



MANCHESTER  
CITY COUNCIL

# Schools Financial Regulations

Manchester City Council

Schools Finance Team  
February 2023

## Commendations

### From the City Treasurer:

In any organisation it is important to have documented procedures as a point of reference to ensure that people carry out the tasks required of them consistently, efficiently and without errors and inaccuracies.

As City Treasurer I have a number of statutory duties in relation to the financial administration and stewardship of Manchester City Council. The procedures described in these Financial Regulations reflect both these duties and the financial management responsibilities of school staff and governing bodies. The Regulations are intended to assist all staff and governors in schools and I am certain that it will prove to be a useful and informative reference document.

**Carol Culley**

Deputy Chief Executive and City Treasurer

### From the Director of Education and Skills:

The provision of quality education to the young people of Manchester requires many things – not least of which is the ability of our Schools to effectively and efficiently manage the funds put at their disposal.

Manchester City Council is committed to providing its Schools with clear guidance on managing their finances, and to that end has commissioned this document, which is based on the Government's Schools Financial Value Standard, the City Council's Financial Regulations and generally recognised good accounting practice.

I commend this document as a valuable resource for those seeking to meet the national financial management standard and encourage all Schools to develop their own internal procedures on the Regulations contained in the following pages.

**Amanda Corcoran**

Director of Education and Skills, Directorate for Children & Families

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## Section 1 – Introduction

### Relationship between the Scheme and Financial Regulations

- 1.1. The Manchester Scheme for Financing Schools sets out the financial relationship between the Local Authority (LA) and its maintained Schools, and is a requirement under S.48 of School Standards and Framework Act 1998, while Schools Financial Regulations provide the framework for maintained Schools to manage their financial affairs, and are issued under S.151 of the Local Government Act 1972.
- 1.2. Paragraph 1.5 of the Scheme for Financing Schools requires that Schools manage and control their finances within the rules set out in these Schools Financial Regulations.

### Duty of the City Treasurer

- 1.3. The City Treasurer has a duty, under S.151 of the Local Government Act 1972, to ensure the proper administration of the Council's financial affairs. In furtherance of this duty, the Treasurer is responsible for setting and monitoring compliance with current financial management standards and advising on the key financial controls necessary to secure sound financial management.
- 1.4. Such standards and controls apply to all members and officers of the Authority, and anyone acting on its behalf – including the governing bodies of schools maintained by the Authority.

### Sources for Financial Regulations

- 1.5. The sources for Schools Financial Regulations are:
  - The Financial Regulations contained in the Constitution of Manchester City Council.
  - DfE Schools Financial Value Standard and other DfE guidance.
- 1.6. In this document, where appropriate, references are made to more detailed guidance.
- 1.7. DfE information on the Schools Financial Value Standard can be found by following this link:  
<https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs>

### What these Regulations aim to achieve

- 1.8. The Regulations set out in this document aim to ensure:
  - Financial Probity and Stewardship;
  - Value for Money;
  - Clarity in the expectations of Schools' conduct;
  - Accountability by Schools for their actions.

1.9. The basic principles and key controls underlying these Regulations are:

- Separation of duties;
- Maintenance of adequate records;
- Clarity in responsibilities and procedures;
- Transparency.

#### Value for Money

1.10. There is a strong current focus on achieving Value for Money and this concept should be embedded in all public sector organisations.

1.11. It is the responsibility of head teachers and Governors to determine how to secure better value for money. All staff in schools should be looking at what money is being spent on, in order to question whether they are achieving value for money and schools should be able to demonstrate how value for money has been used to optimise the use of resources and to invest in teaching and learning.

1.12. Value for money is achieved where the optimum balance is achieved between the following:

Economy – minimising the cost of resources

Effectiveness – the extent to which the desired outputs are achieved

Efficiency – the relationship between outputs and the resources required to obtain them.

1.13. When looking at value for money, schools need to answer three questions.

- 1) Are financial procedures sound?
- 2) Are schools choosing the right things to spend money on, reflecting the school's overall priorities and strategy?
- 3) Are schools making sure that the money spent is spent well and the desired results being achieved?

1.14. Further guidance on Value for Money can be found in the Schools Financial Value Standard complete with support notes. This can be found using the following link:

<https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs>

## Review of Regulations

- 1.15. The Directorate Finance Lead will review these Regulations annually.
- 1.16. Changes to these Regulations will be subject to consultation with the Schools Forum, the City Council's Internal Auditors and other stakeholders.

## Contacting the Authority

- 1.17. At various places throughout these Regulations, schools are required or recommended to advise, consult or seek the approval of the Authority on a number of different issues. Unless an Officer of the Authority is specifically identified as the contact, schools should address all such communications with the Authority to the Head of Schools Finance. Where a specific contact is identified, schools should also copy the Head of Schools Finance into any relevant correspondence.

## Definition

- 1.18. In the following Regulations, the term "governing body" shall include any member of staff delegated formally in writing to perform the stated task, as set out in the School's Scheme of Delegation. (Ref. regulations 2.5 and 2.6). It is however strongly advised that the approval of the annual budget should be left to the full governing body and not delegated.

## Section 2 – Governance

### Background

- 2.1. The governing body has collective, statutory responsibility for the overall direction of the school and its strategic management, under S21 of the Education Act 2002.
- 2.2. The head teacher provides vision, leadership and direction for the school, ensuring that it is managed and organised to meet the aims and objective of the school as established by the governing body.
- 2.3. The governing body has a strategic role and has responsibility for setting educational and financial priorities, and for ensuring its resources are managed effectively. It is also responsible for ensuring the school meets all its statutory obligations and complies with the LA's Scheme for Financing Schools and Schools Financial Regulations.
- 2.4. Governance needs not only to be effective, but also to be seen to be effective. All actions of the governing body in discharge of their responsibilities must be done openly and transparently. There are many benefits accruing to the school of demonstrating that it is well financially managed – these include

- External inspectors e.g. Ofsted, the Local Authority (LA) internal audit service etc. may recognise the school as lower risk and give it a lighter touch
- External partners will be more willing to work with the school, donate funds etc. as they will be more confident funds will be used effectively
- A well run school suffers less financial loss and waste, therefore it has more to spend on pupils
- A school with a good reputation may find staff and pupil recruitment easier
- Openness, transparency and integrity are widely accepted to be key underpinning principles of good corporate governance.

## Roles and Responsibilities

- 2.5. The roles and responsibilities of the governing body, its committees, the head teacher and other staff in relation to financial decision-making and administration should be clearly set out in writing, in the 'Scheme of Delegation'. The governing body should formally agree this 'Scheme', and review it on a regular basis – at least annually.
- 2.6. The governing body should establish, formally agree, and include in the 'Scheme of Delegation', the financial limits of delegated authority. These limits should be reviewed annually.
- 2.7. A Finance Committee (alternative names are acceptable for this committee) should be set up to consider strategic financial issues on behalf of the governing body. The governing body should document this Committee's purpose, responsibilities, and composition in a "Terms of Reference" document. The governing body should formally receive the minutes of meetings of this Committee.
- 2.8. The structure of roles and responsibilities should be regularly brought to the attention of governors, staff and parents by means of – for example:
- Regular financial training
  - Information packs for new and existing governors
  - Ad-hoc briefings
  - School Newsletters
- 2.9. Further detail on the roles and responsibilities of the governing body and the head teacher is available from the following link:  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/788234/governance\\_handbook\\_2019.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/788234/governance_handbook_2019.pdf)

Further detail on the roles and responsibilities of the committees of the governing body, see the following link:  
<http://www.education.gov.uk/schools/leadership/governance/governingbodyprocedures/a0056626/committees-of-the-governing-body-an-overview>

## Due Process

- 2.10. The governing body shall ensure that its meetings and those of relevant Committees are scheduled to coincide with key milestones in the annual financial management cycle – such as approving the budget.
- 2.11. The governing body shall specify the minimum frequency (usually termly), level of detail and the general format of the financial information to be provided to it, and to any relevant Committee.
- 2.12. The governing body shall ensure that its meetings, and also those of relevant Committees are supported by clerking arrangements which should be independent avoiding any potential conflict of interest.
- 2.13. Minutes should be taken of all meetings of the governing body and its Committees and kept at the school including all decisions reached and by whom action is to be taken.

## Culture

- 2.14. The governing body will establish and maintain a culture within the School of openness, probity and accountability. This culture will be underpinned by consideration of the following issues.

## Conflicts of Interest

- 2.15. The decision-making processes of the governing body should be conducted, and seen to be conducted, in an objective and unbiased manner. The possibility of any conflicts of interest would jeopardise this objectivity, and call into question the probity of any decisions made. Such conflicts may be pecuniary or non-pecuniary. The governing body will establish and maintain a Register of Business Interests, of governors, the head teacher and any other relevant staff, which may reasonably be considered, could influence financial decisions.
- 2.16. All governors and staff are required to make full disclosure of all relevant interests.
- 2.17. This Register should be formally updated annually and be open to examination by governors, staff, parents and the LA.
- 2.18. Suitable opportunity will be afforded at the start of each meeting at which items involving potential conflicts of interest are included on the agenda, for any such interests to be declared and minuted. In the event of declaration of interest, and if this interest is considered by the Chair of Governors to be material in relation to the matter to be discussed, the individual concerned must withdraw from participation in the decision making process involving such items. The application of this Regulation is aimed at promoting probity in decision-making, and should not represent an impediment to the efficient conduct of decision-making by the governing body.

- 2.19. A suggested template for a Register of Business Interests is included as Appendix 1. See also paragraph 2.9 on the Manchester Scheme for Financing Schools for further details.

#### Fraud and Corruption

- 2.20. All schools must have a robust system of controls to safeguard themselves against fraudulent or improper use of public money and assets.
- 2.21. The governing body and head teacher must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them; and the consequences of breaching these controls. This information must also be included in induction for new school staff and governors.
- 2.22. The governing body will adhere to the Authority's Anti Fraud and Corruption policy.

For the purposes of this regulation, 'Fraud' is defined as:

- The intentional distorting of statements or other records by any persons carried out to conceal the misappropriation of assets, evasion of liabilities or otherwise for gain.
- Unauthorised use of Council property.
- Theft of monies or other Council property by persons internal to the City Council.
- For the purposes of this regulation, 'Corruption' is defined as:  
The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person

- 2.23. The major objective of the 'Anti Fraud and Corruption' Policy, is to ensure that fraud and corruption does not occur within the School. The primary defence against fraud and corruption is the establishment of sound practices, procedures and systems, incorporating effective controls, which are subject to effective monitoring, supervisory and managerial arrangements.
- 2.24. These control arrangements need to apply within an overall culture, within the school, which positively promotes the highest standards of probity and which makes it absolutely clear that the governing body will not tolerate dishonesty on the part of any of the staff or governors of the School or any persons or organisations involved in any way with the School.
- 2.25. The authority's policy can be viewed on this link:

[Embedded documents\Anti Fraud and Corruption 2019 MCC V2.pdf](#)

#### Gifts and Hospitality

- 2.26. Governors and staff may on occasion be offered gifts, rewards or hospitality in the course of their official duties. Under the 'Anti Fraud and Corruption' policy, these should not be accepted if they would or might appear to place them under

any obligation to the giver; compromise their impartiality; or otherwise be improper. If there is any doubt about these issues, the offer should be refused.

- 2.27. To promote transparency, individual governors and staff are required to disclose offers and acceptances of gifts, hospitality etc. in the conduct of their role. On the basis of these disclosures, the governing body will establish and maintain a 'Register of Hospitality and Gifts', which must be updated on a regular basis. A suggested template is attached as Appendix 2.

## Whistle Blowing

- 2.28. The governing body will adhere to the Authority's policy on "Whistle blowing". This is the term that has been adopted to describe arrangements, which allow persons, usually employees, to express concerns about any types of malpractice that may be occurring in the work place. The Whistleblowing Policy has been developed by the City Council in light of the Nolan Committee's report on Standards in Public life, the Government White Paper on "Modernising Local Government: In touch with the People"; and the introduction of the Public Interest Disclosure Act 1998 which aims to protect employees who make certain disclosures of information in the public interest.
- 2.29. Whistle-blowing arrangements are closely linked to the creation of a culture which encourages persons to express their concerns without fear of intimidation or recrimination, and in the confident knowledge that any reported concerns will be treated seriously and in confidence, and will be fully investigated. Whistleblowing arrangements allow for concerns to be expressed outside the normal line management structure, if necessary. One of the important aspects of Whistleblowing is that it enables employees to speak out in a situation where it is usually those employees most closely involved with the particular service area who are most likely to know if malpractices are occurring. Employees are often the first to realise that there may be something seriously wrong within the School. However they may feel that expressing their concerns would be disloyal to their colleagues or to the School. It may be easier to ignore these concerns than report what may just be a suspicion of malpractice. They may also fear harassment or victimisation.
- 2.30. The governing body, therefore, will encourage employees and others with serious concerns about any aspect of the school's work to come forward and voice those concerns. The Whistleblowing Policy makes it clear that employees can do so without fear of reprisals or victimisation.
- 2.31. Whistleblowing arrangements also recognise, however, that it is possible that allegations of wrongdoing may be false or malicious and the arrangements make clear that false allegations will be treated as a serious disciplinary offence.
- 2.32. Further guidance on Whistleblowing, including 'Raising a Concern' and 'How to Report a Concern' may be found in sections 2.16.1 and 2.16.2 of the Scheme for Financing Schools (November 2021). Additionally, Manchester City Council's Whistleblowing Policy can be found here:

## Schools Financial Value Standard Assessment

- 2.33. All local authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard (SFVS) and complete the assessment form on an annual basis. It is for the school to determine at what time in the year they wish to complete the form.
- 2.34. Governors must demonstrate compliance through the submission of the SFVS assessment form signed by the Chair of Governors. The form must include a summary of remedial actions with a clear timetable, ensuring that each action has specified deadline and an agreed owner.
- 2.35. All maintained schools must submit the form to the Local Authority's Internal Audit Team before 31 March each year.
- 2.36. The Standard, with further guidance, is available from <https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs>

## Financial Summary for Governors

- 2.37. The governing body is responsible for the preparation of the annual Income and Expenditure Statement for the school. The City Treasurer, who is the Section 151 officer for the Authority is however, responsible for the accounts of the whole authority, of which the school is just a part.

The Income and Expenditure Statement of each school should:

- Be based on financial records that comply with the Consistent Financial Reporting (CFR) Framework;
  - Follow Generally Accepted Accounting Practice (UK GAAP) in so far as it applies to an Income and Expenditure Statement. The main relevant accounting principles, as they apply to schools, are covered in these Regulations;
  - As far as possible be consistent with the data provided to the Authority's Section 151 Officer as a part of their accounts closing procedure. Local authorities are now required to close their accounts by 30th April each year. Thus, the school's accounts closure timetable needs to be consistent with the closure requirements of the Section 151 Officer.
- 2.38. The Financial Summary should include:
    - An Income and Expenditure Statement
    - A Capital Transactions Summary
    - An Analysis of unspent balances.

## Statement of Internal Control

- 2.39. Schools are responsible for significant amounts of public expenditure, forming part of local authorities who are required to prepare statements of internal control and receive Dedicated Schools Grant from the DfE, who are also required to prepare statements of internal control (SIC). Thus, as part of the chain of accountability for their public funds it is logical that schools should also be required to prepare statements of internal control. As most schools do not have their own formal accounts and external audit reports, the statement of internal control in this context will refer to the financial performance set out in the school's Consistent Financial Reporting (CFR) return and the one page Financial Summary derived from it.
- 2.40. The statement referred to in this guide is similar in concept to those used in both local authorities and in central government but has been simplified for use in schools to reflect the comparatively smaller scale of financial activity and consequently the financial expertise available. The SIC is primarily a factual statement setting out the processes that are in place to ensure effective financial management of the school and its resources. Discussion of the draft SIC by the governing body, and its ultimate signature by the head teacher and key governors, demonstrates that they acknowledge responsibility for financial management of the school and take that responsibility seriously.
- 2.41. The governing body will develop and implement a communications strategy to address the financial information needs of staff, parents and other stakeholders.
- 2.42. This strategy should identify:
- What needs to be communicated – at a minimum, this should include the annual Governors' Financial Summary and the SIC, and statements of the Governors' policy on Whistleblowing and Anti-Fraud and Corruption
  - To whom – at a minimum, this should include staff, parents / carers and other stakeholders in the School
  - In what manner – The most effective means of communication are likely to vary with circumstances and between different schools. The governing body should regularly review the effectiveness of its methods. The flow of information must always be two-ways with adequate opportunity for stakeholders to ask questions and provide feedback.

## Freedom of Information

- 2.43. On 1 January 2005 the Freedom of Information Act 2000 (FOIA) came into force requiring the governing body of every maintained school to ensure that employees at the school are able to comply with requests for information under FOIA. Schools have a duty to provide advice and assistance to anyone requesting information.
- 2.44. Further advice and guidance is available by following this link:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/722165/FOI-Code-of-Practice-July-2018.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/722165/FOI-Code-of-Practice-July-2018.pdf)

## Competencies

- 2.45. The governing body will ensure that it reviews its financial management staffing needs on an annual basis. This review should assist in ensuring that the governing body have adequate financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money.
- 2.46. The governing body will ensure that all governors and relevant staff have access to regular initial and update training so that their financial management skills are brought up to, and maintained at the necessary level.
- 2.47. The governing body will ensure that suitable contingency plans are in place to ensure the continuity of financial control in the event of absence of key governors and staff.
- 2.48. Further advice and guidance can be obtained from support notes to the Schools Financial Value Standard at the following link:  
<https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs>

## Section 3 – Financial Planning

### Background

- 3.1. The Manchester Scheme for Financing Schools requires that each school submit a 'multi-year budget plan', approved by the head teacher and governing body, to the Authority by the 30th June each year. This 'budget plan' is the end product of the financial planning process and must show the school's intentions for expenditure for the current financial year and the following two financial years, with assumptions underpinning the budget plan.
- 3.2. Financial planning is one of the essential foundations of good financial management, and can be defined as the process whereby the school reconciles and balances the resource implications of its School Development Plan (SDP) with the resources available to it from all sources, taking account of all relevant external constraints, and existing commitments.
- 3.3. The School Development Plan (SDP) identifies the school's educational and other priorities over the medium term (minimum of 3 years), and usually has a strong focus on raising standards (or maintaining high standards). It is important that the SDP identifies and quantifies the desired outcomes flowing from these priorities, and the activities planned to deliver these outcomes. The resource implications of each planned activity should be clearly identified and should reflect decisions made about the cost-effectiveness of any options considered. Resources may include staff, buildings, equipment, goods, services and materials. Plans should contain ways in which progress can be monitored. An evaluation framework should also be built into the SDP to assess the successful achievement of each outcome.

- 3.4. The key controls are:
- To ensure that all relevant plans are produced and that they are consistent
  - To produce plans in accordance with statutory requirements to meet the timetables set
  - To ensure that all performance information is accurate, complete and up to date
  - To provide improvement targets which are meaningful, realistic and challenging.
- 3.5. Resource Allocation is the next important step in the financial planning process, and involves decisions by the governing body to allocate the resources available to the school to the various activities identified in the SDP. Where available resources are not adequate to fully meet the resources required to meet planned activities it is imperative that desired outcomes, and hence planned activities are prioritised and that resources are allocated in order to fulfil all legal responsibilities.
- 3.6. The key controls in allocating resources are:
- Resources are acquired in accordance with the law and using an approved authorisation process
  - Resources are used only for the purpose intended, to achieve the approved policies and objectives, and are properly accounted for
  - Resources are held securely
  - Resources are used with the minimum level of waste, inefficiency or loss for other reasons
  - Value for Money is achieved.
- 3.7. Plans should be formulated over the same time frame as the resource allocations are available even if resources are uncertain due to national or local policy changes. These should take into likely pupil number variations.
- 3.8. The Budget sets out how available resources are allocated to meet the priorities and outcomes set out in the School Development Plan for a particular financial year. The Budget is therefore a statement of an intended course of action, which can then be compared to actuals to provide the governing body with vital management information. This Budget Monitoring process is discussed in Section 4. Further guidance on formulating the Budget can be found in the Schools Financial Value Standard by following this link:  
<https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs>
- 3.9. The Budget provides a coherent framework that allows staff, governors and other stakeholders to see how the school's spending will help the school achieve its targets and other objectives and as such is an important communication tool.
- 3.10. Expenditure in School from the budget should only be used for the purposes for which it is given, that is the provision of education. It is not permissible for the school budget to be used for staff hospitality outside the normal course of employment nor for staff gratuities, employee leaving presents, staff functions etc.

## Setting the Budget

- 3.11. The governing body will set a formal timetable and procedures for constructing the School Development Plan and the Budget to ensure that the governors have time to properly consider all relevant factors before formal approval.
- 3.12. The governing body will set a detailed operating Budget for each financial year, that specifies its anticipated income – from delegated budget shares, devolved funding and other income – and the estimated expenditure required to perform the activities planned to achieve the outcomes set out in its School Development Plan. Expenditure and income related to private or voluntary funds must be ignored unless it is to be paid into the budget share and so becomes part of the overall school budget. If private or voluntary funds are accounted for separately then they should be ignored for the purposes of the budget setting.
- 3.13. Governing bodies are also recommended to produce similar estimates of income and expenditure for each remaining financial year in the funding cycle.
- 3.14. Governing bodies are required to set and maintain, over the planning horizon, a 'balanced budget' – such that total anticipated income (including where necessary, any use of revenue reserves) is not less than total estimated expenditure (including, where appropriate, any planned addition to revenue reserves).
- 3.15. The Budget and its associated cash flow statement should be profiled to take account of likely spending patterns.
- 3.16. All budget figures should be set at outturn prices excluding VAT reflecting pay and price increases during the course of the year.
- 3.17. The governing body will promptly forward details of the approved Budget (and no later than 30 June in each year) to the Local Authority.

## Restrictions on the Use of Reserves

- 3.18. When setting the Budget, governing bodies will ensure that the planned use of existing revenue reserves is in accordance with previously declared reasons for holding such reserves. If such reasons have been superseded by events, then this should be clearly identified in the School Development Plan.
- 3.19. Where a clawback of excessive reserves is likely against the Authority's Scheme guidelines, the governing body must not plan to fund future expenditure from such excess. The protocol for calculating total permitted reserves is detailed in Appendix 3.

## Deficit Budgets

- 3.20. Governing bodies cannot plan for or authorise a deficit budget – that is where planned expenditure exceeds anticipated income plus permitted reserves – without first agreeing a ‘Licensed Deficit’ arrangement with the Authority.
- 3.21. Similarly, where routine Budget Monitoring indicates that a school is forecasting a cumulative deficit for the financial year, the governing body must seek a ‘Licensed Deficit’ arrangement with the Authority without delay.
- 3.22. The process for applying for and approving a Licensed Deficit is available from the Head of Schools Finance. Further information can be found in para 4.8 of the Scheme for Financing Schools.
- 3.23. Before licensing a deficit, the Authority will require the governing body to draw up, and agree with the Authority, a Recovery Plan, detailing:
- The actions and timetable to return the Budget to balance.
  - Budget plans covering the period of the cash advance
  - Arrangements for monitoring progress of the recovery plan including appropriate milestones.
  - A cash flow forecast covering the initial cash advance and its repayment to the Authority within the agreed timetable.
- 3.24. Only in exceptional circumstances will the Authority agree to a recovery timetable in excess of three years.
- 3.25. The Local Authority will finance a Licensed Deficit by means of a Deficit Financing Agreement. The Authority will not charge interest on any cash advanced. The Authority will cap the total value of Licensed Deficits agreed at 40% of schools’ collective balances.
- 3.26. The Authority cannot, under any circumstances, write off a deficit.
- 3.27. The governing body must adhere to any recovery plan agreed with the authority, and regularly monitor adherence to the plan and contact the Head of Schools Finance if it appears that the milestones cannot be met.

## Revisions to the Published Budget

- 3.28. Since the budget is an expression of the financial implications of an intended course of action, crystallised at a particular point in time, it is entirely possible that, as time passes, the governing body may wish to amend this plan in the light of internal or external circumstances. This process is known as ‘Virement’. Subject to Regulation 3.31, there is no limit to the governing body’s power of virement.
- 3.29. Schools are able to vire freely between budget heads in the expenditure of their budget shares, where this does not result in putting the school budget into deficit.

Such virements should show on the quarterly budget monitoring returns submitted to the Local Authority.

- 3.30. The governing body will specify, in its formal statement of delegated responsibilities (refer to Regulations 2.5 and 2.6 above), the limits of action by individual members of staff, above which the governing body itself must approve any virements.
- 3.31. Virements from one-off savings should not be used to fund long-term commitments.
- 3.32. Alongside such delegated responsibilities, the governing body should require that the financial implications of all policy developments or any external changes should be identified and reported to governors.
- 3.33. Virements may increase the schools planned use of accumulated reserves. This is allowable provided that such movements do not result in the school going into overall deficit. If such movements are warranted by circumstances, then the governing body must seek a Licensed Deficit from the Authority (see Regulation 3.20).
- 3.34. All virements must be recorded in the minutes of the governing body or nominated committee. Those approved by the head or senior members of staff in accordance with the scheme of delegation must be ratified by the governing body or a committee nominated by them.
- 3.35. All approved virements will be actioned promptly so that subsequent budget monitoring will provide meaningful financial control information.

#### Planning for Surpluses

- 3.36. Governing bodies may approve a budget that has the effect of increasing accumulated reserves. However, such surpluses should be earmarked for specific future needs to ensure that the pupils in the school benefit from a planned approach to spending that does not unreasonably deprive them of resources in a given year.

### Section 4 – Budget Monitoring and Reporting

#### Background

- 4.1 Budget Monitoring is the process of:
  - Comparing actual income and expenditure against planned income and expenditure and identifying and explaining any variations
  - Assessing the significance of such variations for the successful achievement of the outcomes in the School Development Plan
  - Identifying if there is any risk of the school's budget going into deficit or excess surplus

- Planning and executing any remedial action required to bring the budget into balance, while also achieving the planned outcomes.

This process is carried out at all levels to include any devolved budget elements

- 4.2 It is the responsibility of the governing body to control income and expenditure within their School and to monitor performance. They should report on variances and take necessary action to avoid exceeding their budget allocation, and alert the Authority of any problems.
- 4.3 It is essential that the governing body and head teacher closely monitor the budget, at frequent intervals (ideally monthly), because:
- The school may realise extra funding during the year leading to a larger surplus than expected allowing some investment
  - Unexpected expenditure may occur or there may be a shortfall in expected income
  - Initial assumptions in preparing the Annual Budget could be wrong

Any overspends in the current year will be carried forward and may adversely affect standards in future years.

- 4.4 Regular monitoring of income and expenditure against the agreed budget is central to effective financial management. It allows governors, the head teacher, bursar and staff to maintain financial control by reviewing the current position and taking any remedial action necessary. The original budget may need regular updating, following consultation with governors, to take account of in-year developments. The transfer of funds from one budget heading to another is termed 'virement'. This may be a transfer between CFR headings or between cost centres. The schools scheme of delegation approved by the governing body should clearly define the limits of delegated powers to the head teacher and Finance Committee in relation to virement. Schools are reminded that they have full powers of virement, provided that proposed virements do not result in an overall budget deficit. (Refer to paragraphs 3.28 to 3.35.)
- 4.5 All schools in Manchester have their own bank account and managing cash flow should be part of the monthly financial management procedures and completed as part of the month end close down process. Monitoring cash flow is important to ensure the school has the cash to pay all its bills throughout the year and to consider investment opportunities for surplus cash.
- 4.6 The Regulations contained in this section lay out the requirements for reporting by schools to the Authority, and also makes recommendations for the operation of internal budget monitoring processes within the school.
- 4.7 Budget monitoring gives an important guide when setting the budget for the following year.

## Timetable for reporting to the Authority

- 4.8 Governing bodies will ensure that Monitoring Reports are prepared and sent to the Authority in accordance with the following timetable. Note, these dates are subject to annual review.

Returns	Deadline
Analysis of reserves (proforma will be sent to schools 2 weeks prior to submission date)	7 June
Approved Annual Budget	30 June
Copy of unofficial funds audit statement – £20k or over	23 June
COLLECT system – upload final CFR reports	15 July
Budget monitoring return – Period 6	21 October
Leasing return for April to September (for community and voluntary controlled schools only)	21 October
Budget monitoring return – Period 9	20 January
Salaries disclosure return (for schools that do not use the Council as a payroll provider)	15 March
Leasing return for October to March (applicable to community and voluntary controlled schools only)	20 April
Year end pack	20 April

- 4.9 The return for 31<sup>st</sup> March will not only be the normal quarterly budget monitoring return but will also form part of the year end procedures. The precise deadline for submission to the Authority will depend on the date of Easter, and the requirements of the S.151 Officer. The date will be advised to Schools in the Year End Instructions.
- 4.10 Monitoring reports should be sent for the attention of the Schools Finance Team in Children and Families Finance.

- 4.11 Schools in financial difficulty, who have successfully applied for a licensed deficit, are likely to be required to submit more frequent returns in order that milestones are monitored. The precise requirements for each school will be included in the Cash Advance Agreement.
- 4.12 The governing body is recommended to schedule finance committee meetings to fit in with the above timetable and thus minimising duplication of effort.
- 4.13 Guidance on key tasks to be undertaken prior to producing the budget monitoring reports is attached as Appendix 4.

#### Format of Budget Monitoring Reports

- 4.14 The governing body will ensure that the following documents are returned to the Authority at the end of each monitoring period. The following should be returned by emailed to [finance4schools@manchester.gov.uk](mailto:finance4schools@manchester.gov.uk) or post to the Schools Finance Team, Children and Families Finance, 5<sup>th</sup> Floor, Town Hall Extension, PO Box 532, Town Hall, Manchester, M60 2LA.
- ✓ Photocopy of the bank statement to the end of the period (i.e. September, December or March)
  - ✓ Bank reconciliation report of the last bank statement in the period
  - ✓ Unreconciled payments /receipts report
  - ✓ FMS report, Cumulative expense analysis-ledger group totals
  - ✓ Monitoring report to period end
  - ✓ Balances and reserves report
  - ✓ Narrative detailing major variances between the 'latest approved annual budget' and the 'projected outturn', and actions to be taken to address them.
  - ✓ Three-year budget forecast, with underlying assumptions return on which the financial plan is based.

There are additional reporting requirements at Year End, which will be advised to Schools in the 'Year End Instructions' letter, dispatched at the beginning of March each year.

#### Local Budget and Cash Flow Monitoring

- 4.15 The frequency of issuing monitoring reports and cash flow forecasts to the head teacher and Finance Committee Members can be agreed locally.
- 4.16 It is recommended that, as a minimum, budget monitoring reports and cash flow forecasts are considered at the following frequencies:
- Once a month to the head teacher
  - Once a term to the Finance Committee
  - Once a term to the governing body
- 4.17 It is recommended that the format shown in Appendix 5 be used in internal monitoring activity.

- 4.18 The governing bodies and the Finance Committees should consider:
- Any virements agreed since they last met to consider the budget - this will include both those agreed at their last meeting and any approved by the head teacher within delegated powers.
  - Proposed virements requiring approval identified through the current monitoring process and their subsequent effect on the school's financial position
- 4.19 Governing bodies must examine ways to reduce spending (or increase income) if it appears likely that there will be overspends. Firstly, the seriousness of the overspending needs to be quantified. If the overspending is material to the schools overall financial position the school will need to react positively and quickly. If the overspending is likely to result in a cumulative deficit balance at the end of the current year or in future years the Head of Schools Finance should be contacted for advice.
- 4.20 Monthly cash flow monitoring against the forecast should:
- Be at the same level of detail as the initial cash flow forecast carried out when the annual budget is set.
  - Should be independently reviewed to ensure that it has been prepared properly and that necessary action is being taken.
- 4.21 When budgets are revised, cash flow forecasts should be amended so that they reflect the same underlying estimates of income and expenditure.

#### Key Follow up Actions

- 4.22 Having considered budget monitoring reports and investigated reasons for any significant forecast overspending, the governing body should formulate action plans to address the issues identified.
- 4.23 The governing body should then take the actions indicated by these recovery plans, and monitor the effectiveness of these actions in returning the School's Budget to balance.

## Section 5 – Procurement

### Background

- 5.1. Procurement is the process whereby schools acquire the goods and services they require to conduct their business. Increased delegation to schools has lent even greater significance to this area as schools now have greater control over, and responsibility for their spending decisions.
- 5.2. Because they are using public funds, schools are required to act with demonstrable probity, and in accordance with the regulations contained in this document. Whilst limits are set with regard to the number of estimates or quotes obtained it remains a duty of any employee to obtain reasonable assurance that prices are competitive

and therefore separate quotes should often be obtained below the limits contained in these regulations to provide assurance that value for money is achieved.

- 5.3. Schools should aim to achieve value for money from all purchases, whether of goods or services. This goes beyond mere consideration of price, and often means looking further ahead than the immediate purchase, especially when selecting equipment, and taking into account associated costs such as supplies and maintenance over the lifetime of the item. A sensible balance between quality and price should be achieved. Please refer to regulations 1.10 – 1.14 Value For Money.
- 5.4. Many of the regulations laid out in this section are there to protect individuals and to ensure that public money is spent with appropriate stewardship. They are designed to prevent waste and fraud.
- 5.5. The majority of procurement undertaken by schools will be of relatively small value, where the specification and purchase prices of the goods or services concerned will be set by the market place, and published in catalogues, price lists etc. However, on occasion the goods or services sought by the school are of such a nature (in terms of specification or value) that a specific agreement is required between the school and the supplier. This agreement is known as a “Contract”, and is subject to specific regulations.
- 5.6. Where contracts are let over a period of time and continuity of supply is essential or for building contracts then financial stability of the contractor may be taken into account to ensure that they have the financial resources and economic stability to complete the contract term. The Authority may assist in this process and for further assistance please contact the Head of Schools Finance.
- 5.7. The key controls are that only those goods and services required for the operation of the School are ordered, received and then paid for in a timely manner.
- 5.8. The following links may be helpful:  
<https://www.gov.uk/government/collections/buying-for-schools>  
  
and  
  
<https://www.gov.uk/guidance/buying-procedures-and-procurement-law-for-schools>
- 5.9. In Manchester’s Constitution Part 5 Section E there is a Section containing Contract Procedure Rules which are intended to promote good purchasing practice and public accountability and deter corruption.

These are available on the following link

[https://secure.manchester.gov.uk/info/100004/the\\_council\\_and\\_democracy/2446/our\\_constitution](https://secure.manchester.gov.uk/info/100004/the_council_and_democracy/2446/our_constitution)

As with any contract, over time it is important that the financial stability of the successful tenderer is as assured as possible to ensure contract completion and

continuity of support. The Head of Schools Finance can assist you in this process.

### Specification

- 5.10. Before embarking on the acquisition of any supplies, goods or services, the governing body will consider carefully the issues of quality, price, technical specification, fitness for purpose, and whether the expenditure is legal, as defined in S50 of the School Standards and Framework Act 1998. The school should not enter into any financial agreement with capital implications without the approval of the LA or appropriate body. This will include items classified as Finance Leases as these are classed as borrowing or a form of loan.
- 5.11. For a large number of items, the specification of goods required will be set by the market place, and published in sales literature. It is however, likely that requirements for works, or services will need a specification to be determined to establish what is required, and to what standard with respect to quality and delivery. The governing body will ensure that specifications are written in a manner to ensure genuine competition is secured and that competitive bids can be submitted and evaluated on a fair and equitable basis. Specifications should, wherever possible be based around what the works, services or supplies are expected to achieve.
- 5.12. In assessing who is to be involved in the decision to place an order, governing bodies must have regard to the regulations related to the Register of Business Interests (regulations 2.15 to 2.19) and the Register of Gifts and Hospitality (regulations 2.26 to 2.27).
- 5.13. Before any new contract is contemplated, the governing body should consider whether it would be advantageous for the requirement to be met by participation in an existing contract let by the Authority.
- 5.14. The process leading to the placing of an order will depend largely on the expected value involved although where value for money can be best demonstrated by obtaining further quotations then these minimum limits can be exceeded:

Total Value	Award Procedure	Authorisation
Up to £2,000	One oral Quotation (confirmed in writing where the Total Value exceeds £500)	As per School's Scheme of delegation
£2,001 – £30,000	At least three written Quotations	As per School's Scheme of delegation
£30,001 - £75,000	Invitation to Tender by advertisement/list to at least three Candidates	As per School's Scheme of delegation

<p>£75,001– Statutory Thresholds</p>	<p>Invitation to Tender by advertisement/ list to at least three Candidates (the opportunity must also be advertised on the UK Government ‘Contracts Finder’ Website within 24 hours of the opportunity being advertised in any other way)</p> <p>Must consult with Manchester City Council Procurement Team: <a href="mailto:procurement@manchester.gov.uk">procurement@manchester.gov.uk</a></p>	<p>As per School’s Scheme of delegation</p>
<p>Above Statutory Thresholds-</p>	<p>Statutory Procedure (where advertisement required under Statutory Procedure (must be advertised on the Government UK e- notification service ‘Find a Tender’ the opportunity must also be advertised on UK Government ‘Contracts Finder’ ‘website)</p> <p>Must consult with Manchester City Council Procurement Team: <a href="mailto:procurement@manchester.gov.uk">procurement@manchester.gov.uk</a></p>	<p>As per School’s Scheme of delegation</p>

- 5.15. All procurement where the value is over the Statutory Regulations must be awarded in accordance with the relevant Public Contract Regulation that cover works supplies and services. These can be altered by the UK Government so check with the Authority first.
- 5.16. A proposed contract must not be divided into smaller parts or carried out as smaller contracts to avoid having to meet any of the specific requirements.
- 5.17. Information supplied to the school by potential contractors must be treated as confidential and must not be divulged to a third party.
- 5.18. Governing bodies must ensure that all contracts contain specific contract conditions, these being:
- Conditions relating to Bribery and Corruption
  - The right of termination in the event of a breach of contract.
  - Conditions for liquidated and ascertained damages should be included wherever appropriate
  - The need for consent if the contract is to be assigned or sub-contracted
  - Insurance, health & safety, Disability Discrimination Act requirements.

- 5.19. Manchester City Council are committed to ensuring Manchester Living wage (MLW) and developed a formal Living Wage Policy in September 2015 and has since operated MLW which defines the Council's policy regarding its lowest paid employees. In November 2019 Manchester City Council became a Real Living Wage Accredited Organisation (RLW), details included Ethical Procurement Policy. Council's Social Value Policy is in place to encourage organisations to operate and provide goods and services in such a way that offers maximum social, environmental and economic benefit to Manchester residents and communities. This must be clearly evidenced in any Council's specification.
- 5.20. The Council recommends that that any future agreements/contracts being considered by schools they look at incorporating the MLW as part of the tender process and clearly evidenced how a contract will deliver its social value commitments.
- [Manchester City Council's Social Value Policy](#)
  - [Ethical procurement policy - Manchester City Council](#)

#### Exceptions from the Requirement to Follow a Competitive Process

- 5.21. The governing body may exercise an exception to the competitive processes if
- The supplier is the Authority itself.
  - A 'blanket' framework contract has been established by the Authority for the supply of specified goods, services or works to the Council as a whole or for appropriate use by schools.
  - Only one contractor can provide the goods, services or works required and there is no reasonable alternative contractor.
  - The need for the goods, services or works is so urgent that the time needed for tendering would be prejudicial to the School's or the Authority's interests
  - Prices are controlled by Government order.
- 5.22. The governing body will specifically minute the exercise of any of these exceptions. Where the expected contract value is in excess of £75,000, the governing body must consult the Authority, and have regard to their advice before exercising any of these exceptions. There are however no exemptions to the EU Procurement processes unless part of a previous Framework Agreement.

#### Ordering

- 5.23. An official "Purchase Order" will be issued for all work, goods or services to be supplied to the School, except for supplies of utilities, periodic payments such as rent or rates, or petty cash purchases. Verbal orders should only be given in cases of extreme urgency and must always be confirmed by an official order, as soon as possible.
- 5.24. Official Purchase Order stationery must be pre-numbered and clearly printed with the name of the School. Unused stocks of Purchase Orders will be kept securely. Spoiled or cancelled Orders will be retained. Orders should contain price, description, quantity and deliver to.

- 5.25. Official Purchase Orders may only be used for official purposes of the School, and therefore must not be used for any personal or private purchases, nor must personal or private use be made of any contracts entered into by the School.
- 5.26. Each Order must be signed by an appropriate member of staff as specified by the governing body in its formal statement of delegated responsibilities (see regulations 2.5 and 2.6 and the Schools Scheme of Delegation). Such signatories will satisfy themselves that the goods or services ordered are appropriate and needed, that there is adequate budgetary provision and quotations or tenders have been obtained if necessary or appropriate and attached to the office copy of the Order.
- 5.27. When an Order is placed, the estimated cost should be committed against the appropriate budget allocation so that it features in subsequent budget monitoring.

#### Receipt of Goods or Services

- 5.28. All goods and services received by the school will be checked to ensure they are in accordance with the Purchase Order. Such receipt will be verified by an appropriate member of staff as specified by the governing body in its formal statement of delegated responsibilities (see regulations 2.5 and 2.6).
- 5.29. The person verifying the receipt of the goods or services must not be the same person who approved the Purchase Order.
- 5.30. If any discrepancies are found, these should be noted on the copy Order and the matter resolved with the supplier without delay.

#### Payment of Invoices

- 5.31. All invoices received by the school will be matched to the relevant purchase order, having regard to any discrepancies noted on receipt of the goods or services.
- 5.32. All invoices will be approved for payment by an appropriate member of staff as specified by the governing body in its formal statement of delegated responsibilities (see regulations 2.5 and 2.6). This person must be neither the person who approved the Purchase Order, nor the person who verified the receipt.
- 5.33. Prior to signature, the approver will check the invoice details to ensure that
- The school only pays for goods and services it has ordered and received
  - The price charged is as quoted on the Purchase Order
  - Payments are made to the correct supplier
  - Costs are charged to the correct budget head
- 5.34. When the payment is raised, the invoice is annotated with the cheque number/BACS run number, stamped "PAID", and attached to all relevant supporting documentation – quotations, Purchase Orders, Delivery Notes, correspondence etc.
- 5.35. The governing body will ensure that all purchase documentation is filed securely to ensure a clear audit trail from ledger entries to source documentation.

- 5.36. In managing the payment of invoices, the governing body will ensure that it has regard to the implications (particularly with relation to interest) of the Late Payments of Commercial Debt (Interest) Act 1998. The detail on this legislation may be found on this link  
<http://www.legislation.gov.uk/ukpga/1998/20/contents>

#### Application of Regulations to Leases

- 5.37. Assets may be acquired either by outright purchase or by the process known as 'Leasing'. All the regulations contained in this section covering specification, ordering, receipting and payments will also apply to the costs of acquiring the use of assets under leases.
- 5.38. For further guidance on the implication of different sorts of lease is contained on the following link:  
<https://www.gov.uk/government/publications/school-procurement-buying-a-multi-functional-device-mfd>
- 5.39. Schools must check with Schools Finance before any leases are entered into to ensure that the lease meets all the relevant criteria and does not penalise the school either during the lease period or on termination.
- 5.40. There is currently a proposal to change the accounting treatment of leases and whilst the effect of this is unclear at the present time, schools will be informed if the current guidance given is to change.

## Section 6 – Staff

### Background

- 6.1. In schools, staff costs are the largest item of expenditure for most local authority services. It is therefore important that payments are accurate, timely, made only where they are due for services to the Authority and that payments accord with individuals' conditions of employment. It is also important that all payments are accurately and completely recorded and accounted for.
- 6.2. The key controls for payments to employees are
- Proper authorisation procedures are in place and that there is adherence to payroll provider timetables in relation to: starters, leavers, variations and enhancements, and that payments are made on the basis of timesheets or claims
  - Frequent reconciliation of payroll expenditure against approved budgets and bank accounts
  - All appropriate payroll documents are retained and stored for the defined period, in accordance with guidance issued by the City Treasurer
  - All expenditure, including VAT, is accurately recorded against the right department and any exceptions are corrected
  - HM Revenue and Customs regulations are complied with.

- 6.3. This section also covers payments to employees for reimbursement of expenses incurred.

#### Payroll

- 6.4. Governing bodies will ensure that all payments of wages, salaries and other emoluments are only made through the payroll service. Employee expenses are usually processed through the payroll, but may also be paid through Petty Cash – particularly if the payments are small or irregular.
- 6.5. Schools may buy their payroll services from an external provider – or indeed provide the service in-house. If they choose to use an external supplier, the procurement of this service must be conducted under the regulations contained in Section 5 of this document. However, contracting another organisation to provide payroll services does not relieve the governing body of the responsibility for ensuring that payroll and personnel controls are in place.
- 6.6. Where the payroll is administered by the Authority or a third party provider, the governing body should ensure that the provider is supplied with the names and specimen signatures of certifying officers, as specified from time to time in the Schools Scheme of Delegation.
- 6.7. The payroll output from every run will be checked against source records to ensure that the School is only being charged for
- Staff employed by or in the School, in accordance with their Terms and Conditions
  - Supply staff provided by the Authority for the time they were working in the School
  - The correct proportion of employers contributions to Pensions and National Insurance

#### Personnel Administration

- 6.8. The governing body should establish procedures for the administration of personnel activities, including appointments, terminations and promotions.
- 6.9. The governing body should ensure that, where practicable, the duties of authorising appointments, making changes to individuals' conditions or terminating the employment of staff are separated from the duties of processing claims.
- 6.10. The governing body should ensure that at least two people are involved in the processes of completing, checking and authorising all documents and claims relating to appointments, terminations of employment and expenses.
- 6.11. The governing body should ensure that access to personnel files is restricted to authorised staff only, and that the arrangements for staff to gain access to their own records are in place.

- 6.12. The governing body should maintain a list of all staff employed by or in the School. Procedures should ensure that this list is updated promptly to reflect new starters and leavers. This list should record, for each member of staff, the grading, additional allowances, etc., and the start and end date of the contract of employment.

#### Deductions from Wages and Salaries

- 6.13. Where a payroll service is provided by the school itself, or the contract with an external provider does not provide for this, the governing body will ensure that all deductions from pay – tax, national insurance, etc., are accounted for properly, and remitted to the appropriate body in accordance with established timetables and other procedures.

## Information to be supplied to the Authority

- 6.14. Where the governing body does not source its payroll services from the Authority, it will ensure that appropriate salary, service and pensions data is provided to the Authority, which the Authority requires to submit its annual return of salary and service to the Teachers' Pensions Agency and to produce its audited contributions certificate. The Authority will advise schools each year of the timing, format and specification of the information required.
- 6.15. Where exceptionally, a school has permission to deal direct with the Teachers Pensions Agency, it will adhere to any timetable and procedural requirements advised by that body.
- 6.16. Where the governing body does not source its payroll services from the Authority, it will ensure that any Additional Voluntary Contributions (AVCs) are passed to the Authority, within the time limit specified in the AVC scheme.
- 6.17. The governing body will meet any costs consequent to adhering to regulations 6.14 to 6.16 from its delegated budget share.

## Expenses Incurred by Staff

- 6.18. The governing body will agree a policy covering the payment of expenses to staff employed by or in the school. This policy should include reference to the following issues
  - Which types of expenditure may be reclaimed by members of staff and Governors
  - When Expense Claims should be submitted and in what format
  - Wherever practical, VAT receipts must be submitted with the Claim.
  - Who may authorise Expense Claims
  - Under which circumstances claims may be paid from Petty Cash.
- 6.19. Employees' expense claims must be certified prior to processing for payment – either through Payroll or Petty Cash. 'Certification' is taken to mean:
  - Journeys were authorised
  - All expenses were properly and necessarily incurred
  - Allowances are properly payable.

The objective is to ensure that travel arrangements are cost-effective, and that any tax implications are identified.

## Benefits in Kind

- 6.20. The governing body will ensure that the school's payroll provider is supplied with appropriate details of any taxable 'benefits in kind' attributable to any of the staff employed by or in the School. This is to allow the production of P11D tax returns. For guidance on this area refer to your payroll provider.

Using the services of 'Self Employed' Consultants etc.

- 6.21. Governing bodies should take care when contemplating employing the services of individuals who claim to be 'self employed' and seek payment for their services by the submission of invoices.
- 6.22. HM Revenue and Customs have a series of criteria to establish whether any such person is 'de facto' to be considered an employee and further information is available at:  
<http://www.hmrc.gov.uk/calcs/esi.htm>
- 6.23. The governing body must ensure that such persons who, from the Revenue criteria, must be regarded as 'employees' are paid through the payroll with appropriate deductions for PAYE and National Insurance.

Work done for third parties by School Staff

- 6.24. The governing body will agree a policy covering work done by school staff for third parties (including Limited Companies set up by the School).
- 6.25. The governing body will consider, in advance, any such proposed episodes, having regard to
  - The School's ability to deliver the curriculum, or to meet any other statutory requirement.
  - The efficient running of the School
  - The individual's self-development and the development of new skills ultimately to the benefit of the school.
  - Any incremental costs falling on the School's delegated budget.
- 6.26. Under no circumstances should any payments in relation to such work be made directly to the employee by the third party.
- 6.27. In all cases, the income related to such episodes will be collected from the third party by invoice – raised in accordance with the regulations contained in Section 7 of this document.
- 6.28. The governing body may agree to share the proceeds with the member of staff involved. If so, the share retained by the school should not be less than any incremental costs incurred, but may be more. Any such agreement, and the reasons for it, should be recorded and retained.
- 6.29. The employee's share (if any) must be processed and paid through the payroll.

## Section 7 - Income

### Policies

- 7.1. The governing body will establish, review annually and monitor compliance to policy statements covering charging and other policies for the following:
- a. The supply of goods or services.
  - b. Lettings. Note that there are VAT issues involved with lettings – refer to Section 9 of these Regulations.
  - c. School Meals.
  - d. Charging Policy
  - e. Banking and cash collection (Principles – Appendix 6)

In order for a school to legally charge there must be a charging policy in place. See regulations 7.26 and 7.27.

### Invoicing

- 7.2. Not all income needs to be invoiced – for example, delegated and devolved funding, meals income from pupils, vending machine takings. In general, income generated from third parties (including other schools maintained by the Authority) must be invoiced to those parties, or preferably, collected in advance. Where any source of income is defined, under the governing body's charging policy, as 'payment in advance', then no invoice need be raised. In this case, the governing body will ensure that output VAT (if any) relating to the supply is correctly identified, substantiated by appropriate documents, and properly accounted for.
- 7.3. Invoices will be issued within 14 days of the income being identified, and will be due for payment 30 days following.
- 7.4. Official Invoice stationery must be pre-numbered and clearly printed with the name of the School. The layout of the invoice should conform to the requirements of a 'VAT' invoice with required fields being:
- School name, address and VAT number 149 1519 58
  - Recipient name and address
  - Unique invoice number and date
  - Quantity, description and date of supply/services/goods
  - Net cost before VAT, VAT rate and VAT charges, gross cost
  - Whether supply is exempt, outside scope or standard rated.
- 7.5. The governing body will establish, in its formal statement of delegated responsibilities (see regulations 2.5 and 2.6), the person(s) responsible for identifying income due to the school.
- 7.6. The governing body will ensure that all invoiced income is recorded in the accounts as soon as practically after the invoice is raised.
- 7.7. The governing body will establish a procedure to effectively pursue non-payment within defined timescales, including, if necessary, legal action. A model

procedure is attached as Appendix 8. The City Treasurer and City Solicitor must be involved if legal action is contemplated.

- 7.8. The decision to 'write-off' any debt if it proves irrecoverable must be made (and minuted) by the governing body. It cannot be delegated. If the value of the debt to be written off exceeds £5,000, then the governing body must advise the Authority in advance of the write off. Any write-offs agreed must be correctly recorded in the accounts – by reversal of the original income transaction(s).
- 7.9. Details of any specific debt of £5,000 and over written off must be included in quarterly monitoring reports to the Local Authority or cumulative debts of £5,000 and over.

### Receipts

- 7.10. All cash received should be acknowledged by the issue of an official Receipt, except where such cash is accompanied by a Remittance Advice, detached from an official School Invoice. In certain cases this is impractical, school meals for example but this policy should be followed where reasonably practical.
- 7.11. At least two persons should be present when post is opened, or vending machines, pay phones etc. emptied, so that cash received in these ways is properly identified and recorded.
- 7.12. Official Cash Receipt stationery must be pre-numbered and clearly printed with the name of the School. Unused stocks of Cash Receipts will be kept securely. Spoiled or cancelled Receipts will be retained.
- 7.13. The details of each Remittance Advice received and each Official Receipt issued, and cash cleared from vending machines will be entered into the financial system. Any output VAT involved will be clearly identified. Detailed consideration of VAT is contained in Section 9 of these Regulations.
- 7.14. The governing body will establish, in its formal statement of delegated responsibilities (see regulations 2.5 and 2.6), the person(s) responsible for receiving cash due to the school. As far as is practical, given the circumstances of the school, this person must be different from the person responsible for identifying income due.
- 7.15. Entries on the financial ledger should be recorded in sufficient detail to ensure that an audit trail is maintained from the entry to source document.

### Cash Security

- 7.17. The governing body must ensure that cash (including cheques) held on the school premises are secure. Specific guidance is contained in Appendix 6.
- 7.18. Income collections must not be used for the encashment of personal cheques or for other payments.

- 7.19. If a school makes its insurance arrangements other than through the Authority, the governing body must hold appropriate Money Insurance with a level of cover at least as good as that provided by the Authority. The value of cash held on school premises should never exceed the level covered by such insurance.

### Banking

- 7.20 Monies collected should be paid into the appropriate bank account without delay and in full. Specific guidance is contained in Appendix 7. At least monthly, the sums deposited at the bank should be reconciled to the sums collected and reviewed by the head teacher. A different person from those responsible for collections and banking should do this.

### Cash Discrepancies

- 7.21 Cash discrepancies can occur for several reasons. They may be revealed as a result of the cashing up procedure or when it is not possible to balance a petty cash float. Cash shortages can also arise following the discovery of a theft.
- 7.22 Cash shortages can only be written-off by the governing body, following a thorough investigation of the circumstances. The minutes should record the decision and the results of the investigation.
- 7.23 Any write off of cash shortages must be reported to the Authority as part of routine quarterly monitoring. If theft or financial irregularity is suspected, the governing body should immediately notify the Internal Audit Section.
- 7.24 Where a break-in has occurred, the head teacher should report the matter to the police immediately the incident is discovered. The amount stolen must be ascertained as soon as possible.
- 7.25 All documentation must be retained for audit purposes.

### Charging Policy

- 7.26 The Education Act 1996 (Section 449-462) informs schools what they can and cannot charge for. This is further explained on the following link:  
<http://www.legislation.gov.uk/ukpga/1996/56/contents>
- 7.27 School can only choose to charge for certain defined activities if they have first drawn-up charging and remissions policies.

## Section 8 – Bank Accounts

### Background

- 8.1. All schools within Manchester hold external bank accounts for official funds. See para 3.5.1 on the Scheme for Financing Schools for restrictions on bank account providers.
- 8.2. The proper administration of bank accounts is at the heart of financial control. The regulations in this section cover bank account and cheque controls.
- 8.3. Failure to keep to these regulations leaves areas of the school's finances open to potential error or fraud, and indicate a possible breakdown in the school's internal control systems.
- 8.4. The potential risks associated with banking of school resources include:
  - Not banking all the income received
  - Not detecting bank errors
  - Failure to bank all income collected and inadvertently using some for purposes such as payment of expenses
  - Failure to record all transactions
  - Erroneous, fraudulent or duplicate payments
  - Missing good opportunities for investment
- 8.5. Money paid by the LA and held in school bank accounts remains LA property until spent.

### Regulations

In the following Regulations, the term "governing body" shall include any member of staff delegated formally to perform the stated task, as set out in the School's Scheme of Delegation (ref. regulations 2.5 and 2.6).

### Approved Banks and Accounts

- 8.6. The governing body will ensure that Bank Accounts are established for the purpose of receiving, holding and disbursing official funds, at approved Banking Institutions.
- 8.7. The prior approval of the Authority is required for accounts to be set up at institutions not on the approved list.
- 8.8. The opening of new Bank Accounts must be reported and minuted by the Finance Committee and noted at a meeting of the full governing body.
- 8.9. "Investment" accounts may be set up with an approved Bank provided that there is no risk to the principal sum. Any investment must be made through the school itself and not through an intermediary.

- 8.10. Individuals should not use their private bank accounts for any payment or receipt related to the school's budget.
- 8.11. The governing body will ensure that all its Bank Accounts are in the name of both the School and Manchester City Council, and ensure that the Authority is mandated to receive statements, and access to such other information as it may require, and to take control of the account(s) if the school's right to a delegated budget is suspended.
- 8.12. The school's bankers should be advised that schools are not allowed to overdraw the account or negotiate overdraft facilities.
- 8.13. When setting up a school bank account, the governing body may authorise a minimum of three, and up to a maximum of six signatories. These should be reviewed annually.
- 8.14. The governing body must notify the City Treasurer of the banks used, account numbers and authorised signatories. Any changes to this data must also be promptly notified.
- 8.15. Bank statements must be provided at least monthly.
- 8.16. The governing body must nominate the person to whom all correspondence from the Bank must be addressed. This is usually the head teacher.
- 8.17. Schools may use telephone or electronic on-line banking systems provided that the following control procedures are in place and adhered to:
- The Authority is notified of any changes in banking procedures.
  - Controls, particularly access controls, are of a level that is comparable to that provided by the existing manual system. Passwords are secure, duties are separated, prior approval controls exist and an audit trail is maintained
  - The School recognises that methods of authorisation may change, but the levels of authorisation must comply with the approved bank mandate.

#### Interest and Charges

- 8.18. Schools may retain any gross interest earned on the balances held within their bank accounts.
- 8.19. Any charges levied by the bank in relation to the operation of the schools bank account will be a charge against the school's delegated budget.

#### Borrowing by Schools

- 8.20. The governing body may borrow money only with the written permission of the Secretary of State. This does not apply to Trustees and Foundations whose borrowing, as private bodies, makes no impact on Government accounts. Such debts may not be serviced directly from the delegated budgets, but schools are free to agree a charge for a service which the Trustees or Foundation are able

to provide as a consequence of their borrowing. Governing bodies do not act as agents of the LA when repaying loans.

Manchester Schools must liaise with finance when considering taking out a Salix loan and the authority will borrow the money on behalf of schools.

- 8.21. Bank overdrafts are a form of borrowing, and therefore account mandates should explicitly authorise Banks to prevent a School from overdrawing.
- 8.22. The governing body may enter into a Loan arrangement with the Authority – for example to finance a Licensed Deficit or to finance a capital project.
- 8.23. Credit cards must not be used, as they are a form of borrowing. Bank Account schools are encouraged to use purchase cards, which can be a useful means of facilitating electronic purchase. Its use must be governed by written procedures requiring the same level of security as for the use of cheques.

The use of debit cards is discouraged by the Authority.

#### Security of Stationery

- 8.24. The governing body will establish procedures which ensure that all stationery involved with the operation of its bank account – cheque books, continuous form cheques, paying in books, bank cards, bank card readers, mandate forms etc. – are held in secure storage, with access restricted to nominated members of staff.
- 8.25. Separate records of serial numbers etc. will be maintained, and periodically reconciled to usage. It is recommended that this is done at the same time as the bank reconciliation. Surplus or otherwise unusable stocks will be subject to secure disposal, and the records annotated accordingly.

#### Disbursement of Funds

- 8.26. The governing body will agree and include in its Scheme of Delegation (refer to regulations 2.5 and 2.6) procedures for the signing of cheques. It is recommended that these follow the following rules:
  - Cheques of up to £20,000 must be signed in manuscript by two of the signatories.
  - Cheques of over £20,000 must be signed in manuscript by three of the signatories (one of whom must be a designated senior member of staff or more usually the Chair of Governors).
  - Schools that move to a BACS payment system must maintain controls at least to the level of that required by cheque.
- 8.27. Under no circumstances should cheques be pre-signed.
- 8.28. Procedures should be established to ensure that supporting documents are made available to cheque signatories to safeguard against inappropriate expenditure.

- 8.29. Cheques should be crossed, non-negotiable and “a/c payee only” to avoid the possibility of improper negotiation of the cheques.
- 8.30. Cheque counterfoils or their electronic equivalent must be completed in every case and retained for audit purposes.
- 8.31. Direct debits or standing orders may be used provided that:
- These instruments are subject to the same signature rules as cheques.
  - Appropriate VAT invoices are received covering each liability.
  - The arrangement carries no element of interest, as this constitutes borrowing.

#### Reconciliation of Bank Accounts

- 8.32. Regular bank reconciliations are essential. They prove that the balances shown in the accounting records are correct and provide assurance that the underlying accounts are accurate.
- 8.33. The governing body will agree procedures for the reconciliation of all bank accounts, and identify, in their Scheme of Delegation, the members of staff responsible. Due regard should be paid to the need to segregate duties and the person responsible for this reconciliation should have no responsibility for receiving or banking monies.
- 8.34. Every statement, when received (no less frequently than monthly), will be reconciled to the accounting records within a two-week timeframe. This reconciliation will highlight the following:
- Cheques drawn but not presented.
  - Other payments debited but not accounted for.
  - Credits accepted by the bank but not accounted for.
  - Credits accounted for but not cleared by the bank.
- 8.35. Entries on the bank statements that have not been processed in the accounting records must be investigated to ensure that they validly relate to the school. If so, appropriate entries must be made without delay in the accounting records, and the bank reconciliation annotated accordingly.
- 8.36. The person performing the reconciliation should sign and date all bank reconciliations. They should also be reviewed and countersigned by a senior staff member (e.g. head teacher) who understands the reconciliation process, and retained for three complete financial years.
- 8.37. Staff responsible for undertaking bank reconciliations should not be responsible for the processing of receipts and payments.

## Section 9 – Taxation

### Background

- 9.1. Like all organisations, the Authority is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all schools to be aware of their role.
- 9.2. The key controls are:
- Schools are provided with relevant information and kept up to date on tax issues.
  - Schools have access to instructions on required record keeping.
  - All taxable transactions are identified, properly carried out and accounted for within stipulated timescales.
  - Records are maintained in accordance with instructions.
  - Returns are made to the appropriate authorities within the stipulated timescale.
- 9.3. VAT is the taxation issue most likely to affect schools. VAT legislation is complex, and it is not expected that schools become experts in the subject. The guidance below is necessarily basic. If any further detail is required, then contact should be made with the Authority's VAT experts using the following email address: [schoolsvat@manchester.gov.uk](mailto:schoolsvat@manchester.gov.uk).
- 9.4. Construction Industry Tax Deduction Scheme (CITDS) involves rules related to the accounting for income tax liability for subcontractors used by schools on construction projects. Schools with delegated budgets are now exempt.

### Accounting for VAT

- 9.5. The governing body will ensure that the procedures in use in the school, related to the accounting for VAT, follow the guidance issued by the Authority.
- 9.6. The governing body will ensure that only proper VAT invoices are paid, as the school will not be reimbursed in the absence of such documentation.
- 9.7. The amounts of input VAT (i.e. that paid on purchases) and output VAT (i.e. that collected on income) will be accounted for separately in the books of account.

H.M. Revenue and Customs (HMRC) treat schools' voluntary funds as independent of the City Council for the purpose of VAT reporting. Therefore, such voluntary funds with a taxable turnover above the threshold must be separately registered for VAT. The current threshold is £85,000 per annum.

### Claiming Reimbursement for VAT

- 9.8. For the purposes of VAT registration, H.M. Revenue and Customs (HMRC) regard the City Council and its maintained schools, excluding funds in 9.7 above, as a single organisation for the purposes of VAT accounting and reporting. The

Authority accounts for VAT to HMRC on a monthly basis. The corporate VAT return therefore must include the VAT relating to schools. The school should therefore ensure that it submits its VAT reclaim within the given deadlines, in accordance with the guidance, accurately reflecting input and output tax.

## Penalties

- 9.9. It may happen that the Authority suffers a financial penalty as a result of a school's actions or lack of action in the accounting for, or the reporting of, taxation of any form. In such a case, the governing body will reimburse the Authority from its delegated budget.

## Section 10 – Accounting Standards

### Background

- 10.1. Schools have many systems and procedures relating to the control of its assets, including purchasing, costing and management systems. Schools are reliant on computers for their financial management information. The information must therefore be accurate and the systems and procedures sound and well administered. They should contain controls to ensure that transactions are properly processed and errors detected promptly.
- 10.2. The key controls for systems and procedures are:
- Basic data exists to enable the school's objectives, targets, budgets and plans to be formulated
  - Performance is communicated to the appropriate managers on an accurate, complete and timely basis
  - Systems of internal control are in place that ensure that financial transactions are lawful
  - Suitable accounting policies are applied consistently
  - Operating systems and procedures are secure
  - Data is backed up on a regular basis
- 10.3. The regulations in this section cover issues not applicable to other sections in this document.

### Accounting Timetable

- 10.4. The governing body will establish an Accounting Timetable to control and monitor the capture of accounting transactions.
- 10.5. The timetable will identify the start and end dates of each accounting period. As a minimum, there should be 4 equal accounting periods (quarterly) within each financial year, however for larger schools it is recommended that there should be twelve accounting periods.
- 10.6. The timetable will identify the latest dates by which accounting transactions relating to each accounting period will be processed into the books of account.

## Basis of Accounting

- 10.7. Accounting transactions will be recorded in accordance with the accruals principle. This is to be interpreted in the following way:
- Expenditure and income are recognised in the accounts when the goods and services are received, or provided – not when cash flows out of, or into the Bank Account.
  - In the case of ‘time related’ charges (for example, rents or LA rates), the expenditure recorded against any accounting period will reflect the proportion of the total charge appropriate to the period of time covered by the accounting period.

## Financial Procedures Manual

- 10.8. The governing body should ensure that the school has clear, written descriptions of all its financial systems, controls and procedures. It is most effective if all these documents are brought together into a single Financial Procedures Manual which will sit alongside the Scheme of Financial Delegation.
- 10.9. The contents of this manual should be based on, and not contradict, the following source material:
- DfE Financial Management Standards
  - The Authority’s Schools Financial Regulations
  - The Authority’s Scheme for Financing Schools
- 10.10. The Financial Procedures Manual should be reviewed regularly and kept up to date, in the light of changing legislation, development of the Authority’s Schools Financial Regulations, Internal Audit comments and the school’s experience of using the procedures.
- 10.11. The internal controls detailed in the Financial Procedures Manual will deal with the following:
- Internal checks - one person checking another person’s work
  - Segregation of duties - distributing the work so that key tasks are assigned to separate members of staff
  - A system of authorisations - each transaction is authorised before passing on to the next stage of the process.
  - An audit trail - this tracks all stages of a transaction, for example from copy order to invoice, to accounts, to cheque and in reverse.
- 10.13. The Financial Procedures Manual should also include detailed operating instructions relating to the particular accounting software used by the school.

## Document Retention

- 10.14. As a general rule documents should be kept for a minimum of six complete financial years plus the current financial year. This period should satisfy the requirements of both external and internal audit, and provide a reasonable level of historical information, which may be required for future reference purposes or

to deal with queries that may arise. Original documents may be destroyed, provided they have been captured in some way and capable of being recreated. Records or appropriate copies of transactions involving taxation, including invoices for VAT, should be kept for six years.

- 10.15. The governing body will ensure that documents are retained in accordance with the guidance in the documents linked on the following page:



Quick Guide to  
Records Management



Records Retention  
Schedule v1.2.docx

- 10.16. This does not include all possible financial documents but does refer to those documents which are considered most likely to be encountered whilst undertaking work of a financial nature. However, from the schedule it should be possible to establish minimum retention periods for other similar types of documents. Where there is any doubt, advice should be obtained from the Authority's Internal Audit Section.

#### Voluntary Funds

- 10.17. This section applies to voluntary funds that belong to the school and not, for example, to funds held by other organisations, such as parent-teacher associations (PTAs) that have a connection with the school. School Voluntary funds can be accounted for as school income as an addition to budget share or dealt with separately if they so wish.
- 10.18. If they are accounted for separately from the school's delegated budget and are held in a separate bank account then the same standards of financial accounting that apply to the school's official funds and detailed in these regulations are applied to the voluntary funds. The method of keeping accounts should be kept as simple as possible. Further Guidance on accounting for Voluntary Funds is attached as Appendix 9.
- 10.19. The governing body should ensure that relevant voluntary funds are registered with the Charity Commission, if income or expenditure related to the fund exceeds £1,000 per annum.
- 10.20. The governing body should ensure that a treasurer has been appointed to oversee the funds, and also should appoint an auditor who is independent of the school. The auditor should not be a member of the governing body.
- 10.21. Any income that properly relates to the school's delegated budget should not be credited to a separate voluntary fund.
- 10.22. The governing body should be presented with the audited accounts, the auditor's certificate and a written report on the accounts as soon as possible after the accounting year-end of March 31<sup>st</sup>. When the governing body has accepted

them, the accounts should be copied to the Authority without undue delay, along with a completed “Certification Form”. A template for this is included in Appendix 9.

10.23. The governing body should ensure that voluntary funds are covered by insurance, including fidelity guarantee insurance.

10.24. Further information can be found in the support notes to Schools Financial Value Standard at the following link:

<https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs>

### Petty Cash

10.25. Petty cash is useful for making small purchases with the minimum of fuss, however the governing body will ensure that proper controls are in place to prevent its abuse or loss. The governing body should formally set the amount of petty cash to be held. This amount should represent a balance between convenience and risk with a maximum expected individual transaction limit of £50.

10.26. The governing body will agree a ‘petty cash policy’ which:

- Specifies the member of staff responsible for managing the petty cash fund.
- Specifies the items of expenditure that may be reimbursed from the petty cash fund.
- Specifies an upper limit on the amount to be reimbursed against each item of allowable expenditure.
- Specifies authorisation and document retention requirements.

10.27. The governing body will ensure that separate accounting records are kept for the petty cash fund, using the imprest system. Further guidance on the accounting for petty cash is attached as Appendix 10.

10.28. The governing body will ensure that the following operational controls are implemented, and their operation monitored on a regular basis.

- The petty cash fund is held securely and that only authorised staff have access to it.
- Payments from the petty cash fund should be limited to minor items that have been approved in advance by an authorised member of staff. All such expenditure must be supported by receipts, which identify any VAT paid.
- Personal cheques should not be encashed from the petty cash fund.
- The accounting records of receipts and payments relating to the petty cash fund should be reconciled on a regular basis, at least monthly, to the total authorised value of the fund.

### Earmarked Funding

10.29. Part of the funding allocated to schools can come with a range of restrictions on what expenditure can be supported, or the period of time within which such expenditure must be incurred. Also, such restrictions may include special

reporting requirements and the governing body should ensure that these are fulfilled.

- 10.30. The governing body will ensure that such expenditure is accounted for separately within the ledger and that such funding is only used for the purposes, and within the time limits, for which is allocated.

#### Audit Requirements

- 10.31. The accounts of schools with delegated budgets are subject to regular internal audit and are available for inspection as necessary by the LA's external auditor. Internal auditors review the management of the school's finances on behalf of the LA. External auditors are appointed by the Audit Commission to assess the legality and regularity of financial affairs and to ensure that the LA has made proper arrangements to secure stewardship of public funds.
- 10.32. The governing body will ensure that both Internal and External LA auditors are given access to such premises, documents and assets, as the auditors deem necessary and are provided with any explanations or other assistance they consider necessary.
- 10.33. The governing body will ensure that they consider and respond promptly to recommendations in audit reports. Where any remedial action is agreed, the governing body will ensure that such action is taken without undue delay.
- 10.34. The governing body should immediately notify the auditors of any suspected irregularity.
- 10.35. The governing body may organise independent audit of the school's affairs. Any expenditure on independent audits must be met from the school's delegated budget share. Such independent audits will not supplant the requirements for LA audits.

#### Section 11 – Risk Management

##### Background

- 11.1. This Section is intended to provide schools with a broad introduction to Risk Management. The City Council favours a 'joined up approach' to planning and risk management.
- 11.2. In following the guidance required by the Regulations in this Section, a common sense approach should be adopted, focusing on the major issues that may affect the School.
- 11.3. All organisations, whether private or public sector, face risks to people, property and continued operations. 'Risk' is the threat that something (an event or action) will adversely affect a school's performance and its ability to successfully deliver its strategies.

- 11.4. Risk management is the process by which such risks are identified, assessed and cost effective actions are taken to reduce (mitigate) them to acceptable levels. It is a key element of the framework of a school's overall governance. Hence, it is essential that governors and staff all understand the principles and practices of risk management.
- 11.5. Risk Management is not about eliminating risks – that is not a realistic objective. It is however, about mitigating risks – that is, reducing risks to an acceptable level.
- 11.6. The benefits of establishing a risk management culture are:
- Increased focus on what needs to be done (and not done) to meet objectives
  - More satisfied stakeholders
  - Better management of change programmes
  - More calculated/innovative risk taking
  - Fewer complaints
  - Better controlled insurance costs
  - Improved quality of learning environment
  - Better ability to justify actions taken
  - Delivery of VFM
  - Getting things right first time more often i.e. less waste.
- 11.7. The DfE has identified that effective risk management at schools may potentially reduce:
- Disruption of children's education
  - Damage to a schools reputation
  - The negative effect of incidents on staff and pupils morale
  - Time lost in reacting to incidents, handling claims etc.
  - The stress and anxiety that accompanies accidents and losses
  - The cost of insurance cover as premiums reflect claims history.
- 11.8. Risk management is clearly a much broader concept than financial management. There are, however, many overlaps between risk and financial management with the 'internal control system' being the most obvious and most notable one. A school's internal controls can be defined as "a formal structure of actions taken by the governing body or school staff to manage risk and increase the likelihood of achieving established goals and objectives". Such a system:
- Has a key role to play in the management of significant risks that threaten the achievement of the schools aims and objectives
  - Contributes to the safeguarding of public funds and assets and the achievement of Value for Money because it facilitates the effectiveness and efficiency of operations
  - Helps to ensure the reliability of information used for internal and external reporting
  - Assists with compliance with laws and regulations.
- 11.9. Each school should, therefore, seek to maintain a sound system of internal control based on this document. This system should be documented in the

School's Financial Procedures Manual (refer to paragraphs 10.8 to 10.13) .It makes sound business sense for schools to manage risk effectively and for all staff to exercise internal control and risk awareness in every aspect of their work. In particular recognising and dealing appropriately with the key strategic risks facing a school, enables it to identify the key actions it must take to achieve its main goals.

## The Risk Register

11.10. The governing body will set up, and regularly review a Risk Register, which tabulates the risks the school is exposed to, the extent to which existing internal controls mitigate the risk, and an assessment of how likely each risk is given the controls in place and how serious each risk would be (its impact) if it occurs in relation to the finances, operations, reputation etc. of the school. Finally, it identifies any action necessary to mitigate the risk and allocates responsibility for implementing the action to specific members of staff.

A suggested structure for identifying and classifying risks has been developed and is reproduced in Appendix 13.

11.11. The governing body will rank each identified risk in descending order of priority in relation to assessed likelihood and severity. This step is essential as the aim is to focus scarce management and staff time on the most serious risks rather than every possible risk. In general a risk, which is likely to happen, and its impact would be severe, would be classified as High, whereas a relatively unlikely risk, with low impact, would be classified as Low. A combination of high likelihood and low impact (or vice versa) would be classified as Medium.

11.12. For High risks, the governing body should plan and implement cost effective risk mitigation actions. Governing bodies may choose from the following possible options when considering any action:

- Accepting the risk and taking any losses/consequences
- Accepting the risk, but having continuity/contingency plans in place to aid recovery
- Implementing further preventative internal controls, to further reduce the likelihood or severity of a risk
- Risk transfer or sharing i.e. to or with a contractor or partner
- Eliminating the risk by ceasing associated activity/removing the source of the risk
- Laying off the financial consequences of a risk by insuring against it.

11.13. The governing body must ensure that for the highest impact risks, a business continuity or disaster recovery plan is formulated and regularly review to set out how the school would cope if some disaster happened – for example, the premises burning down or flooding, a large scale theft of equipment or a total failure of the school's IT system.

The plan will need to cover:

- premises that could be used if the school's own premises became unavailable for an extended period;

- an asset register of items in the school that need to be recorded for insurance purposes, to be kept where it would not be vulnerable to a disaster in the school;
- adequate insurance for premises and contents;
- daily backing up off-site of the school's important IT systems;
- contingencies for significant simultaneous absence of staff.
- individual schools may be aware of additional local hazards that they ought to cover.

Further guidance can be found in the support notes of the Schools Financial Value Standard, from the following link:

<https://www.gov.uk/government/publications/schools-financial-value-standard-sfvs>

11.14. The governing body must ensure that risk management must be an inclusive process as it is the staff who are involved with the school's day to day operations who will best understand the risks it faces and will be key to the management of those risks.

11.15. The governing body must ensure that risk management is a continuous process. It should not only be a "one off event" at a particular time of the year. Having said this, to practically ensure the process is carried out and to ensure people devote the necessary time to it, formal meetings, seminars etc. at which risk management is discussed do need to be organised. A good idea is to make it a standing agenda item a regular management meetings.

## Insurance

11.16. As part of the continuous review of the identified risks, the governing body will, at least once every financial year, assess whether the sums insured are commensurate with the latest assessment of risk. Schools should be aware of their relevant insurance limits

11.17. The cost of all insurance premiums is chargeable to the school's delegated budget share.

11.18. The governing body must notify its insurers (the LA or other agent as appropriate) of all new risks to property, equipment and vehicles that they wish to cover by insurance, or of any other alteration affecting existing insurance.

11.19. The governing body must notify its insurers (the LA or other agent as appropriate) of all accidents, losses and other incidents that may give rise to an insurance claim.

11.20. The governing body must not give any indemnity to a third party without the written consent of its insurers (the LA or other agent as appropriate).

11.21. Insurance arrangements should cover the risks associated with the use of school property, for example musical instruments or computers, when off the premises.

## Section 12– Asset Management

### Background

- 12.1. Schools hold assets in the form of property, vehicles, equipment, furniture and other items worth significant sums of money. These can include attractive and portable items of material and equipment ranging from library books to valuable ICT items. Equally important ‘assets’ are information, data and records.
- 12.2. It is important that assets are safeguarded and used efficiently in service delivery, and that there are arrangements for the security of both physical assets and the information required for service operations. An up to date asset register is a pre-requisite for proper fixed asset accounting and sound asset management. It is equally important to maintain records of stocks of materials and other consumable resources to ensure that educational work is not delayed because of their unavailability and to guard against waste and loss.
- 12.3. The key controls for the security of resources such as land, buildings, fixed plant machinery, equipment, software and information are:
- Resources are used only for the purposes of the School and are properly accounted for
  - Resources are available for use when required
  - Resources no longer required are disposed of in accordance with the law and the regulations of the Authority so as to maximise benefits
  - An asset register is maintained for the school. Assets are recorded as they are acquired by the school and this record is updated as changes occur with respect to the location and condition of the asset
  - Periodic checks are made to ensure that all assets are properly recorded and are available for use.
  - All staff are aware of their responsibilities with regard to safeguarding the school's assets and information, including the requirements of the Data Protection Act, GDPR, and software copyright legislation
  - All staff is aware of their responsibilities with regard to safeguarding the security of the school's computer systems, including maintaining restricted access to the information held on them and compliance with the school's information security and acceptable use policies.
- 12.4 The key controls related to disposal of assets are:
- Assets for disposal are identified and disposed of at the most appropriate time, and only when it is in the best interests of the school, and best price is obtained, bearing in mind other factors, such as environmental issues. For items of significant value, disposal should be by competitive tender or public auction.
  - Procedures should protect staff involved in the disposal of assets from accusations of personal gain. When assets are sold to employees - the school must be able to demonstrate the item has been advertised, sold at market price and value for money obtained.

- Environmental legislation now mean that appropriate disposal certificates must be obtained for scrapping certain types of assets, vehicles for example.
- The disposal of ICT items has the additional requirement of secure disposal, both from an electrical safety point of view and security of the school's data. Erasing data or physically destroying the disc drive should achieve the latter.

#### Identification of Assets

- 12.5 The governing body will ensure that all physical assets, particularly those that are attractive and portable, are clearly marked with the school's name, and carry some form of unique identifying reference. This should be done, as a matter of routine, when the asset is first acquired.
- 12.6 The governing body will ensure that leased assets, and assets funded by specific grants are separately identified. This is because there are special rules, particularly related to disposal, related to these classes of assets.

#### Asset Register

- 12.7 The governing body will maintain a listing of all physical assets used and owned by the school – including leased and grant funded assets. Minor assets with a value below £500 need not be included, unless the asset is of an attractive and portable nature, whose loss would have a material effect on the effective operation of the school.
- 12.8 Guidance on formats for the Asset Register and the information to be held on the Register is contained in Appendix 14.
- 12.9 The data held on the Register will be updated when any of the following happens:
- A new asset is acquired.
  - A portable asset is moved from one location to another – including authorised removal from the school premises in the normal course of activity.
  - An asset is disposed of, lost, stolen or damaged.
  - A periodic stock check is undertaken not less than annually.

#### Security of Physical Assets

- 12.10 The governing body will ensure the proper security and safe custody of all buildings and vehicles, equipment, furniture, stock, stores and other property belonging to the Authority and under their control.
- 12.11 The governing body will ensure that an annual check of all items on the inventory is carried out, in order to verify location, review condition and to take appropriate action in relation to any surpluses or deficiencies, updating the inventory accordingly. Someone who is not responsible for maintaining the inventory should undertake the physical check. All discrepancies should be investigated and reported to the governing body. If the value of the asset to be written off

exceeds £5,000, then the governing body must advise the Authority in advance of the write off.

- 12.12 In the event that an asset is identified, during the periodic stock check, as having been stolen, the governing body must investigate the circumstances and report the loss to the Police and Internal Audit.
- 12.13 The governing body will ensure that no school asset is subject to personal use by an employee.
- 12.14 School assets should only be moved from the premises for official purposes and with the permission of the governing body. A record should be kept of all authorised removals, which should be signed for.
- 12.15 In the case of stocks of consumable stores, the governing body will ensure that adequate records are kept and that reasonable levels are maintained, given the normal pattern of usage. Such records will be subject to regular independent physical checks. All discrepancies should be investigated to a satisfactory conclusion.
- 12.16 Safes and similar deposits used for the storage of assets, stocks or stores should be kept locked and the keys removed and held in a different location off-site. The governing body will ensure that a schedule is kept of keyholders to safes and similar receptacles, and that keys are carried on the person of those responsible at all times. The loss of any such keys must be reported to the governing body without delay, and appropriate action taken to prevent security being compromised.

#### Security of Data

- 12.17 The governing body will ensure that all computer systems used for school management should be protected by password security to ensure that only authorised staff can access such systems. Passwords should be changed regularly and updated for staff changes. Staff must not share passwords, and any attempt to gain access using the password of another member of staff must be forbidden.
- 12.18 The governing body should ensure that data is backed up regularly and that all back-ups are securely held in a fireproof location.
- 12.19 The governing body should establish a recovery plan to ensure continuity of financial administration in the case of emergency. Such recovery plans should be regularly tested.
- 12.20 The governing body should ensure that systems such as firewalls and anti-virus software are in place to safeguard school software and data against computer viruses.

- 12.21 To prevent viruses being imported, and guard against copyright infringement, only authorised licensed software should be used. As a general rule software should not be downloaded from the Internet. If however, the source is trusted – for example the DfE – spreadsheets allowing, for example, the calculation of elements of funding may be downloaded.
- 12.22 It is strongly advised that the use of USB data devices is prohibited and not used on personal computers. At the very least they should be encrypted.
- 12.23 The governing body will establish a policy that describes how its ICT equipment and access to the Internet may and may not be used. This is known as an “acceptable use policy”. This needs to be a policy that all key stakeholders subscribe to, so it is a good idea to get staff and pupils involved in its development.
- 12.24 The governing body should ensure that its data management conforms to the requirements of the Data Protection Act 1998 and GDPR, and that the school’s use of any electronic or relevant manual systems to record or process personal information, and any disclosure of that information, complies with this legislation. <https://www.gov.uk/government/publications/governance-handbook>
- 12.25 The governing body must ensure that systems are in place to ensure that the school is able to comply with requests for information under the Freedom of Information Act 2000. For further details refer to paragraphs 2.43 and 2.44 of Section 2 – Governance.

#### Disposal of Assets – General

- 12.26 The governing body will authorise the disposal and write-off of redundant, obsolete, non-repairable or surplus furniture, fittings, equipment, plant and machinery, and stocks, in accordance with these regulations.
- 12.27 Before disposal, the governing body will check if the asset is subject to leasing arrangements, or was funded from specific grant. If the asset is leased, or was funded from specific grant, disposal must be in accordance with the terms of the lease, or the terms of the specific grant concerned.
- 12.28 Before disposal, the governing body will ensure that any security or other markings, identifying the equipment as the property of the school, are removed from the equipment.
- 12.29 The governing body will ensure that any surplus plant, vehicles, furniture or equipment is sold by public tender or auction unless the financial interest of the school is better served by disposal in some other way. In general, auction or tender is only appropriate for items that have significant residual value.
- 12.30 The governing body will ensure that redundant assets are not sold to employees of the school, members of the governing body or officers or Members of the Authority, on terms (including price, opportunity etc.) more favourable than available to other interested parties.

- 12.31 The governing body will ensure that income received for the disposal of an asset is properly banked and coded.
- 12.32 The governing body will ensure that Asset Registers are updated appropriately to reflect the disposal of the asset.

#### Disposal of Assets – ICT Equipment

- 12.33 To guard against the accidental disclosure of personal or business sensitive data, the governing body will ensure that, in addition to the regulations contained in paragraphs 12.26 to 12.32, the regulations in paragraphs 12.34 and 12.35 are followed.
- 12.34 The governing body will contact the Authority to offer surplus equipment for redeployment elsewhere within the Authority.
- 12.35 The governing body will ensure that, in the case if ICT equipment being disposed of:
- They comply with current European Regulations on the disposal or recycling of ICT equipment.
  - All data is removed from surplus PCs
  - Any old floppy discs or tape cartridges are destroyed
  - All hard drives are reformatted

Further assistance and guidance on technical aspects of meeting these requirements may be sought from the Authority.

#### Disposal of Assets – Land and Buildings

- 12.36 Land and buildings will be the most valuable asset associated with a school, and therefore requires special consideration.
- 12.37 The issue of disposal of land and buildings is complicated by the fact that some classes of schools (Foundation and Voluntary) own, and can therefore sell their land and buildings.
- 12.38 Any school of a class that owns its own land and buildings and is contemplating any disposal of such assets is required to have regard to the guidance contained in legislation and other statutory guidance.
- 12.39 Any school that owns its own land and buildings, and is contemplating their disposal in full or in part, are required to advise the Authority of their intention at the earliest opportunity, as the Authority may be entitled to a portion of the proceeds.
- 12.40 For those schools where the Authority owns the land and buildings, schools should contact the Head of Schools Finance for advice and guidance on any issues related to the disposal of land or buildings.

## Maintenance of Assets

- 12.41 The governing body will ensure that suitable budgetary provision is made for maintaining the school's assets in usable condition. It would however be uneconomic and inefficient for the cost of asset maintenance to outweigh their benefits. Thus where such maintenance activity is demonstrably uneconomic, the asset may be earmarked for disposal.
- 12.42 The governing body should have a plan for the use, maintenance and development of the school's buildings. Where the governors own the school's buildings, the building development plan will take on a different dimension. In all cases, however, a school's own plan will need to match the LA's Asset Management Plan in relation to that school.

## Section 13 – Devolved Formula Capital

### Introduction

- 13.1 Capital Grant has been devolved to schools through the Standards Fund (except for Voluntary Aided Schools where separate arrangements exist).
- 13.2 The basis for most capital expenditure at schools within the LA should be the priorities agreed locally and set out in the Authority's Asset Management Programme (AMP).
- 13.3 The primary uses of formula capital grants are expected to be:
- To be used for improvements to buildings and other facilities, including ICT, or capital repairs/refurbishment and minor works.
  - To pay for more substantial projects through accumulation.
  - As a contribution to a bigger project sponsored by the Authority.
- 13.4 Schools will be able to form clusters, pooling their formula capital and deciding collectively on its use.
- 13.5 Schools will, subject to agreement, be allowed to accumulate formula capital grant over a maximum of 3 years (i.e. entitlement for one year could be carried forward into the following year and/or year after) to pay for a more substantial project than would otherwise be unaffordable.
- 13.6 Schools will be paid their devolved formula capital allocation into their bank account in two instalments annually.
- 13.7 Further information regarding the Devolved Formula Capital grant received from the DfE can be found at the following link:  
<https://www.gov.uk/guidance/school-capital-funding>

## Management of Formula Capital Projects

- 13.8 The expectation is that schools will manage any capital works funded entirely from Formula Capital. However, it is essential that schools seek appropriate advice either from the LA or other professional advisors in either the public or the private sector. Schools will need to take into account the professional's experience in the education sector. Associated fees and other similar costs must be considered as part of the total project cost. Value for Money considerations will also need to apply when selecting the source of professional help. Schools should be aware that there is no potential for further funding should additional costs arise because estimates are not sufficiently rigorous.
- 13.9 Schools must pay due regard to the Financial Regulations, particularly in relation to tendering arrangements and budget monitoring.

## Voluntary Aided Schools

- 13.10 The DfE currently allocates Formula Capital grant directly to Voluntary Aided schools on an individual basis and at a level excluding the required contributions from the governing body and the LA. The grant rules are similar to those described above for all other schools. LAs draw down their contribution to Voluntary Aided School schemes from funding allocated to them through the Standards Fund.

## New Schools

- 13.11 Schools, which open in, or move into, completely new buildings, will receive no grant in the first three years (or one part and two full years, if opening other than at the start of a new financial year). This will apply regardless of the method by which the new school has been procured, be it traditional financing or through a Private Finance Initiative (PFI).

## Closing Schools

- 13.12 The Authority will agree with any school that is to close during the year whether formula capital is to be provided. It may, for example be appropriate to remedy defects in order to facilitate disposal of the site. If not needed, then the Authority may use the capital elsewhere for schools' capital priorities.

## Use of Capital Formula Grant

- 13.12 Expenditure must be of a capital nature. Grant must not be used for general maintenance, redecoration or day-to-day repairs. Operating leases in respect of equipment or facilities are not eligible for capital grant. Similarly, formula capital should not be used for the hire of temporary accommodation unless it is part of a larger project, which has a short term requirement to decant and it cannot be used to meet any periodic PFI charge since that is a charge to revenue.

13.13 The definition of capital in this context is based on the CIPFA Code of Practice on Local Authority Accounting.

#### Monitoring and Evaluation

13.14 LAs are required to verify the eligibility of all planned expenditure and to provide an estimate of the amount of grant to be carried forward to future years by the end of May respectively with a further revision in October of the year in which it is allocated.

13.14 Schools must therefore provide details to the LA of their plans for the use of formula capital in the first half of the summer term, and may not individually enter into commitments exceeding their devolved sum without the written permission of the LA subsequent to this information being evaluated.

## Appendix 1

### Template for a Register of Business Interests

Name and Position	Date Advised	Interest Disclosed	Nature of Potential Conflict
Sample Name Governor	1 <sup>st</sup> September 2019	Employee of Excel & Co Solicitors.	Employer is provider of legal services, specialising in the schools market.
Sample Name Head teacher	10 <sup>th</sup> September 2019	Governor at another school	The school is a Local Authority Maintained School (Name of School).
Sample Name Head teacher	10 <sup>th</sup> August 2019	Brother-in- Law is Director of Kleen Ltd	Kleen Ltd is a potential bidder for the school cleaning contract.

Note: Should include business interests and details of any other education establishments that they govern and also detail any relationships between school staff and members of the governing body.

See paragraph 2.9 on the Manchester Scheme for Financing Schools for further details.

## Appendix 2

### Template for a Register of Gifts & Hospitality

Name and Position	Date Advised	Nature of Benefit offered	Action	Reason
Sample Name Governor	21 <sup>st</sup> June 2019	Day at Aintree Races offered by Fixit plc	Declined	Fixit plc currently main contractor for school extension project. Offer obviously of significant value, corporate box, dining etc. Acceptance not considered appropriate.
Sample Name head teacher	20 <sup>th</sup> December 2019	Desk Diary and 2018 Calendar offered by Paperchase Ltd	Accepted	Paperchase Ltd. currently supplies the school with stationery and sundry office supplies. Value less than £15. Item appropriate to school operations
Sample Name head teacher	20 <sup>th</sup> December 2019	Bottle of Malt Whisky offered by Cater plc	Declined	Cater plc is current school catering contractor. Value less than £25. Item considered inappropriate

## Appendix 3

### Calculation Of Permitted Reserves

1. The Authority shall calculate by 31 May each year the value of balances, if any, held by each school as at the preceding 31 March. For this purpose these balances will be the 'recurrent balance' as defined in the Consistent Financial Reporting Framework.
2. The Authority shall then deduct from the resulting balance late grants that were received and not previously notified to the school in sufficient time in the financial year. The Authority will confirm to schools on an annual basis what grants are identified as late, and these will be excluded from any excess balance calculation. For example, for 2018/19 balances, the calculation would therefore exclude additional devolved formula capital and the supplementary free school meals grant announced and paid to schools late 2018/19.
3. If the remaining balance is greater than 5% of the current year's budget share (for Secondary schools) or 8% (for Primary and Special schools) or £10,000 (where that is greater than either percentage threshold), then the Authority will review how much of the amount above 5% or 8% has been held for more than 4 years.
4. The Authority will clawback balances above the allowable threshold that have been held for more than 2 years, at the percentage rate agreed by Schools Forum. This will apply to balances from the 31 March 2024.
5. If schools are unable to demonstrate sufficient robust plans to commit their current excess balance, clawback will be applied prior to the lapse of the allowable balance retention period of more than four years.
6. Funds deriving from sources other than the Authority will be taken into account in this calculation if paid into the budget share account of the school, whether under provisions in this scheme or otherwise.
7. Funds held in relation to a school's exercise of powers under S27 of the Education Act 2002 (community facilities) will not be taken into account unless added to the budget share surplus by the school as permitted by the Authority.
8. The total of any amounts deducted from schools' budget shares by the Authority under this provision are to be applied to the Schools Budget of the Authority.
9. Schools should continue to annually provide analysis of reserves to governors for approval and send to the Local Authority by the 7th June.

## Appendix 4

### Key Preparatory Tasks – Budget Monitoring

To ensure that monitoring reports provide a meaningful and realistic picture of the financial position of the School, there are certain key tasks that must be undertaken prior to producing the reports.

1. The budget figures held on the school's software must be checked for agreement with the latest approved budget together with any authorised amendments, and that all forms of income are treated as funding.
2. All virements agreed in accordance with the school's internal control procedures have been reflected.
3. The bank reconciliation up to the end of the reporting period has been done, and all discrepancies investigated and resolved.
4. All the payroll charges for the period have been posted in the correct period.
5. All invoices received and issued by the school have been processed in the correct period.
6. All cash receipts have been processed and in the correct period.
7. Any known significant / material financial consequences are included in the monitoring.

## Appendix 5

School name: Xxxxxxx

Budget Monitoring Report - Period 6 April 19 to September 19

### Explanation of Major Variances

Explanation of Major Variances - not mandatory

Please complete this section if you think this will be useful to the LA

### Analysis of Major Variations

Reasons for major variances between Budget to period and Actual Income/Expenditure to Period. (Schools - Monitoring Report Column D)

1	
2	
3	
4	
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10	Please insert more rows if necessary

Reasons for major variances between Revised Annual Budget and Projected Outturn. (Schools -Monitoring Report Column K)

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10	Please insert more rows if necessary

## Appendix 6

### Guidance on cash security

#### Accountability and security

##### Introduction

This guidance is intended to provide guidance to all members of staff involved in the cash handling process so that officers are fully aware of their responsibilities.

The significance of and adherence to proper cash handling procedures cannot be emphasised too highly. Not only does adherence to good practices reduce the risk to the School of monies going missing, adherence to these procedures also provides protection for individual members of staff against possible allegations of financial irregularities or suspicions of theft, should monies go missing.

One of the key principles underpinning sound financial control, insofar as cash handling is concerned, is that proper accountability should be maintained at all times for staff involved in the cash handling process. Ideally it should be possible, at any particular stage of the process, to establish which members of staff are responsible for accounting for monies under their control. Conversely, in the event that monies are found to be missing it should be possible to hold particular officers responsible for failing to account for the monies under their control.

Cash handling may take various forms. Generally it will involve the collection, receipting, reconciliation and banking of income but may also involve other areas of financial activity e.g. the use of floats, control of unofficial funds etc.

These guidance notes are concerned with general principles and standards of good practice that should underlie cash handling procedures - most of which are common sense measures, which most people would follow if they were dealing with their own finances.

##### Written Instructions

It is important that governing bodies develop detailed written instructions relating to cash handling duties so that members of staff have a clear understanding of their responsibilities. These instructions should pay due regard to the importance of the key principle of accountability. It needs to be made plain to staff that they are accountable for monies under their control and that they are responsible for ensuring that monies are held securely at all times. No other members of staff should have access to these monies - not even for brief periods. If members of staff need to leave their workstation they must lock monies away securely. Cash should never be left unattended, for however short a period of time.

Should monies be physically transferred between members of staff, the cash handed over should be checked at the time of the transfer and a discharge signature obtained from the receiving member of staff. During the hand over period, the monies should be checked and agreed in the presence of both members of staff.

## Accounting and Reconciliation

Members of staff should be required to account separately for income for which they are responsible. At the end of each day, cash must be reconciled to the income collected. Cheques, postal orders etc. should be listed and cash analysed over the respective denominations of bank notes and coins. These details must be recorded. A different member of staff should then verify that the total amount of monies collected agree with the income records. Any shortages or excesses should be investigated, with explanations fully recorded.

## Security of Cash and Use of Safes

The level of security that will need to be applied during the working day will depend upon the particular circumstances appertaining to each school, and needs to take into account the amounts of cash involved. If substantial amounts of monies are involved it may be necessary for monies to be transferred at intervals to a safe during the day. Clearly the degree of security offered by the layout of the premises will be a determining factor in making this assessment.

At schools where there are safes, other monies such as floats, imprests etc., should be kept in the safe when not in use. Additionally it may also be worthwhile considering keeping certain monies, such as floats, in a separate cash box within the safe. Keeping monies in separate cash boxes can enhance security, as access to the contents can be restricted to the key holders of the cash boxes.

Security is greatly enhanced when monies are kept in a safe and the practice of keeping cash in drawers, desks, filing cabinets etc. should be actively discouraged. When consideration is given to the fact that any losses will have to be funded from revenue, the provision of a safe may be seen as a cost effective measure for providing increased security. It should be noted that the Council's insurance does not provide any cover for cash that is not kept in a safe over-night.

## Key Holding

For security to be effective, proper control of keys to safes, cash boxes, etc. needs to be exercised at all times. Wherever possible specified members of staff should be made personally responsible for individual keys. Keys should be retained on the person of staff and a register should be kept of all key holders along with details of transfers of keys between holders.

Access to safes must always be restricted to members of staff responsible for safe keys and authorised key holders must not hand safe keys to other individuals to allow temporary access to safes, for however a short a period of time.

Good practice dictates that the number of keys and members of staff having access to safes etc. and their contents should be kept to a minimum. The number of available safe keys, however, needs to reflect operational requirements. Ideally there should only be two safe keys, but depending upon circumstances, it may prove necessary to have more than two safe keys. There should be sufficient keys available to ensure that all

staff with valid reasons for requiring access to a safe etc. has their own keys so that it is not necessary to constantly keep transferring safe keys between officers.

Under no circumstances should safe keys be left in drawers, cabinets etc. governing bodies are reminded that Financial Regulations require that safe keys are kept on the person of the responsible member of staff. Furthermore leaving safe keys on premises over-night invalidates the Council's insurance arrangements and therefore any failure to comply with the requirements of Financial Regulations may lead to disciplinary action being taken.

Should any safe keys be lost, the matter must be reported to the head teacher who must make arrangements for locks to be changed as soon as possible. No information relating to the premises or location of safes should be attached to safe keys. This precaution is necessary so as to act as a safeguard against lost keys falling in to the "wrong hands" and thus risking providing potential criminals with the opportunity for theft.

## Insurance

The Council's insurance policy includes general cover for monies (e.g. coins and banknotes, crossed and uncrossed cheques, postal orders, traveller's cheques and bank drafts etc.) held on premises outside business hours. The sums insured for any single loss of money are shown below.

- Money contained in any locked specified safe or locked specified strong room - as arranged with the Insurers.
- Money contained in any locked unspecified safe securely anchored down or secured in a cabinet or cupboard (excluding any wall safe) or contained in any locked unspecified strong room - £500.
- Money contained in any locked unspecified safe which is free standing and not securely anchored down or secured in a cabinet or cupboard (including any wall safe) - £500.

The Policy also covers the loss of money, in certain circumstances, which occurs during business hours both on and off premises.

However, it should be noted that the insurance cover of monies carried in transit outside the premises by Council employees is subject to the following numbers of able bodied adults carrying the cash who should remain with the money throughout: -

- Up to £2,500 1 person plus a mobile phone
- £2,500 - £5,000 2 persons with a dye discharge bag or 3 persons plus a mobile phone
- £5,000 - £7,500 3 persons with a dye discharge case plus an alarm and mobile phone
- £7,500 - £10,000 as above but with a transalarm
- £10,000 and over – Security company

In addition, it is important that governing bodies are aware of the limits for sums insured against loss, especially where the amount is specified in relation to particular safes or

strong rooms, and that they arrange for banking to be undertaken on a regular and frequent enough basis to ensure that those limits are not exceeded.

The Policy does not cover: -

- Any loss, destruction or damage arising from a safe or strong room being opened by the use of a key or combination code through the key or combination code having been left on the premises whilst closed for business purposes.
- Any loss, destruction or damage resulting from any vehicle being left unattended whilst being used for carrying money.

Specific queries regarding insurance matters should be addressed to the Insurance Manager.

In the event of any loss being discovered, the circumstances must be reported to the Internal Audit Section.

### Counterfeit Bank Notes

There may be a number of forged bank notes in general circulation at any one time and the City Council can incur losses through the acceptance of counterfeit bank notes. Counterfeit notes in circulation tend to be mainly £10 and £20 notes but staff should be aware that other denominations might also be found. This guidance note is intended to bring to the attention of staff with cash handling responsibilities some practical guidance in the detection of counterfeit bank notes, and the action to take if such notes are tendered or accepted as payment.

A number of simple checks are available, which can be carried out by staff when bank notes are tendered for payment and these are detailed in the leaflet issued by the Bank of England entitled "Take a Closer Look." Staff should make themselves familiar with contents of this leaflet and should exercise vigilance in the acceptance of bank notes presented in the course of their duties. All notes should be examined on presentation and only accepted when staff is satisfied that the tendered notes are genuine bank notes.

In the event of a counterfeit bank note being detected when it is being tendered for payment, the strict legal position is that the note should not be passed back to the person tendering it - the counterfeit note should be retained and the incident reported to the police. However, it is recognised that in certain circumstances the retention of counterfeit bank notes may cause some difficulties in dealing with customers and therefore staff may exercise discretion as to whether or not they insist on retaining any tendered counterfeit notes. In circumstances where counterfeit notes are passed back to customers it is not necessary to report these incidents to the police.

Receipts for payment should not be issued until bank notes have been examined and confirmed as being genuine, as identification of a counterfeit note after receipting will result in the School having to bear the loss.

If it is found that counterfeit bank notes been accepted then the following action must be taken:

- The member of staff concerned must report the incident to the head teacher.

- The counterfeit bank notes must not be banked or passed to a third party, as this is a criminal offence. They must be handed over to the Police. The School should report the matter to the police, hand over the counterfeit note to them and obtain a receipt.
- Income returns should clearly record the details with the value of the counterfeit notes being shown as an underbanking.
- The City Treasurer's Internal Audit Section should be notified of the circumstances of the incident as soon as possible. In addition, the governing body should be informed and a 'write-off' requested.

When incidents are reported to the police it is important that as much information as possible can be provided to help the police with their enquiries. A description of the person concerned, including any distinguishing features, should be noted as soon as possible and any other relevant information such as the personal details of the payee's account, i.e. name and address (where this information is available). If counterfeit notes are not detected until some time after the transactions have taken place then it will be necessary to check back through the records to see if it is possible to establish which account the payment was made in respect of.

## Appendix 7 Banking Arrangements

Arrangements will vary between schools for the banking of income collected. Some will bank more frequently than others and additionally some may use the services of security companies. Whatever practices are followed it is important that adequate procedures are in place to safeguard monies held on the premises pending either collection by security companies or banking by staff:

Manchester City Council has entered into a consortium contract with G4S plc for the collection of cash. City Council offices, centres and schools can opt into this contract under which G4S will collect and transport coins/notes/cheques from their premises to the required Delivery Point, the next working day after collection. A number of schools use this service. Schools which continue to bank their own cash are asked to consider the benefits in time saving and security which opting into this contract would yield. For collections of up to £7,500, the price per collection for schools £6.10. To arrange / change a service details are to be emailed to [procurement@manchester.gov.uk](mailto:procurement@manchester.gov.uk).

### Banking By Staff - Arrangements

All cheques, bankers orders, postal orders, or other similar instruments of payment accepted as payment should be made payable to the School and crossed "Account Payee Only". If, for any reason, such payments are received uncrossed, they should be crossed "Account Payee Only" immediately following receipt. This is to prevent the possibility of cheques etc. being subsequently negotiated to third parties or paid into any account other than the School's bank account. Compliance with this procedure should render cheques etc. valueless in the event of theft.

All monies received on behalf of the School should be paid without delay into the City Treasurer or the bank. No deductions should be made from such monies and personal cheques must not be cashed out of these monies.

Staff paying monies into banks must complete paying-in-slips and counterfoils. In addition to entering particulars of cash, all cheques details must be individually entered on both copies. Cheque details must include the name of the drawer, bank sort code and amount. If the number of cheques involved makes it impracticable to list them individually (on both the paying-in-slips and counterfoils) then it is acceptable for the total amount to be entered, provided appropriate supplementary records are kept.

Paying-in-slips should also contain appropriate income references to enable banking to be identified and cross-referenced on the bank statements.

### Collection Of Cash By Security Companies For Banking

Although procedures for recording and reconciling income to takings will vary between schools, it is important that, once these procedures have been completed and bank paying-in-slips prepared, the following measures are undertaken.

Two members of staff should be present when income is prepared for banking. The cheques and cash corresponding to the amounts entered on the paying-in-slip should be placed in one of the security company's appropriate cash collection bags and the bag sealed. If the make up of the cash to be banked requires that a separate sealed

bag be used for the coin, then a separate paying in slip should be completed for the coin. The seal numbers of all bags used should be recorded against the amount of money banked recorded in the cashbook straight away. The security company collection note should then be prepared and the seal numbers also recorded on this form. The sealed bag(s) must then be kept securely, pending collection by the security company.

Governing bodies are reminded that they are responsible for the care, custody and recording of assets under their control and for ensuring that adequate measures are in operation to provide effective security over all assets. This responsibility includes all income received and awaiting collection by the security company for transmission to the School's bankers.

Monies awaiting collection should be kept securely locked away, preferably in a safe or security cabinet. Two members of staff should be present when monies are locked away for safekeeping. It should be noted that Financial Regulations require governing bodies to ensure that adequate security is maintained over all keys to safes or other places where valuable assets are kept, and that wherever possible responsibility for individual keys should be given to specified members of staff, who should retain such keys on their person.

If for any reason, should it prove necessary to reopen a sealed collection bag, this may only be done by the member of staff responsible for reconciling the income and placing the monies in the bag ready for collection along with someone else. Under no circumstances is it permissible for any other person to open a sealed collection bag. The responsible member of staff must then place the removed banking in a new collection bag and then seal the bag. The new seal number and the signature of the officer must be entered on the Summary of Receipts to Bankings and the collection slip amended with details of the new seal number.

Under no circumstances should sealed security bags which remain uncollected be placed inside other collection bags.

On each occasion that the security company guard arrives to make a collection, the responsible member of staff must check the identity of the guard and ensure that the guard scans the location bar code at the entrance to the premises with his/her hand held scanner. It should be borne in mind, that whilst the guard may be recognised and may have been making collections on a regular basis, it is possible that he or she may no longer work for the security company. If there is any doubt that the guard is not bona fide, the guard's identity pass should be inspected and the details compared against the establishment's copy of the security company's authorised signature list. These lists are updated annually for changes and provide details of the names of guards, respective identity pass numbers and copies of specimen signatures. If still uncertain, the offices of the security company should be contacted to obtain verification that the guard is genuine. Under no circumstances should any money be handed to a security guard if there is any doubt about his/her authenticity. Only when members of staff are satisfied that the guard is genuine should any monies be handed over.

Before the bags are collected, the security guard should scan the bar codes on each of the bags to be collected and produce a receipt detailing the seal numbers of the bags,

the number of bags collected the collection location, and the ID number of the guard making the collection. Prior to the handing over any cash the member of staff responsible for the banking and the security guard must sign the receipt and the collection note.

In the event of any failure to make collections by the security company or the company turning up at wrong times, attempts should be made to resolve the problem by contacting the security company directly.

## Appendix 8

### Managing Outstanding Invoices

To avoid the risk of loss of income due to the school, it is recommended that a monitoring and recovery procedure be established, based on the guidance below.

1. A list of all invoices raised but not yet settled, sorted by due date should be maintained (Aged debtor analysis). This list should also contain details of uninvoiced debts – for example, school meals supplied without payment being received.
2. This list should be sub-totalled in groupings by date – as follows
  - 2.1. Debts less than 30 days overdue.
  - 2.2. Debts more than 30, but less than 60 days overdue.
  - 2.3. Debts more than 60 days overdue.
3. This structured list should be reviewed at least monthly by the head teacher and the Bursar, and action taken to recover outstanding debts. Prior to the review, the list should be updated to recognise any payments received. The recommended action is
  - 3.1. For debts overdue – the debtor should be contacted by telephone and payment requested.
  - 3.2. For debts more than 30 days overdue – a formal letter should be sent to the debtor requesting payment, and outlining possible further action – legal proceedings, interest charges.
  - 3.3. For debts more than 60 days overdue – a ‘final demand’ letter should be sent to the debtor giving notice of legal proceedings, interest penalties etc.
4. The action taken should be noted on the structured list, for consideration in subsequent reviews.
5. If as a result of intelligence gained in the course of telephone conversations or the exchange of correspondence, it is apparent that the debtor cannot be traced, or that for any legitimate reason, the debt is not likely to be recovered, then it should be written off.

## Appendix 9

### Accounting For Voluntary Funds

1. The method of keeping accounts should be as simple as possible. The minimum requirement is for a spreadsheet/cashbook to be kept recording every item of income and expenditure. For relatively small unofficial funds this may be kept in a single column format. For larger funds, or where there is a need for a detailed analysis of income and expenditure to be kept, separate columns will have to be incorporated.
2. For all entries it is essential that documentary evidence is available in support of all transactions. These will be required by the fund's auditors to enable transactions to be verified. In certain circumstances this documentation may also need to be made available for inspection by the City Treasurer's Internal Audit Section.
3. It is important that receipts are issued for income received. For certain types of fund raising activities e.g. raffles, jumble sales, sponsored walks etc., it is recommended that separate records are kept for these activities. It is acceptable for the total income figure raised from these activities to be entered, provided that independent records are kept by someone other than the person with responsibility for keeping the fund's accounting records. In these circumstances a receipt should be made out for the total sum of money handed over.
4. Wherever possible, invoices and/or receipts should be obtained and kept for all payments made. However, in the absence of invoices or receipts, a record of the payment should be made to include details of the amount, the date and what the payment relates to, and the payee's signature obtained, to confirm that the payment has been received.
5. Members of staff paying monies into a bank must complete bank paying-in-slips and counterfoils. In addition to entering particulars of cash, all cheques details must be individually entered on both copies. Cheque details must include the name of the drawer, bank sort code and amount.
6. Cheque stubs and paying-in counterfoils together with copies of all bank statements should be retained for audit purposes.
7. Based on the accounting entries, final accounts should be prepared as soon as possible after the end of each financial year. Normally this should be the 31st March. Final accounts will usually be prepared on a receipts and payments basis but they may be prepared on an income and expenditure basis if debtors or creditors are to be included.

8. Unless a detailed analysis of receipts and payments is kept, then at the year-end, all the transactions will need to be analysed and from this a statement of receipts and payments (or income and expenditure) prepared. As well as the revenue account it is also necessary for a balance sheet to be drawn up detailing all the assets and liabilities of the fund at the year-end.
9. All records relating to the fund should be retained at school. The audited accounts, signed by the auditors, together with the supporting documentation should be retained at the establishment for a minimum period of six complete financial years.
10. Schools are required to provide details of material (£1k+) purchases of assets from schools fund accounts and/or the value of funds to be used for the purchase of school assets as these should be recognised in the local authority's balance sheet.
11. A suggested format for the "Certification Form" is shown below.

Certification Form (Suggested format)

School Name \_\_\_\_\_

Certification of Unofficial Fund for the financial year ended 31 March 21

1. Title of Fund

\_\_\_\_\_

2. Name of Bank where the fund is held

\_\_\_\_\_

3. Branch address of Bank.

\_\_\_\_\_

4. Fund administered by:

Name and designation \_\_\_\_\_

5. Fund audited by:

Name and designation \_\_\_\_\_

Name and designation \_\_\_\_\_

6. This is to certify that in accordance with the City Council's Financial Regulations: -

- a. All accounting records and monies held in respect of this fund have been kept separately from official monies and accounting records.
- b. The monies and records belonging to the fund have been duly audited and found correct by persons not connected with the keeping of the fund's account.
- c. The audited statements of account for the fund have been publicly displayed and made available for inspection.

Signed \_\_\_\_\_ Date \_\_\_\_\_

Position \_\_\_\_\_

NB. This certificate should be returned to

\_\_\_\_\_

together with a copy of the audited statements of account as soon as possible after 31 March.

## Appendix 10

### Imprest Accounting

1. Imprests are sums of money held to enable small payments to be made outside of the School's standard system for the payment of creditors – for example a petty cash fund. As claims for reimbursement are made, the appropriate budget heading in the ledger is debited and the imprest account is topped up to its original level.
2. Thus the distinguishing feature of the imprest system is that, at any time, the financial records of the fund show that
  - Cash in hand
  - Plus  
The total value of expenditure vouchers (receipts, invoices etc) representing payments from the fund since the last reimbursement claim
  - Plus  
The value of any unprocessed reimbursement claims
  - Must equal  
The authorised value of the fund
3. If the fund has a separate bank account, then in the equation shown in paragraph 2, “Cash in Hand” will include any balance in the imprest.
4. Reimbursement of the petty cash fund fulfils two main functions:
  - 4.1. Petty Cash Expenditure is captured into the main ledger, and hence the School's financial statements
  - 4.2. The fund is returned to its full cash value

## Appendix 12

### Capital Project Loan Schemes

1. A Loan scheme is an ad-hoc financial arrangement between a School and the Authority. The Authority provides additional cash to the school for a specified purpose, and the school undertakes to repay the cash to the Authority over a specified period of time.
2. Interest will be charged annually on the outstanding balance of the loan at the Public Works Loan Board maturity Loan rates plus 0.5 %, ruling at the date the loan agreement is negotiated. The interest and principal to be repaid in equal instalments each month.
3. Typically, such a Loan will be sought to finance capital expenditure of an amount that is in excess of the School's ability to fund from accumulated capital reserves plus capital funding in the year in question. Also the nature of the expenditure would normally be such that failure to incur the expenditure would seriously jeopardise the School's ability to deliver the curriculum.
4. A Loan therefore is not additional funding and it must be used to finance a real additional expenditure, therefore it cannot be granted to finance a deficit budget.
5. Each Loan will be supported by a written agreement between the school and the Authority which specifies
  - The amount of the loan
  - The purpose of the loan (schools should provide suitable documentation to demonstrate that the criteria in paragraph 3 above are met)
  - The interest rate applying to the loan (see paragraph 2 above)
  - The repayment profile of the loan and interest thereon
6. The governing body will take the impact of repaying the loan and interest thereon, into account when formulating their budgets in future years.
7. Applications forms for a Capital Project Loan are available from the Head of Schools Finance.

## Appendix 13

### Risk Classifications

1. The Government's Audit Commission created a classification structure to assist in identifying the risks faced by Schools.
2. Risks may be characterised as STRATEGIC or OPERATIONAL.
3. Strategic Risks - These need to be taken into account in judgments about medium to long term goals and objectives of the School. Strategic risks include:
  - Political –associated with implementing government policy
  - Economic –affecting the schools ability to meet its financial commitments
  - Social –resulting from demographic and socio-economic trends
  - Technological –the school may not be able to keep pace with technological change and therefore fail to exploit opportunities or fail to provide pupils with good ICT skills
  - Legislative – failing to comply with new or existing national or European law
  - Environmental – arising from the environmental consequences of school pursuing its strategic objectives e.g. emissions, waste
  - Competitive – affecting the cost or quality of the school's activities
  - Customer/Citizen - related to failing to meet the current or changing needs of stakeholders
4. Operational Risks - These are the risks that are encountered by staff in the daily course of their work. They include:
  - Professional – related to the quality of education and welfare of pupils
  - Financial – leading to financial losses including the adequacy of insurance cover
  - Legal – related to non-compliance with legal requirements
  - Physical – related to fire, security, health and safety etc.
  - Contractual – leading to suppliers not providing the agreed level/quality of goods/services
  - Technological - related to technological failure
  - Environmental - arising from the environmental consequences of a schools day to day activities

## Appendix 14

### Asset Register – Format & Content

1. Depending on the size of the school and the number of assets to be registered, the Asset Register may be held on a software, or as a single document, or a linked series of documents held at for example, faculty level.
2. Sets of assets – for example, textbooks – whose loss may seriously affect the effective operation of the school, should be kept on the Register.
3. Schools may record additional bits of information, but it is recommended that, as a minimum, the following data is recorded on the Asset Register:
  - Unique Reference number – allowing identification and used on any security marking on the asset.
  - Description – including manufacturer's serial number if relevant.
  - Number of items – where the asset is a set of identical items.
  - Value – the original purchase price.
  - Location
  - Condition of asset
  - Date added to register
  - Date of last inventory check
  - Date removed from register (and appropriate approval)
4. To manage the regular check of the Register, a Stock Check Record should be produced with the following information:
  - Date of check
  - Unique Reference number
  - Registered Number and number counted
  - Location and Condition
  - Result of check – e.g. ticked as accounted for or incomplete or missing
  - Signature of person conducting the check

The completed Stock Check Record must be reviewed and appropriate investigations undertaken. On conclusion of these, the register must be updated and the stock check record retained.

5. A separate record of assets temporarily transferred from the school premises must be maintained, noting the reference number, the date of transfer, the person taking charge of the asset, the date of return and the name and signature of the person authorising the transfer. Any damage suffered while on loan should also be noted. This record should be retained for Audit purposes.