council and within specified timescales.
- 6.1.3 HM Revenue & Customs (see link for details: <https://www.gov.uk/vat-record-keeping>) sets out the requirements for a valid tax invoice, and for a modified tax invoice which may be used for invoices of less than £250 in value. All the criteria must be met before the invoice is suitable as a tax document.

### **6.2 Income and VAT**

- 6.2.1 Depending on the type of activity, VAT may need to be added to charges raised by the School. Schools should seek guidance on the circumstances in which VAT is

added to charges particularly where a new charge is being introduced. Guidance can be found on government websites and these typically take the form of VAT Notices issued by HMRC. Recent HMRC guidance deals with matters such as supplies to staff, school photographs, sales of goods from school shops and vending machines, admission charges for school events and sale of school uniforms.

6.2.2 When a VAT invoice is required by the recipient of the service, it must contain the same information as required to pay an invoice. The invoice address should include the 'London Borough of Hounslow' since the VAT registration number is for the authority and not just the school.

6.2.3 It is imperative schools comply with MTD (Making Tax Digital) initiative. (see link <https://www.gov.uk/government/publications/making-tax-digital/overview-of-makingtax-digital>). Making Tax Digital is a key part of the government's plans to make it easier for individuals and businesses to get their tax right and keep on top of their affairs. HMRC's ambition is to become one of the most digitally advanced tax administrations in the world. Making Tax Digital is making fundamental changes to the way the tax system works – transforming tax administration so that it is:

- more effective
- more efficient
- easier for taxpayers to get their tax right

6.2.4 The London Borough of Hounslow (LBH) VAT system for enabling MTD compliance was rolled out in April 2020. However, as this does not include an interface between the school financial systems and the LBH financial system, all schools are required to adhere to the following procedures:

- It is very important that VAT reports are sent in csv (school RMS system) or excel format (school FMS system) on a periodic basis in the first week of each month, along with an Imprest claim
- Schools are expected to make one Imprest claim each month with possible exceptions at the year-end closing (Period 12/13)
- All claims should be sent to [finance.processing@hounslow.gov.uk](mailto:finance.processing@hounslow.gov.uk)
- LBH no longer require Head teacher's signatures. However, the Headteacher must be copied into all claims submitted (e-mailed) to the Council, as this will form part of the authorisation.
- The email Subject must contain School Name, Claim No. and FMS or RMS (depending on system used)
- Any claims which are unbalanced, may not be credited when expected as the team need to seek authorisation to process the claim.

All queries should be sent to [Finance.Processing@hounslow.gov.uk](mailto:Finance.Processing@hounslow.gov.uk)

### **6.3 Correcting VAT errors and miscodings**

6.3.1 If an error in the treatment of VAT is discovered, either because VAT has been deducted in error, not deducted when it should have been or not charged when it should have been schools should contact their local finance provider or the Finance Processing Team for guidance on how to correct the error.

6.3.2 VAT related errors or miscodings must be dealt with as soon as they are discovered.

## 6.4 Visits by HM Revenue & Customs (HMRC)

- 6.4.1 HMRC carry out periodic inspections to confirm that the Council is properly accounting for VAT. As part of an inspection HMRC, may choose to visit schools to review their VAT accounting arrangements.

## 7. Budgetary Control

- 7.1 By no later than 29th February each year the Council will inform each school of its delegated and any devolved budget allocations for the following financial year.
- 7.2 Each year the Governing Body must agree a detailed budget for the school in a format specified by the Council. The governing body may make any additional arrangements for consideration of the budget as they see fit.
- 7.3 A copy of the approved budget must be sent to the Finance Processing Team by mid-June annually following ratification by the school's Governing Body.
- 7.4 The gross expenditure in the budget must not exceed the total of the following
- The delegated allocation
- plus** The devolved allocation (e.g. Devolved Formula Capital) **plus**
- Any other income that the school can reasonably anticipate
- plus** Any planned overspend approved by LB Hounslow either as an agreed Licensed Deficit as approved with LB Hounslow (single year) or as part of an agreed school budget recovery plan (maximum of 3 years operating through an approved loan scheme.
- plus** Any funds carried forward from the previous year **less**
- Any deficit carried forward from the previous year
- 7.5 Any planned Overspend through a Licensed Deficit or Approved Loan Scheme will be permitted only with the express approval of the Council.
- 7.6 At least once a term the Headteacher should report to the Governing Body on expenditure compared to budget. The report should include expenditure to date and projected expenditure to the year-end together with explanations of any significant variances from the agreed budget. A full budget monitoring report should be submitted to the Finance Processing Team at the mid-year point (period 06) and Spring Term (Period 09) which includes a summary in CFR format of schools expenditure to date, plus projected expenditure up to year end (period 12).
- 7.7 The Governing Body must set a maximum limit on the virements that can be approved by the Headteacher or other members of staff, a limit of £5,000 is suggested. Any items of budget variance however, including any items authorised by the Headteacher using his/her powers of virement, must be reported to the Governing Body.
- 7.8 As soon as is reasonably possible after the end of each financial year the Headteacher must report final out-turn figures to the Governing Body together with explanations of any significant variances from budget. Outturn returns must also be submitted to the Council in the form specified by the Council.

- 7.9 The financial implications of all policy developments should be embodied in all reports to Governors.
- 7.10 Budget provision must be identified for all proposed actions.
- 7.11 The Government or Council will issue instructions to schools where specific government grants are received that require separate or specific records to be kept to demonstrate how the grant has been used. Grants may be withheld by the Government or the Council if adequate records are not kept.

## **8. Capital Expenditure**

- 8.1 Capital expenditure can broadly be described as expenditure on:
- (i) The construction, preparation, conversion, improvement, renewal or replacement of buildings and structures;
  - (ii) The acquisition of vehicles, movable and immovable plant, machinery and apparatus.
- 8.2 Typically it is expenditure that has a benefit for more than one year. The Schools Finance Manager or Management Accountant must be consulted if clarification is required as to whether an item is of a capital nature or not.
- 8.3 With the exception of Voluntary Aided Schools, the Council is responsible for many aspects of schools capital expenditure including the procurement of works.
- 8.4 In the case of VA schools though, s49 (6) SSFA stipulates that the Governing Body does not act as the LA's agent when spending amounts from the delegated budget to meet expenses payable by the GB in relation to work for which the Governing Body is responsible. VAT may therefore not be recovered on such expenditure.
- 8.5 For the purposes of VAT any expenditure under £2,000 is treated as revenue expenditure in line with regulation 2 of The Capital Expenditure in respect of Voluntary Aided Schools (England) Regulations 2007. The same principle applies if a VA school governing body and the local authority have set a higher limit. In these circumstances, HMRC will treat all such expenditure as revenue for VAT purposes.
- 8.6 From time to time, however, schools might wish to incur capital expenditure from within their delegated budgets. In order to comply with the Local Authority Accounting Code of Practice, schools need to identify capital expenditure in their returns to the Council.

## **9. Computerised Financial Systems**

- 9.1 It is essential that all computerised financial systems and accounting packages used by schools are capable of meeting statutory accounting requirements and producing returns in CFR format.
- 9.2 When purchasing a system (other than through the Council) schools must follow the guidance set out in the procurement section of these Regulations.
- 9.3 In assessing whether a particular system represents value for money schools should also consider any costs that might arise if the system is not able to produce information in the required standard formats.
- 9.4 In implementing a school's financial system, the use of password protection and also principle of split responsibilities must be used to ensure no one person can raise an order and authorise payment within the system (see also section 1.2.3 re key features of the system of internal control).

## **10. Management of Assets**

### **10.1 Control and Community Use of Assets**

10.1.1 Governing bodies are responsible for the day-to-day running of the school land and buildings and health and safety of the pupils.

10.1.2 Where school premises are used to accommodate extended and community services e.g., after-school clubs, adult education, out-of-school childcare (including breakfast clubs and holiday care), sport and youth clubs a risk assessment should be undertaken to help the school identify and manage any associated risks. Checks should be made to ensure that external organisations hiring school premises hold appropriate public liability insurance in relation to the intended use and any damage that might be caused to school premises.

10.1.3 Governing Bodies are encouraged to refer to the DfE Governance Handbook for guidance on the control and community use of school premises. (Section 6.11 of the 2020 guidance)

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/925104/Governance\\_Handbook\\_FINAL.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/925104/Governance_Handbook_FINAL.pdf)

### **10.2 Insurance & Risk Management**

10.2.1 All reports or communications regarding insurances or claims against the school or losses covered or to be covered must be referred in the first instance to the Council's Insurance team or to the relevant insurer where the school has moved its insurance arrangements away from the Council.

10.2.2 The Council procures Property, Employers Liability, Public Liability and Officials Indemnity Insurance on behalf of its maintained schools. Premiums and associated costs are recharged to schools. The Headteacher must immediately notify the Insurance team in writing of any loss, liability or damage or any event likely to lead to a claim and also notify the relevant insurer where insurance is not taken through the Council's arrangements. The school must ensure it takes action and provides other information as may be necessary to satisfy any insurance policy conditions or requirements. The Headteacher must also notify the Chair of Governors.

10.2.3 The Headteacher must give prompt notification to the Council's Insurance team of all new risks, additions and alterations affecting insurances arranged by the Council. New risks or extension of risks may result where a school is undertaking new activities such as opening new buildings, upgrading ICT equipment, extending sports or community use of its facilities, changing the use of parts of its premises or proposing to provide a service to another school or third party. Advice on what constitutes a new risk, or an extension of risk should be obtained from the Insurance team.

10.2.4 Schools may join the Secretary of State's Risk Protection Arrangement (RPA) for risks that are covered by the RPA.

10.2.5 Where works are being carried out on the school premises, the Headteacher must ensure that the parties undertaking those works hold current insurances to indemnify them against injuries to staff, pupils and third parties. Such insurances should have a minimum limit of £5 million or such greater amount as the risk involved requires.

10.2.6 Private property is taken onto school premises at the owner's risk.

10.2.7 Further guidance on insurance is available from the Insurance team.

### **10.3 Inventories**

10.3.1 The Headteacher will be responsible to the Governing Body for maintaining proper security of all buildings, furniture, equipment, plant stores and all other assets of the School and must ensure that assets with an original purchase value of more than £200 for an individual item are recorded on an inventory register. For assets with a value of less than £1,000 schools may determine the format in which the register is kept; but they must keep a register in some form.

10.3.2 The inclusion of smaller value items on the inventory is discretionary but it would be advisable to include items such as video/DVD recorders, printers and scanners (i.e., items which are both portable and attractive to thieves) to aid an insurance claim in the event of theft or damage to property.

10.3.3 The inventory must be checked periodically and, in any event, at least once a year. Updates to the inventory should be recorded in a manner that clearly identifies who made the amendment and when it was made. Only items included on the inventory immediately prior to any loss event will be considered as part of any insurance claim.

10.3.4 Discrepancies between the inventory and physical assets held must be investigated. Suspected irregularities must be reported in writing to Council's Head of Internal Audit without delay.

10.3.5 Items lost, stolen or damaged beyond economic repair must be written off the inventory. Items lost or stolen with a value in excess of £250 should be reported to the Governing Body.

10.3.6 The School's property must not be removed except for use in the course of the School's business or in accordance with specific directions issued by the Headteacher. Equipment used outside the School must be recorded in a register that is signed to confirm removal and return of the item by an authorised officer.

10.3.7 All items included in the inventory must be effectively marked as the property of the school.

### **10.4 Sales and Disposals**

10.4.1 If an asset has been purchased from delegated school funds then it is for the School Governors to determine arrangements for disposal. Normally the disposal of assets with a purchase price below a certain sum (e.g., £500) will be at the discretion of the Headteacher or other authorised member of staff. Above that sum the disposal should be reported to the Governing body for decision. Justification and price received should be retained after disposal, and the inventory record should be adjusted accordingly.

10.4.2 If the asset was purchased in whole or part with Council funds then the Executive Director of Finance and Resources must be consulted on the disposal.

10.4.3 All income from the sale of assets purchased from Official School Funds should be banked promptly

10.4.4 Income from the sale of assets purchased by Council funds needs to be credited to the Council.

## **10.5 Security**

- 10.5.1 Schools should undertake a review, at least annually, of their security arrangement. This should include consideration of the following matters: keyholders and storage of keys; collection and banking of cash; storage of cash and confidential information; alarm systems; access controls for IT systems; physical security of buildings and equipment.

## **11. Audit Requirements and Arrangements**

- 11.1 The accounts of schools with delegated budgets are subject to regular internal and external audit.
- 11.2 The Council will undertake a programme of schools focussed internal audits.
- 11.3 Internal Audit staff should be given access to the records of the school and its personnel to undertake their audits. Reasonable notice of visits by auditors will be given where possible.
- 11.4 The Governing Body and school staff shall provide any explanations which auditors consider necessary.
- 11.5 Internal audit reports should be reviewed by the Finance Committee/ Governing Body. They should ensure that actions are in place to address the recommendations and monitor the implementation of such actions.
- 11.6 Head teachers and representatives of Governing Bodies may be required to attend the Council's Audit Committee to report on the actions being taken in response to audit reports.
- 11.7 The Council's external auditors will have such access to schools' records, correspondence, property etc. as the auditors consider necessary. Wherever possible, reasonable notice will be given.
- 11.8 The Headteacher shall immediately notify the Executive Director of Finance and Resources and the Council's Head of Internal Audit of any suspected irregularity.
- 11.9 All schools must conform to the government's Schools Financial Value Standard

## **12 Consistent Financial Reporting**

- 12.1 Consistent Financial Reporting (CFR) regulations came into force in 2003 under Section 44 of the Education Act 2002 and are updated annually through the DfE website with circular information being sent to schools providing detailed information re reporting categories and the annual timetable for data returns. Full information and guidance is also published annually on the gov website at the following link:  
<https://www.gov.uk/guidance/consistent-financial-reporting-framework-2023-to-2024>  
These regulations place a statutory duty on schools to submit a CFR return annually on expenditure and income for the previous financial year.
- 12.2 CFR returns should be submitted to the Council in the form specified by the DfE by the deadline set by the Council.
- 12.3 In line with Schools Financial Value Standard (SFVS), Schools should use the CFR data published by the DfE to benchmark their costs.

## **13 The Schools Financial Value Standard (SFVS)**

- 13.1 The Schools Financial Value Standard (SFVS) is a simplified standard of good financial practice that schools will need to comply with following the removal of the Financial Management Standard in Schools
- 13.2 The Standard is based on completion by the Governing Body and school finance staff of a statement on a yearly basis about aspects of their financial and resource management.

- 13.3 School statements should be returned to the Council by the deadline set by the Council to enable the Executive Director of Finance and Resources to certify that all maintained schools have complied with the SFVS.

## 14. Document Retention

14.1 Prime documents e.g., invoices must be retained for periods in accordance with the requirements of the external auditors, Inland Revenue and HMRC. Current guidance is reflected in the table below:

<b>Record/Documents</b>	<b>Retention Period</b>
Annual Budget	Current year + 6 years
Budget Monitoring	Current year + 6 years
Consistent Financial Reporting (CFR) Outturn Statement	Current year + 6 years
Purchase orders, Paid Invoices, Bank Records, Cash Books, Till Rolls/Receipt books, Paying in books, GPC statements etc	Current year + 6 years
Audit Reports	Current year + 6 years

14.2 Contract related documents should be retained for the periods shown below.

<b>Record/Documents</b>	<b>Retention Period</b>
Signed contracts	6 years (or longer if the contract exceeds 6 years in duration)
Unsuccessful quotations and tenders	18 months after the end of the procurement exercise

## ANNEX A: Changes to Previous Financial Regulations

Changes	Reference
Provision added requiring review of credit card transactions by a school governor where the credit card is held by the Head Teacher	1.2.3
Updated wording	2.1.4
Updated wording	2.1.6
Provision added to remind schools as to the level of oversight over bank reconciliations that is expected	2.1.14
Provision added requiring income and expenditure reports against unofficial accounts to be provided to the Governing Body at least 3 times per annum	2.3.3
Updated to expand on general principles	3.1.1
Updated wording	3.5.3
Provision added in relation to the oversight of school credit cards and in particular credit cards that are issued to a Head Teacher	4.3.7
Provision added requiring checks to ensure external organisations hiring school premises hold appropriate public liability insurance	10.1.2
Updated wording	10.2.4
Updated link	12.1