



Financial Handbook for Schools
And Schedule of Financial Delegation

Reviewed: March 2026

Review Due: March 2027

Hertfordshire County Council

1

Contents

Contacts 6

PART 1: FINANCIAL MANAGEMENT AND INTERNAL CONTROL	8
1.1 Governing body responsibilities.....	8
1.2 Register of Business Interests.....	9
1.3 Whistleblowing	9
1.4 Delegation of Governing Body responsibilities.....	10
1.5 Financial control features.....	10
1.6 Formal allocation of responsibilities.....	11
1.7 Organisation.....	11
1.8 Segregation of duties	11
1.9 Personnel.....	12
1.10 Authorisation and supervision.....	13
1.11 Secure and effective systems	13
1.12 Documentation	13
PART 2: FINANCIAL PLANNING AND BUDGET MONITORING.....	14
2.1 Financial Planning	14
2.2 Budget Monitoring	16
PART 3: FINANCIAL REPORTING TO THE AUTHORITY	18
3.1 Financial reporting	18
PART 4: AUDIT, INSPECTION AND FINANCIAL RECORDS.....	19
4.1 Audit and Inspection	19
4.2 Retention and Disposal of Financial Records	20 4.3
Audit and Inspection requirements.....	20 4.4
Internal Audit standards.....	21 4.5
Financial records.....	21 4.6
Controls over cheque stationery.....	22 4.7
Funding the Internal and External Audits	22 4.8
Internal Audit – intervals and scope	23 4.9
Internal Audit report and recommendations.....	23 4.10

External Audit	24
	2
4.11 Office for Standards in Education (Ofsted) inspections.....	24
PART 5: CONTROL OF ASSETS AND SECURITY	25
5.1 Security of Assets.....	25 5.2
Inventories.....	25 5.3
Disposal of Assets.....	26 5.4
Insurance	27 5.5
Computer Systems and the Data Protection Act 1998	28 5.6
Disposals.....	28 5.7
Cover provided by the Authority	29 5.8
Governors' liabilities and insurance of governors.....	32 PART
6: BANKING ARRANGEMENTS AND CASH HOLDINGS.....	33 6.1
Introduction.....	33 6.2
Bank Accounts.....	33 6.3
Authorised Signatories.....	34 6.4
Operation of bank accounts	35 6.5
Overdrafts and borrowing	36 6.6
Cash holdings (Petty Cash)	36 6.7
Internal controls and separation of duties.....	37 6.8
Banking arrangements for County Council funds.....	37 6.9
Corporate banking arrangements.....	38 6.10
Transfer of School Budget Share.....	38 6.11
Governors as authorised signatories	39 6.12
Additional Banking services for schools.....	40 6.13
Insurance cover for official funds	40 PART
7: PRIVATE AND VOLUNTARY FUNDS	41 7.1
Audit Requirements.....	41 7.2
Operation of Bank Accounts.....	42 7.3
Public and private funds.....	42 7.4
Internal Audit coverage.....	43 7.5
Other accounts.....	43
	3
PART 8: CAPITAL.....	44
8.1 Regulations and Guidance.....	44

PART 9: PURCHASING STRATEGIES, LEASING AND BEST VALUE	44
9.1 Purchasing Strategies.....	44 9.2
Leasing	45 9.3
Leasing of Equipment.....	45 9.4
Types of Lease.....	45 9.5
Finance Leases.....	46 9.6
Operating leases	46 9.7
Lease arrangements through County Supplies.....	46 PART
10: ORDERING OF GOODS AND SERVICES AND PAYMENT OF ACCOUNTS. 47	10.1
Ordering of Goods and Services.....	47 10.2
Delivery and Payment of Goods and Services.....	47 PART
11: INCOME.....	49 11.1
Collection and Treatment of Income	49 11.2
Charging for School Activities.....	49 11.3
Policies for Charging and Refunding Surpluses	49 11.4
Letting the school premises.....	50 11.5
Debt Recovery and Write-Offs.....	50 PART
12: VALUE ADDED TAX (VAT).....	51 12.1
VAT Information.....	51 PART
13: CONSTRUCTION INDUSTRY SCHEME (CIS).....	52 PART
14: PERSONNEL AND PAYROLL	52 Annex
A: Scope of the Internal Audit System	59 Annex
B: Audit and Independent Examination Clarification	61 Annex
C: Approved Annual Budget Return	62 Annex
D: Termly Returns and Revised Forecast Statement.....	63 Annex
E: End of Year Statement of Accounts.....	63 Annex
F: Reimbursement of travel expenses.....	67 Annex
G: Authorised Signatory Listing.....	69
	4
Annex H: Requirement for a payroll provider.....	71
Annex I: Pro Forma Audit Certificate	73
Annex J: Sample Pro Forma Invoice.....	74
Annex K: CFR Guidance	75
Annex L: IR35 “off payroll working legislation” - Employed or self-employed? .	102

Contacts

VAT	gary.elmes@hertfordshire.gov.uk	01992 555311
Schools Finance/Funding General Queries	csf.sfu@hertfordshire.gov.uk	01992 556402
Governance	Hdc.governors@hertsforlearning.co.uk	01438 843082
Budget Share & Financial modelling	csf.sfu@hertfordshire.gov.uk	01992 555881
Payroll	hrpayrollenquires@hertfordshire.gov.uk	01992 555000
Capital Finance Team	capital.finance@hertfordshire.gov.uk	01992 555365

Energy Management	energy.management@hertfordshire.gov.uk	01992 588184
CIS	payandreward@hertfordshire.gov.uk	
Herts Music	hdc.music@hertfordshire.gov.uk	01438 844851
Herts Catering (HCL)	hcl.finance@hertscatering.co.uk	01707 292500
Treasury Management	Herts.treasurymanagement@hertfordshire.gov.uk	01992 556594
SITTS	sitts.mis@herts.sch.uk	01438 844777
Audit – General Enquiries - Overseeing Audits	Alison.widdicombe@hertfordshire.gov.uk Sally-anne.pearcey@hertfordshire.gov.uk	01438 845520 01438 845516
Insurance	insurance@hertfordshire.gov.uk	01992 555480
Purchasing	csf.commissioning@hertfordshire.gov.uk	
Health & Safety	healthandsafety@hertfordshire.gov.uk	01992 556478

6

Building Management	bmtrequests@hertfordshire.gov.uk	
Financial Services for Schools (FSS) – SIMS Advice	fss.helpdesk@hertfordshire.gov.uk	01992 555753
Financial Services for Schools (FSS) – RM Advice	keys.fsshelphelpdesk@hertfordshire.gov.uk	01992 555713

7

PART 1: FINANCIAL MANAGEMENT AND INTERNAL CONTROL

1.1 Governing body responsibilities

1.1.1 The Governing Body must comply with the [Scheme for Financing Schools](#), Financial Regulations, standing orders and other relevant legislation.

1.1.2 The Governing Body must establish proper financial management arrangements and accounting procedures and maintain sound systems of internal control to minimise the risk of loss and fraud. In particular, these management arrangements must include an appropriate level of separation of duties. These arrangements must be documented and reviewed on a regular basis, and must comply with the Financial regulations contained in this Handbook. A record of the reviews must be maintained.

1.1.3 The Governing Body must ensure there are robust systems for identifying, controlling and monitoring all significant operational risks.

1.1.4 The Governing Body must establish and maintain the following documents:

- the roles and responsibilities of the Governing Body, its committees and other staff are clearly defined, formally allocated and documented in a schedule of financial delegation or similar document; this will include the financial limits of delegated authority and reporting requirements;
- the day-to-day responsibilities (basic tasks and checks) of those involved in finance related issues;
- A Register of Business Interests that will be open to inspection by governors, staff, parents, auditors and Ofsted inspectors.
- The Governing Body must review these documents on a regular basis and communicate all changes to all relevant personnel.

1.1.5 Governing Bodies in exercising their delegated financial responsibilities must comply with the following:

- national legislation
- directives from the European Community
- circulars from the Department for Education
- legislation related to Income Tax issued by the Her Majesty's Revenue and Customs (HMRC)

- value added tax directives from HMRC
- Construction Industry Scheme directives from the HMRC
- the Authority's:
 - Scheme for Financing Schools
 - Financial Regulations contained within this document.

8

1.2 Register of Business Interests

1.2.1 Governors have a duty at all times to act, and to be seen to act, impartially in relation to financial matters in the conduct of the school.

1.2.2 The Governing Body should establish and maintain a Register of Business Interests for the governors, Headteacher and staff that should be open to inspection by governors, staff, parents, auditors and Ofsted inspectors.

1.2.3 Governors and the Headteacher should sign a declaration to disclose and to identify any business/commercial/financial interests they, or their immediate family, have which might give rise to a potential conflict of interest, or to state that they have none. Other staff should be made aware of the existence of the register and their obligation to disclose any interests that could be seen to conflict with their role in the school.

1.2.4 The register should be held on the school site, as it forms part of the school records. It must be held securely.

1.3 Whistleblowing

1.3.1 Headteacher and Governing Bodies of schools should ensure that clear mechanisms are set up for dealing confidentially with allegations of malpractice. Staff should be able to raise their concerns properly and without risk of any detrimental treatment as a result of raising a concern. An effective system for raising concerns should include respect of staff confidentiality and an opportunity to raise concerns outside the line management structure.

1.3.2 Staff and school governors who wish to complain about financial management or financial impropriety at the school should report in the first instance to the Headteacher. Exceptionally, if they believe that the matter cannot be resolved in this way, they should report it direct to Shared Internal Audit Service, (01438 845502) postal address:

1st Floor Robertson House
Six Hills Way, Stevenage
SG12FQ

1.3.3 Each case will be investigated thoroughly, and the informant should be kept informed of the investigation and its likely timescale whilst ensuring that they are aware that the duty of confidentiality may restrict the provision of full details and any consequential disciplinary action.

1.3.4 For schools who buy the Herts for Learning School's Human Resources Advisory Service the Whistle Blowing Policy should be available in school and is published on the Hertfordshire Grid Further advice can be sought from the HR team (01438 844873).

9

Hertfordshire County Council also has a dedicated e mail address: whistle@hertfordshire.gov.uk

1.3.5 This guidance does not apply to Academies who will have their own Financial Handbook and procedures.

1.4 Delegation of Governing Body responsibilities

1.4.1 Subject to statutory limitations, the Governing Body should establish the limits of delegated authority. They should also define channels of reporting to the Governing Body and any subsidiary financial committee. Delegated authority should be recorded in a schedule of financial delegation or similar document.

It should cover:

- what responsibility is being delegated by the Governing Body
- to whom it is delegated (e.g., the Headteacher, committee or other responsible officer)
- any limits on the exercise of delegations
- any procedures for reporting on the exercise of delegation

1.4.2 Where any powers or duties are delegated, the governors still retain overall responsibility for them. It is an overriding requirement that the governors ensure their approach to delegation

provides for an effective system of financial management in the school.

1.4.3 Some powers cannot be delegated. In particular the Governing Body must approve the budget for the year, year-end accounts, and the governors have an individual and a joint responsibility to report any possible deficit to the Assistant Director (Finance). The Governing Body **are not** permitted to delegate power to approve accounts at year-end.

1.5 Financial control features

1.5.1 The basic control features, which each area of financial administration should contain, are:

- the responsibilities of the Governing Body and school personnel should be clearly defined, allocated, documented and communicated
- there should be a clear organisational structure with identified lines of reporting for all operations
- duties must be properly allocated to individuals whose capabilities match the tasks assigned to them
- levels of authorisation and supervision by responsible persons, of transactions with financial implications, should be specified, documented and communicated to relevant staff
- the financial arrangements should ensure that all systems are effective and secure
- all aspects of the financial arrangements should be fully and properly documented

10

1.6 Formal allocation of responsibilities

1.6.1 The Governing Body should be involved in and aware of the internal controls used in the school and satisfied with the adequacy of those controls and that they are being complied with. This should take the form of written directions and must be reviewed at regular intervals. The Governing Body may wish to nominate one member to oversee this task.

1.7 Organisation

1.7.1 The Governing Body must document its own organisational structure and those of its committees, the Headteacher and other staff involved in the administration and management of school finances. There should be clearly defined and properly used channels of reporting to the Governing Body and any subsidiary financial committee. Management can be sharper if any delegation of budgets follows the organisational structure.

1.7.2 The organisation of the school should encourage regular interaction between those making financial decisions and those affected by them. There should be prompt exchange of information to support decision-making on a sound and timely basis.

1.7.3 Documentation of systems, procedures, duties and responsibilities should be accessible and will form a guide on best practice in order to maintain standards.

1.7.4 This Handbook forms a part of the school's financial procedures and should be accessible to staff, Headteacher and governors with financial responsibilities.

1.8 Segregation of duties

1.8.1 Segregation of duties reduces the risk of error or intentional manipulation of financial figures. Suitable checks can be built into the key financial procedures in a school in this way. Functions that should be separated include those of:

- Authorisation
- Execution
- Custody
- Recording
- in the case of a computer-based accounting systems, the responsibility for system development should be separated from the operation of the system
- further separation of duties for computer-based accounting systems may be achieved by use of access profiles

1.8.2 The Headteacher is responsible to the Governing Body for distributing the duties of staff concerned with financial transactions. As far as possible these should be distributed so that at

11

least two people are involved with both receipts and payments. The work of one person then acts as a check on the work of the other. All such checks should be documented when carried out.

1.8.3 The duty of providing information, calculating, checking and recording money due to or from the school should, as far as possible, be separated from the duty of collecting or paying out money.

1.8.4 In some schools, where it is not possible to have full separation of all responsibilities, the Governing Body should satisfy itself that there is adequate segregation and that spot checks are in place to ensure that the risk of error or fraud is minimised.

1.8.5 The basic staff tasks and checks may be recorded in a document entitled, for example, 'Staff Responsibilities and Duties'. It should cover:

- the duties of staff, recording **who** is responsible for individual tasks; who will receive the results; the levels at which responsibilities will change
- method, stating **how** the tasks are to be carried out; and how completion is to be recorded
- purpose, explaining why the tasks are necessary; and what should be achieved on their completion
 - timing and frequency, stating when the tasks should be carried out. For example, weekly, monthly, annually, on specified dates, or whenever specific activities or processes occur.

1.9 Personnel

1.9.1 The Governing Body must establish procedures to ensure that:

- personnel are competent, suitably qualified and trained to perform at a level commensurate with their responsibilities
- clear statements of the criteria for personnel selection and formal job descriptions are maintained
- the staffing levels of finance personnel are adequate
- there are effective arrangements to deal with the absence of key financial personnel

1.9.2 The Governing Body should consider carefully what sort of financial expertise it needs to support the work of the Headteacher and administrative staff.

1.9.3 It is vital that the Governing Body considers very carefully the development of financial expertise available to it as an area of high priority.

12

1.10 Authorisation and supervision

1.10.1 All transactions should require authorisation or approval by an appropriately responsible person. The types and limits of these authorisations should be specified in the allocation of responsibilities to the Headteacher and other school personnel.

1.10.2 Any system of internal control should include arrangements for the supervision of day-to-day transactions. All transactions and the supervision and checks must be recorded.

1.11 Secure and effective systems

1.11.1 The school needs effective procedures. They must be designed to ensure that all transactions are accurately recorded and reported against plans and budgets.

1.11.2 All financial transactions must be traceable from the original documentation to the accounting records and vice versa.

1.11.3 Only authorised staff should be permitted access to the accounting record, and it must be secured when not in use.

1.11.4 Alterations to any original documents such as cheques, invoices, orders and other vouchers must be signed, authorised and made clearly in ink or other permanent form. The use of correcting fluid or the erasure of information is not acceptable.

1.11.5 The school must hold accounting records securely. Vouchers or other documents relating to the financial transactions of the school must not be destroyed except in accordance with arrangements approved by the Authority.

1.12 Documentation

1.12.1 All financial procedures and business transactions should be documented.

Documentation should cover areas such as:

- accounting systems
- key financial decisions of the Governing Body
- computer systems
- operating procedure
- security of personnel and payroll data
- security systems
- individual duties and responsibilities

1.12.2 Schools must document procedures as they are evolving, thereby developing a useful and workable set of instructions. Documents should be kept in a secure location. They should include the following:

- Individual job descriptions setting out clearly the defined levels of financial responsibility and the segregation of duties. These documents should cover the Headteacher, bursar and all others involved in the financial management of the school, including their relationship with the Governing Body.
- Job procedures stating **why** specific tasks are needed and their place in the school's meeting its overall financial management objectives.
- Job instructions, giving step-by-step instructions on the execution of tasks. They should indicate frequency, the segregation of duties and the levels of authorisation required.
- Systems procedures, giving clear step-by-step procedures on the operation and use of systems and security arrangements.

PART 2: FINANCIAL PLANNING AND BUDGET MONITORING

2.1 Financial Planning

2.1.1 Financial planning must reflect the school's intention towards the provision of the curriculum, to include provision of staff and educational equipment and the development and maintenance of the school site. The annual budget plan should reflect the financial objectives of the school and will incorporate all areas of influence affecting the operation of the school, including the School Development Plan.

2.1.2 It is a plan that informs and empowers spending decisions and facilitates the achievement of the school's educational aims. Budget planning is an important part of school strategic planning processes, and only the Full Governing body should approve the schools budget.

2.1.3 Schools must ensure that they are securing value for money and acting within the Financial Regulations of the Authority and The Scheme for Financing Schools. In schools, 'value for money' means achieving the best education for children in relation to budget spent on the school.

2.1.4 It is imperative to ensure that the school is sustainable and solvent with resources being used efficiently to meet the objectives of the school. They must also ensure that the reporting of the schools' financial position is accurate, timely and transparent.

2.1.5 Schools budgets should contain a small contingency to allow for the unexpected. Governors should as part of their scrutiny work consider whether their school's balance is at an appropriate level to provide a contingency to support for the unexpected / unplanned repair work, maternity costs etc.

2.1.6 A good budget lowers the risk of financial crisis in the year, hence, the school is more likely to be able to fund its planned activities and less likely to spend valuable teaching and management time responding to funding shortages.

2.1.7 There should be annual and multi-year budgets. An annual budget is an absolute requirement as part of the local authority's own budgeting arrangements. Ideally, these annual budgets for the school will be prepared in the context of a longer term financial plan covering at least three years that takes account of issues in the School Development Plan (SDP), including

- Forecast pupil numbers, likely staffing profile etc.
- Longer-term improvement and development aspirations

2.1.8 In this way the longer term financial plan or budget can help to demonstrate the sustainability of the SDP, and make effective use of its resources.

2.1.9 The Local Authority will maintain the Scheme for Financing Schools that sets out the framework for the financial relationship between us and our maintained schools. The Scheme includes procedures for maintaining effective financial management, securing value for money and providing financial information to the local authority.

Under the Scheme, a local authority's responsibilities are:

- reviewing schools' budget plans;
- carrying out high level monitoring of school budgets;
- agreeing a deficit reduction programme with schools in deficit;
- challenging excess surplus balances held by schools without good reason

2.1.10 Benchmarking and management information should be used to understand and challenge the impact of local spending decisions on agreed educational targets. A number of tools are available to support schools in benchmarking activities. The Authority produces management information for schools in the form of an individual school profile, which can be compared, on a countywide basis with schools within the relevant benchmarking group.

The Comparative Budget Share Data Tool can be found under the Business Information Services on the 'School Admin' page on the Grid:

[Comparative Budget Share Data \(Password Required\)](#)

2.1.11 There are three strands of funding for schools which come from:

- The Schools Block
- High Needs Block

Schools will be notified of their Schools Block funding by the last working day of February, prior to each financial year. They will be informed of the High Needs Block funding and Early Years Block funding by the last working day of March.

- 2.1.12 The amount available for planned expenditure in the year is the notified budget share, adjusted for any surplus or deficit carried forward from the previous year, plus earmarked funds and any additional income that accrues to the school., The Authorities deadline for Approved Budget Returns (ABR) is 31st May each year. Please see [Annex C](#) Hertfordshire's Scheme for Financing Schools detailed funding framework on which the Budget Share is based.
- 2.1.13 The Governing Body cannot budget for a deficit and must act during the year to prevent deficits occurring. If, exceptionally, a deficit does occur, the school must notify the School Finance team immediately. Any deficit will be carried forward to the following year, thus reducing the resources available for spending in that year.
- 2.1.14 Excessive balances and normal maximum levels for schools to hold, known as Balance Control Mechanism (BCM) details can be located [here](#) and are also detailed in the scheme for financing schools.
- 2.1.15 The total net expenditure shown in the approved budget must be contained within the amount available for planned expenditure and be used solely for educational purposes related to the school and solely for the pupils on roll.
- 2.1.16 A Schools financial value standard (SFVS) statement must be returned to SIAS@hertfordshire.gov.uk by mid-April (dates and details are available on the GRID [here](#)).
- 2.1.17 The Governing Body must ensure that funds devolved to the school on an earmarked basis are used only for the purposes given. The Authority will recover funds that are not spent for the purposes prescribed or not spent in-year. All earmarked funds must be reported when requested by the Authority.
- 2.1.18 Hertfordshire County Council requires the Schools Governing Body to submit an Annual Approved Budget,(for the period 1st April – 31st March), via the Solero system, to the School Finance Team by 31st May each year. [Annex C](#) of this handbook provides details, and should be completed with consideration to the Published Budget Setting Guidance found on Hertfordshire GRID for Learning (The GRID).

2.2 Budget Monitoring

- 2.2.1 Effective budget monitoring provides vital information about spending patterns that help management to make realistic forecasts of year-end under or overspend. Good financial management in schools is about keeping track of where the money is coming from and where it has gone.

2.2.2 It is essential to monitor the budget closely because:

- The school may raise/earn or receive more funding during the year than was budgeted for. Through effective monitoring of the budget, the school will be aware of this and will then be able to reconsider some requests for additional expenditure which were put on hold originally
- Unexpected expenditure may occur, e.g. building works in the summer may overrun budget, or additional members of staff may be required. Good monitoring of the budget will enable this to be identified and management can readjust future spending plans to avoid overspending
- There may be a shortfall in expected income from, for example, lettings or bank interest, or because the pupil roll is lower than forecast. Good monitoring of the budget will enable this to be identified and management can readjust future spending plans to avoid overspending.

2.2.3 The Governing Body must make arrangements to ensure that there is an adequate process for monitoring and controlling actual expenditure and income against the approved budget. Governors and SLT should review the budget monitoring reports at least termly, to consider the forecast over and under spends and take the action necessary to ensure the actual net expenditure out turn is affordable, given the schools resource levels.

2.2.4 Budget reports should be easy to understand in a format that can be generated from base financial records. Governors and managers will review the information and take appropriate actions to ensure that net spending remains within the available budget.

A school that is well managed financially will report different levels of detail, with a suitable narrative explanation to different users, explaining reasons for variations.

Minutes of the meetings should record all decisions and responsibility for actions to be taken.

2.2.5 Budget Monitoring is a continuous process, and the success of this activity is reliant on the production of regular reports that are timely and accurate. Governing bodies should consider the following when reviewing Budget Monitoring information:

- Variances (and accompanying explanations)
- The completeness of the information
- Perfection of commitments and liabilities
- Earmarked income
- Full costs of projections

2.2.6 The Governing body should ensure that all budget monitoring activity is evidenced in the minutes of the relevant committee.

2.2.7 For any “cheque book” school with its own bank account, managing its cash flow should be part of the monthly financial management procedures and completed as part of the month end close down process.

2.2.8 The Governing Body must ensure that any changes to spending plans do not exceed available

resources. Adjustments must be made to the budget plan to ensure that a deficit does not occur.

2.2.9 The Governing Body must immediately notify the School Finance Team if the school anticipates ending the year in a deficit position.

2.2.10 Where a school carries forward significant surplus excess balances, the Authority will request from the Governing Body a report setting out the purposes of the balances. Hertfordshire County Council has a Balance Control Mechanism which is published in the scheme for financing schools, where an initial investigation into high balances of 15% plus will be triggered after 3 consecutive years.

2.2.11 The Authority may charge the school's budget for costs incurred as a result of governors' actions or failure to act. Section 6 of the *Scheme for Financing Schools* sets out the conditions under which a charge will be made against the school's budget.

2.2.12 Hertfordshire County Council requires that termly returns are submitted to the Authority using the Solero system; details are included in [Annex D](#) of this Handbook.

PART 3: FINANCIAL REPORTING TO THE AUTHORITY

3.1 Financial reporting

3.1.1 Hertfordshire County Council has to account for the expenditure incurred by maintained schools for the delegated budget that they have received. The Authority must publish these accounts and have them audited by external bodies. For this reason, systems of financial reporting and controls have been put in place that applies to our maintained schools.

3.1.2 Schools are required to submit financial statements to the Authority 4 times a year and are shown below, returns must comply to the Consistent Financial Returns (CFR) Guidance found in [Annex K](#)

- ❖ Approved Budget Return [Annex C](#)
- ❖ Summer Term Termly Forecast Submission [Annex D](#)
- ❖ Autumn Term Termly Forecast Submission [Annex D](#)
- ❖ Year End Statements of Accounts [Annex E](#)

3.1.3 The Governing Body must ensure that financial returns are submitted to the School Finance Team within Herts Finance, within the prescribed timescales, which are published and are currently:

Return	Period Covered	Submission Deadline
Approved Budget Return	1 st April – 31 st March	31 st May

18

Summer Term	1 st April – 31 st August	15 th October
Autumn Term	1 st April – 31 st December	15 th February

Year End	1 st April – 31 st March	This will be published as part of the Year End Financial Guidance Please see Annex E for full details.
----------	--	--

Governing bodies are directly responsible for the financial stewardship of their schools ensuring effective monitoring cycles are in place. The reporting cycle above is the reporting requirements of the authority, and schools should consider additional monitoring arrangements locally as part of the Governance.

3.1.4 Failure to provide financial returns by the specified deadlines will be considered a breach of the Authority’s provisions contained in the Scheme for Financing Schools. In these cases: • the Authority will send a reminder to the Governing Body and Headteacher

- four weeks after the deadline, the School Finance Team may make arrangements for the financial returns to be prepared; the cost incurred will be charged to the school's budget
- Persistent failure to provide financial returns may result in the initiation of an internal audit of the school and, depending on the Head of Assurance services recommendation, the withdrawal of delegation.

3.1.5 Financial returns must be prepared in accordance with the accounting principles, policies and practices of the County Council, details are included in published financial documentation. • Budget Setting Guidance
• Year End Financial Guidance

3.1.6 The form and content of financial returns are specified in [Annex D](#) of this Handbook. The Authority will amend these from time to time, as is necessary for the Authority’s reporting requirements. Instructions on how to upload Termly Returns can be found [here](#)

3.1.7 In addition to the specified financial returns, the school must provide any additional information regarding its accounts and its financial transactions that is requested by the School Finance Team or the Authority’s auditors.

PART 4: AUDIT, INSPECTION AND FINANCIAL RECORDS

4.1 Audit and Inspection

4.1.1 The school **must** give access to internal and external auditors, Registered Inspectors or their inspection teams and Her Majesty’s Revenue and Customs for the purposes of audit or inspection.

19

They have the right of access to all such documents and assets that they consider necessary to carry out the audit or inspection.

4.1.2 Where a school has payroll arrangements other than with the County Council’s payroll agent, then provision must be made within the contract to allow access by the Authority’s auditors to relevant records held by the bureau to enable the auditors to complete their enquiries effectively.

4.1.3 The Governing Body and school staff must provide the auditors and inspectors with any explanations the latter consider necessary in the performance of their duties.

4.1.4 The Governing Body must consider any recommendations in audit or inspection reports. The Governing Body must ensure that any such reports are responded to promptly and any resulting action to be taken by the school is implemented.

4.1.5 The Headteacher or the Governing Body must immediately notify the Director of Children's Services of any suspected irregularity. The Director will immediately inform the Counter Fraud Manager. This requirement also applies where the irregularity is suspected or discovered by any other auditors engaged by the school, or if an irregularity is suspected or discovered in any other account under the control of the governors.

4.2 Retention and Disposal of Financial Records

4.2.1 The Governing Body **must** ensure that security arrangements for financial records will safeguard the documents against loss, destruction or unauthorised alteration. This will apply to documents that are paper based, held on computer files or other non-paper media.

4.2.2 The Headteacher must ensure that all records are filed, stored and accessible and are readily available for inspection.

4.2.3 Financial Records must be retained for six financial years in addition to the current financial year.

4.2.4 For HCC sites which don't have confidential waste collection and disposal contracts, any sensitive data which is due for destruction should be shredded to an acceptable size before disposal through normal waste collection.

Shredders which meet the DIN standard for level 3 or 4 are advisable for this purpose.

4.3 Audit and Inspection requirements

4.3.1 The *Scheme for Financing Schools* incorporates a requirement for there to be an internal and external audit of locally managed schools. The accounts of schools with delegated budgets are subject to routine internal audit and should also be available for inspection as necessary by the Authority's external auditors.

4.3.2 The role of internal audit includes:

- the assessment of the adequacy of a school's stewardship of public funds; they will achieve this by reviewing compliance with the Department for Education's Schools Financial Value Standard, standards of financial administration contained in this Handbook, in the County Council's financial regulations and standing orders, and in the school's own internal control arrangements
- identifying scope to improve value for money

4.3.3 The investigation of fraud and financial irregularities is the responsibility of the Shared Anti-Fraud Service.

4.3.4 The role of the Authority's external auditors is to certify the County Council's accounts (of which schools' accounts form a part) and grant claims, to assess the adequacy of internal controls and compliance with those controls, and to assess the achievement of value for money.

4.3.5 Auditors have wide ranging experience in financial management, computer security, contract procedures and the achievement of value for money. Schools can take advantage of this by asking for advice in such areas. Where significant input is required this is a chargeable service.

4.3.6 Inspections of schools by Ofsted will also include financial matters. Inspectors may request copies of auditors' reports to facilitate their work.

4.4 Internal Audit standards

4.4.1 The Internal Audit service provided by the Shared Internal Audit Service complies with the Public Sector Internal Audit Standards (PSIAS).

4.5 Financial records

4.5.1 Schools should ensure that their accounts, financial reports and statements are kept up to date and see that all documents and records are maintained in a logical and organised manner that supports the accounts.

4.5.2 Properly organised and referenced financial records reduce the scope for omission and error. They also promote efficient procedures, and facilitate audit or inspection of the accounts and financial records.

4.5.3 It is important that schools maintain the 'audit trail' within the accounts and financial records. This shows which members of staff have authorised, recorded and checked a particular transaction or accounting entry and all the records that relate to it. The audit trail should allow every entry in the accounts to be traced back to the records that support it and *vice versa*.

21

4.6 Controls over cheque stationery

4.6.1 Where schools use 'printer cheque stationery' (as opposed to conventional cheque-books) certain controls should be in place to ensure adequate security over the blank cheques.

- Cheques should be ordered only by members of staff authorised to do so (the stationery supplier should be instructed in writing to accept orders only from these persons). Orders should be placed in writing specifying the number of blank cheques to be supplied.
- When delivered, the cheques should be compared to the order to confirm the number of blank cheques supplied, and to record the cheque number range. While it is unnecessary to count the number of cheques, it is recommended that a few spot checks are made, to confirm that the sequence of numbers is continuous.

- The cheque number range should be recorded in a log, and blank cheques should be stored securely, ideally in a safe. Access should be strictly limited to appropriate personnel.
- When cheques are issued for payment runs, the cheque log should be completed and signed by the person(s) removing the cheques from their secure storage and the person(s) accepting them for use in the payment run (where different).
- The number of cheques issued should be reconciled to the number used in every payment run. Any void, spoilt or cancelled cheques must be accounted for (these should be stored securely and not disposed of). These cheques must also be clearly marked as cancelled to prevent the possibility of their subsequent use.

4.6.2 It is essential that there is adequate separation of duties within the procedures described above. It is preferable that an individual does not order blank cheques, account for them on receipt and have access to them. If any individual responsible for preparing payments (in the absence of an effective internal in that function), is also responsible for the performance of bank reconciliations, then the identification of an error or illegitimate payment would be dependent upon budget monitoring or the vigilance of the cheque signatory.

4.7 Funding the Internal and External Audits

4.7.1 Both Internal and External Audit are statutory. As such, both services are centrally funded. Schools do not have to make their own arrangements for the audit of their accounts. However, a school may, in addition, engage private firms to undertake external audits at the school's own expense. Schools who arrange additional audit services will still be subject to routine internal audit.

4.7.2 Funding for Ofsted Inspections is held by Her Majesty's Chief Inspector of Schools, and inspections are awarded to Registered Inspectors on the basis of competitive tender.

22

4.8 Internal Audit – intervals and scope

4.8.1 The timing of schools audits is outlined in the Internal Audit Strategy for School audit. The Strategy has been agreed both by HCC and the School's Forum. The strategy allows for additional audit visits to be made should the standard of financial administration at a school falls below a certain level, or carries certain risks.

4.8.2 The Headteacher is notified in advance in writing that an internal audit is to take place. Dates and times will have been verbally confirmed with the school prior to this.

4.9 Internal Audit report and recommendations

4.9.1 At the close of the audit, a verbal report will be made by the auditor(s) to the Headteacher, Finance Officer and any members of the Governing Body who wish to attend, on the findings from the audit testing. This will give the school an opportunity to clarify any queries or issues raised by the auditor, to ensure that the report correctly reflects the systems operated by the school.

4.9.2 Every audit results in a written report. It is management's responsibility to ensure that internal

audit recommendations are addressed, and it is therefore to the Headteacher that the report is issued in the first instance.

4.9.3 The Headteacher will be requested to respond to the factual accuracy of the report and the recommendations set out in it within two weeks of the date of issue. The response should detail what action the school proposes to take on the recommendations made, together with a date for implementation.

4.9.4 Once a response is received, a copy of the report, including the Headteacher's response, will be sent to the Chair of Governors and the Chair of the Finance/ Resources Committee for information. However, if the response requires any significant amendments to be made to the report, the Headteacher will see a copy of the amended version prior to it being issued to the Governors. The report will recommend that it is placed on the next agenda of the Governing Body.

4.9.5 If a response is not received from the Headteacher, then, following reminders, the report will be issued as a final report to the Chair of Governors advising them that as no response has been received the school is deemed to have agreed the report's recommendations.

4.9.6 Internal Audit also ensures that Chief Officers are all kept apprised of the overall findings of school audits.

4.9.7 [Annex A](#) provides further details on the scope of the internal audit system.

23

4.10 External Audit

4.10.1 The main role of an external audit is to certify the County Council's accounts and grant claims, to assess the adequacy of internal controls and compliance with those controls, and to assess the achievement of value for money.

4.10.2 Generally speaking, the External Audit will assess the reliance it can place on the Internal Audit Service to avoid duplication of effort, and will not therefore engage significantly in the inspection of an individual school's accounts.

4.11 Office for Standards in Education (Ofsted) inspections

4.11.1 Ofsted is a non-ministerial government department established in September 1992, following the enactment of the Education (Schools) Act 1992. The scope of Ofsted inspections in relation to the financial matters of a school is contained in the Ofsted publication [School Inspection Handbook](#).

PART 5: CONTROL OF ASSETS AND SECURITY

5.1 Security of Assets

- 5.1.1 The Governing Body **must** ensure that assets such as land, buildings, plant, etc. are managed properly and are safeguarded against misuse, theft and undue deterioration.
- 5.1.2 The Governing Body is responsible for the safe custody of stocks, stores, cash and valuables at the school and in transit. All moveable property must, wherever possible, be marked as school property.
- 5.1.3 The Governing Body must ensure holdings of cash are kept to the minimum necessary for efficient administration and do not exceed the insurance limit for the safe/drawer in which they are held.
- 5.1.4 The Head teacher is responsible to the Governing Body for the safe custody and control of cash and other property belonging to the school.
- 5.1.5 The Head teacher should ensure that stocks are maintained at reasonable levels and subject to a regular, independent physical check. A stock record should be kept where this is appropriate.

5.1.6 The Governing Body must ensure that private property held by the school on behalf of individuals is safeguarded.

5.1.7 Thefts **must** be reported to the school's insurance provider, the Counter Fraud Manager, and the Police and a crime number obtained.

5.2 Inventories

5.2.1 The Governing Body **must** ensure that inventories are maintained of the school's moveable non capital assets with a value in excess of £1,000 including serial number where appropriate. Such items should be identified with security markings stating that they belong to the school. There should be a routine procedure to add newly acquired items to this inventory. Schools are free to determine their own arrangements for keeping a register of assets worth less than £1,000.

5.2.2 The Governing Body must ensure that inventories are stored securely, are kept up to date and checked at least annually. Inventories must be certified and dated to record the annual check. A second copy of the inventory should be retained away from the school site. Any discrepancies should be investigated and pursued to a satisfactory conclusion. The Headteacher should report to the Governing Body discrepancies over a predetermined sum as defined in the schedule of financial delegation.

25

5.2.3 Whenever school property, e.g. musical instruments or computers, is taken off the school site a separate record should be set up and it should be signed and noted accordingly.

5.2.4 All inventories **must** be available for inspection by SIAS and authorised officers within the County Council.

5.2.5 In addition to the inventory, schools are required to keep a capital Asset Register. A school may keep a single record as long as it distinguishes capital assets, and meets both inventory and asset register requirements.

5.2.6 Electrical equipment or appliances, including computer equipment, should have their specification and serial numbers recorded in the inventory. In the case of computers, the monitors and peripheral equipment (printers, scanners, plotters, speakers, etc.) should be separately recorded with their individual serial numbers. Switches should have their manufacturer and model details recorded and, if possible, serial numbers recorded too.

Caution: Do not move switches to find the serial numbers without the assistance of your IT support provider.

5.2.7 Entries for computer software packages held locally (that is; not web based) should specify the names of packages and version or release numbers (these will be printed on the box and/or instructions book and/or the DVD/CD label); the number of software disks included in it must be recorded. For example:

Database, Version 2.5: 1 system DVD/CD

Mice, keyboards, CDs etc. should be regarded as consumables and need not be recorded.

5.3 Disposal of Assets

5.3.1 Governors cannot dispose of land and buildings; however, the Schools Incentive Scheme may allow a Governing Body to take a share of the proceeds of such a sale under exceptional circumstances. Further details on this scheme can be found

<https://www.gov.uk/government/publications/protection-of-school-playing-fields-and-public-land-advice>

5.3.2 The Governing Body **must** authorise all write-offs and disposals of surplus stocks and equipment with a residual value above £500. The disposal of all items above a predetermined value set by the Governing Body should be subject to competitive quotations.

26

5.3.3 The Governing Body must ensure that any disposal of school assets is made at the best obtainable price and the funds re-deposited in the school's budget share bank account.

5.3.4 The Governing Body must ensure that VAT is charged, where appropriate, on any proceeds from the sale or disposal of school property.

5.3.5 The Governing Body must ensure that disposal of school property is recorded in the inventory. The entry should include full details of the disposal including authority, reason and method of disposal and, where appropriate, sale proceeds.

5.4 Insurance

5.4.1 Schools, like any other organisation are exposed to various types of risk as they go about their daily business. The main areas of risk for schools are those relating to legal liability to staff and third parties, and to property.

5.4.2 Insurance does not prevent loss and is not a substitute for risk management. Advice on risk management is contained within the Children, Schools and Families Department's *Premises and Sites Manual* which is accessible from www.thegrid.org.uk/info/healthandsafety.

5.4.3 The guidance in sections 5.7 summarises policies provided as standard to those schools subscribing to the County Council's scheme.

5.4.4 The Governing Body **must** demonstrate that an insurance policy is arranged for property and liability insurance. The policy must cover the Authority's insurable interests, and it must be at least as good as the relevant minimum cover offered by the Authority.

5.4.5 The Governing Body must liaise with the County Council or the school's insurance agents to review all risks annually to ensure that the sums insured are commensurate with risks. The review will include alterations affecting existing insurance as well as new risks, property, equipment and vehicles.

5.4.6 Schools should not provide an indemnity to a third party without the written consent of their insurers, the County Council or their agent.

5.4.7 The Headteacher must immediately inform its insurers, the County Council or their agent of all losses, accidents and other incidents which give rise to an insurance claim. No admission of fault or liability should ever be made by an employee of the County Council to a third party.

5.4.8 In the event of a claim, the Headteacher must provide information and support the Insurance Section and/or Insurance Company in supporting the defence of claims.

27

5.4.9 Insurance arrangements must cover the use of school equipment, e.g. musical instruments or computers, away from the school site. (Note: most policies will exclude cover whilst in transit.)

5.4.10 Insurance Cover for banking of official County Council Funds is arranged by the County Council, details can be found in [Section 6.13](#)

5.5 Computer Systems and the Data Protection Act 1998

5.5.1 The Governing Body and the Headteacher **must** ensure that they are properly registered in accordance with the [Data Protection Act 1998](#) and that the school's computers and systems comply with the Act.

5.5.2 The Headteacher must ensure that there are effective back-up procedures for computer-based management systems.

5.5.3 The Governing Body and Headteacher must ensure that only authorised staff have access to computer facilities. Passwords must not be disclosed and must be changed regularly.

5.5.4 Internal Audit inspections review the major financial and management information systems and packages used by schools and the corporate Payroll System. If schools choose to depart from those packages and systems supported by the Authority, they must advise the Education and Schools Finance Team and Shared Internal Audit Service. The school may be charged for any additional audit work that is required to establish that other systems and arrangements provide satisfactory internal control.

5.5.5 For more detail regarding Computer Systems and Security of Data please liaise with your school's IT provider. In most cases this IT service is delivered by [School IT Systems Support \(SITSS\)](#); a service offering provided by [Herts for Learning](#) .

5.6 Disposals

5.6.1 The governors should approve a Disposals Policy, which incorporates the requirements in section 5.3 above.

5.6.2 This should identify:

- what types of item may be disposed of **without** the governors' prior approval • whether such disposals should be subsequently reported to the Governing Body
- where items are to be sold, rather than scrapped
- what steps must be taken to achieve the best reasonable return

28

5.6.3 The policy should make it quite clear in what circumstances members of staff or their relatives, etc. may acquire ex-school property. This guards against possible suggestions of impropriety.

5.7 Cover provided by the Authority

Material damage

5.7.1 Buildings and contents are covered on a reinstatement basis (a repair or a replacement item should be equivalent to, but not better or more expensive than the model or condition when new) when fire, lightning, explosion, riot, civil commotion or aircraft causes damage.

5.7.2 The policy includes business interruption cover to meet additional expenses following a major incident, e.g. hire of other buildings.

5.7.3 Under new funding arrangements introduced in April 2002, the governors of Voluntary Aided schools have responsibility for the costs of insuring the school's buildings, premises and sites, with the exception of the playing fields and related buildings. Insurance cover for Voluntary Aided schools is Liability Insurance only.

Public liability

5.7.4 Protects the County Council, school, employees and governors against claims for damages that they may be legally liable to meet following accidental bodily injury, death, illness, disease or property damage suffered by third parties, arising out of the County Council's or a school's usual activities.

5.7.5 Although insurance cover may be in place, a defence to a claim may be weakened if the appropriate guidance is not followed. Please therefore also refer to the Children, Schools and Families *Health and Safety Policy and Guidance Manual* which is accessible from www.thegrid.org.uk/info/healthandsafety.

5.7.6 You must ensure that contractors arrange public liability insurance, and that the County Council will be indemnified in the event of their negligence. The same applies to work experience

placements and other organisations visiting the school. A minimum limit of indemnity of £5m is required. Also see notes under Third Party Hirers (section [5.8.24 / 5.8.25](#)).

Employers' liability

5.7.7 Protects the County Council, school, employees and governors against claims for damages that they may be legally liable to meet following accidental bodily injury, death, illness or disease suffered by employees during the course of their employment.

29

5.7.8 The County Council's policy, unlike those of some insurers, will extend this indemnity to governors, particularly of Voluntary Aided schools. Any school not arranging insurance through the County Council MUST obtain written confirmation of cover from its Insurer and provide evidence to the County's Insurance Section as and when required.

[*\(See commissioning toolkit for all HCC Maintained schools' Insurance*](#)

[Requirements](#) **Officials' indemnity**

5.7.9 Protects the County Council, school, employees and governors against their legal liability to third parties for breach of duty due to a negligent act, error or omission whilst carrying out their official duties which gives rise to financial loss.

Libel and slander

5.7.10 Protects schools and governors against the legal liability for libels in publications normal in the school's business, and slanders in the course of employees' or governors' official business.

Engineering

5.7.11 Covers items such as pressure vessels, lifts, lifting equipment and machinery, and provides statutory inspections.

Fidelity guarantee

5.7.12 Covers the loss of money or property belonging to or in the custody of the school, resulting from fraud or dishonesty on the part of schools' employees.

Money

5.7.13 Covers the loss of money, crossed cheques, etc. from school premises, employee's private residence or whilst in transit and certain limits apply. Limits also apply to money in safes and varies dependent on the make and model of the safe. There will be no cover for money in safes if the safe keys are left on the premises. Certain exclusions apply and please contact the insurance section for further details. No excess applies.

Motor contingent liability

5.7.14 Covers the County Council, school and governors for the death or bodily injury of third parties, or

damage to third parties' property, arising from the use of employees' and governors' private cars on school business. Employees using their own vehicles on business use must still arrange the appropriate cover through their own motor insurer – also see notes under 'Motor'.

Optional extensions of cover

30

5.7.15 Schools have the option to purchase a number of additional covers, which are administered by the Risk and Insurance Section, Assurance Services.

Balance of Risks buildings and contents

5.7.16 Insurance for various perils in addition to those listed under 'Material Damage', e.g. water damage, theft only if forceful entry/exit to the premises, impact, accidental or malicious damage.

5.7.17 Although 'blanket cover' is provided, a regularly revised inventory of all equipment must be retained, with a second copy retained in a secure place away from the school site, e.g. detached caretaker's building or nearby school. Keys must be removed from the school site out of hours. An excess is applicable.

[\(See commissioning toolkit for all HCC Maintained schools" Risk\)](#)

Motor

5.7.18 Comprehensive cover can be arranged for vehicles and trailers belonging to, leased to or on permanent hire to either the County Council or the school, and used by the school, in respect of:

- damage to an insured vehicle or trailer
- legal liability for death or injury of third parties
- legal liability for damage to third parties' property

5.7.19 The Insurance Section must be informed of all additions and deletions to the fleet, including temporary hire, as an additional premium may be due. The make, model, registration number and, if applicable, dates of hire must be provided.

5.7.20 For clarification of the following brief points, please refer to guidance contained in the [Minibus Manual](#) available from the Road Safety Unit. Drivers of minibuses must have passed the County Council's minibus assessment test.

5.7.21 Although the policy covers use of vehicles in EU countries with no change to the level of cover the Lease Company and Fleet Office must be contacted before any trip is planned. A copy of the insurance certificate should be taken on the trip. This incorporates the bail bond required when travelling to Spain.

5.7.22 Some schools allow private individuals or groups to make use of their minibuses. The relevant forms must be completed and signed by the Head Teacher and forwarded to the insurance section prior to the loan. All drivers must have a minibus permit. Charges are applicable although certain organisations are exempt from payment.

31

5.7.23 Employees, governors and volunteers using their private vehicle on County Council business must inform their insurer and obtain the appropriate policy endorsement to include business. Particular attention should be paid to policies in the name of a spouse or other business' name. It is a criminal offence to drive without proper insurance cover in force.

Third party hirers

5.7.24 Provides public liability insurance for hirers of the school site who do not have their own policy, with a minimum limit of indemnity of £5,000,000. The premium should be charged to the hirer on top of the letting fee.

5.7.25 An excess is applicable and should be met by the hirer.

Annual Travel Scheme

5.7.26 The block insurance policy provides blanket insurance cover for all journeys outside the school boundaries, anywhere in the world at any time. It covers all pupils and accompanying adults (between the ages of 18 -75). The major benefit of this scheme is that no form filling in advance of every trip. Further details can be obtained from the insurance section.

Business Travel

5.7.27 This is insurance for travel for all non-school establishments and you will need to register your details with the insurance section to take part in this scheme. You are also required to keep records of all trips to include the date of the trip, number of days, number of staff and number of clients. This information will be requested from you on an annual basis.

5.8 Governors' liabilities and insurance of governors

5.8.1 Some examples of potential liabilities for governors are:

Contracts

5.8.2 Where governors enter into contracts they do so on behalf of the County Council. They then have statutory protection against personal liability, provided that the contracts are entered into in good faith, i.e. honestly, with no ulterior motive, and in accordance with the requirements of the [Scheme for Financing Schools](#).

Negligence

5.8.3 Cover for governors is included as standard in the school's liability policies. For example, if a school purchased a faulty piece of equipment which resulted in personal injury.

5.8.4 The County Council's Public and Employers' Liability policies have specifically been extended to cover school governors.

Notices served by the Health and Safety Executive

5.8.5 Failure to comply with statutory duties under the Health and Safety at Work Act etc. could lead to service of Notices of the Health and Safety Executive. Such Notices could be served upon members of a Governing Body. If they are not complied with, the Notices attract criminal liability resulting in fines, and neither insurers nor the insurance fund can assist.

PART 6: BANKING ARRANGEMENTS AND CASH HOLDINGS

6.1 Introduction

The following covers high level background and governance arrangements for schools banking and cash holdings. For up-to date contacts, forms and guidance please visit the banking pages on the GRID which can be found here:

<http://www.thegrid.org.uk/info/sfu/banking.shtml>

6.1.1 The proper administration of bank accounts is a fundamental financial control. Regular bank reconciliations are essential and where schools operate suspense accounts, these should be reviewed on a monthly basis and balances transferred out as part of the monthly reconciliation process. They prove that balances are correct and provide assurance that the underlying accounts have been properly compiled and are accurate. Auditors pay particular attention to the completion and frequency of bank reconciliations. They view failure to keep them up-to-date as an indication of potential error or fraud and as a breakdown in the system of internal control.

6.1.2 The Assistant Director - Finance oversees the banking arrangements for County Council funds relating to schools. The Assistant Director – Finance and representatives retain the right of full and immediate access to all documents and records relating to bank accounts holding County Council funds. All documents and records relating to bank accounts must be held in a form suitable for inspection by internal audit, external audit, HMRC and any other authorised person.

6.2 Bank Accounts

6.2.1 County Council funds **must** be invested in banks or building societies authorised to be used by schools for this purpose. The criteria for assessing bank suitability can be found in the [Scheme for Financing Schools](#) and are based on the County Council's Treasury Strategy.

6.2.2 Schools must notify the authority of all banking arrangements for County Council funds.

6.2.3 The Assistant Director – Finance and their representatives must have full and immediate access to all documents and records relating to bank accounts for County Council funds. These documents

must be held in a form suitable for inspection by Internal Audit, external audit, the HMRC and any other authorised persons.

6.2.4 All bank accounts must be designated in the name of the school. Schools within HCC's corporate banking arrangements will have two bank accounts for County Council funds designated in the form of "HCC (name of School) General(/FIBCA) Account" and may also have one School Fund (Private) account. Schools outside the pooled banking arrangements may have more than one account for County Council funds but these should be kept totally separate from any private or governors' accounts.

6.2.5 The bank account mandate of any account for County Council funds must provide that the Authority is:

- the owner of the funds in the account;
- entitled to receive statements; and
- entitled to take control of the account if the school's right to a delegated budget is suspended.

6.3 Authorised Signatories

6.3.1 Schools Bank Accounts will require an up to date bank mandate in order to operate its Bank Account. The mandate is the formal instruction from you as the client in relation to how you will operate your bank account. This must include specimen signatures of the named person(s) allowed to sign transactions and requests on behalf of your account/school which includes the signing of cheques, and the authorisations within online banking.

6.3.2 The bank account mandate of any account for County Council funds must provide that the Authority is:

- the owner of the funds in the account;
- entitled to receive statements; and
- entitled to take control of the account if the school's right to a delegated budget is suspended.

6.3.3 Schools must have a minimum of two and a maximum of four signatories on the schools mandate, referred to as Authorised Signatories; one of whom must be the Head teacher. The other appointed signatories must be senior members of staff such as a Deputy Head teacher, Business Manager or another member of the Schools SLT. Exceptions may be made for small schools that may be unable to appoint a signatory other than the Head teacher.

6.3.4 No member of the Governing Body who is not an employee of the Authority or school may be authorised to sign cheques unless the school can demonstrate that it has arranged insurance to indemnify the Authority against loss.

6.3.5 All cheques for £2,000 and above must be signed by the Head teacher and another authorised signatory. Cheques below the value of £2,000 may be signed by the Head teacher only, OR where

three or four cheque signatories are appointed, by any two of these other signatories. The Governing Body may set a lower, but not a higher, limit above which cheques must be countersigned.

6.3.6 Online Banking requires two authorisations, one of which must always be the Head teacher. Payment schedules under £2000 will be required to be authorised by the Head teacher, payment runs over £2000 will require the Head teacher and the other nominated Authoriser.

6.3.7 For schools within the pooled banking arrangements, changes of cheque signatory must be actioned using the standardised forms available on the School Banking pages of the GRID

<http://www.thegrid.org.uk/info/sfu/banking.shtml>

6.3.8 Cheques must be crossed 'account payee only'. Cheques must be made out with the current date and must be signed, by hand, once the signatory has satisfied themselves that the expenditure is appropriate Schools Expenditure and is being spent on the provision of education.

6.4 Operation of bank accounts

6.4.1 All direct debit and standing order mandates must be signed by the Headteacher and another authorised cheque signatory and a copy maintained for the school's records. For schools within the corporate banking arrangements, the bank will confirm the details with one of the authorised signatories before it is actioned. For schools outside the pooled banking arrangements, their contract with the bank must make this stipulation.

6.4.2 The Governing Body must establish and maintain strict controls for the management of the school's banking arrangements. The Governing Body must ensure that there is an adequate separation of duties and that the roles and responsibilities and financial limits of delegation are documented in the school's schedule of financial delegation or similar document.

6.4.3 Governing Bodies that operate bank accounts for County Council funds outside of HCC's corporate banking arrangements and/or are responsible for fidelity guarantee insurance cover, must ensure that the cover is adequate to protect the school against all losses.

6.4.4 The Headteacher must ensure that bank accounts are reconciled at least monthly to the financial records held at the school. Any discrepancies identified must be investigated. Bank reconciliations must be certified by the person performing the reconciliation, and independently reviewed and countersigned by the person with delegated responsibility for this task.

35

6.4.5 Any discrepancy in bank accounts, breach of the banking terms or breach of these regulations must be reported immediately by the Headteacher to the Finance Manager, Education and Schools.

6.4.6 Schools' bank accounts holding County Council funds and fund (private) accounts within the corporate banking arrangements must not be operated with a credit, debit, smart or cash point card. The exception to this is the purchasing card arrangements set-up by the county council for all schools. See [section 6.12.1](#)

6.5 Overdrafts and borrowing

6.5.1 The Governing Body should ensure that the school's spending plans are developed and formulated within the financial constraints of resources available to the school, and that these plans are closely monitored to ensure that the school does not overspend, or enter into a period where the school's bank account goes overdrawn. It is imperative that a school manages its cash flow and should as part of the monthly financial management procedures complete a cash flow monitor as part of the month end close down process.

6.5.2 Schools should not go into unauthorised overdraft and must inform Finance Manager, Education and Schools immediately if this is likely to occur. Any costs arising from this situation will be charged to the school's budget.

6.5.3 Governing Bodies may not borrow money or enter into any loan agreements without the written permission of the Secretary of State. The exception to this is the Schools Loan Scheme from the County Council. The Governing Body must seek approval from the Assistant-Director Finance if it wishes to borrow funds from the County Council via the Schools Loan Scheme, details of which can be found in the Scheme for Financing Schools.

6.6 Cash holdings (Petty Cash)

6.14.1 Petty cash is administratively convenient for making small payments, particularly if the signatories of the main bank account are not available. However, cash is a vulnerable asset that must be properly controlled and held securely.

6.14.2 The Governing Body must agree an appropriate amount of petty cash to be held. The school must ensure that the likely maximum value of cash held on site is covered by insurance, that it is used only for approved purposes, that proper records are maintained and that there are regular reconciliations and occasional spot checks to verify that the sums in hand are correct.

6.6.1 The Governing Body must ensure that cash held on the school site is secure and that insurance limits are not breached for any official and audited funds.

6.6.2 Only authorised staff may have access to petty cash. Payments must be limited to minor items for which there is proper authority and provision in the budget. All payments must be supported by invoices or receipts, or where, exceptionally, these are not available, [proformas](#).

6.6.3 The school must not use petty cash for transactions with regular suppliers.

36

6.6.4 The Headteacher must ensure that all school employees authorised to administer petty cash are aware of their responsibilities and the correct financial process.

6.6.5 Personal cheques must not be encashed from petty cash.

6.6.6 The Headteacher must arrange for periodic checks on the completeness of financial records maintained for petty cash.

6.7 Internal controls and separation of duties

6.7.1 In Hertfordshire, every school has its delegated budget share paid into its bank account monthly with an upfront payment on the 1st April of 4%. All items of income and expenditure are transacted through bank accounts. This means that schools may have significant sums within their bank accounts at any one time. Financial regulations are therefore designed to safeguard

this vulnerable asset as far as possible, and to provide checks and balances within a school to protect school staff and the Governing Body.

6.7.2 The Governing Body, in conjunction with the Headteacher, should ensure that the school's internal controls over banking are documented and communicated to the relevant staff. The Governing Body (or a nominated governor) should satisfy itself on a regular basis that the school's internal controls over banking are being complied with.

6.7.3 The Governing Body should also satisfy itself that adequate controls are in place to ensure the risk of error and fraud is minimised. Attention must be given to an adequate segregation of duties between staff, so that no one person performs all the tasks associated with an individual transaction. Thus, it should not be possible for the same person to authorise an order, take delivery, certify the invoice and sign the cheque for payment. Cheque books and bank cards (where used) should be held securely.

6.8 Banking arrangements for County Council funds

6.8.1 Criteria for Banks and building societies authorised to be used by schools for County Council funds are set out in the [Scheme for Financing Schools](#), with minimum credit rating criteria applying in line with the Council's Treasury Management Strategy.

6.8.2 All schools must notify the authority of all banking arrangements for County Council funds. Bank accounts for County Council funds should not go into overdraft, and schools must immediately notify the Finance Manager, Education and Schools if, exceptionally, this occurs or is expected to occur.

6.8.3 Hertfordshire provides a corporate contract for banking arrangements with Barclays Bank, in which all schools may participate. Schools that operate bank accounts for County Council funds outside of the pooled banking arrangements must ensure that they are operated in accordance

with the [Scheme for Financing Schools](#) and the financial regulations contained in Section 6 of this Handbook.

37

6.9 Corporate banking arrangements

6.9.1 Schools banking with Barclays Bank within the pooled banking arrangements will have banking arrangements as follows for county council funds. Private fund accounts and other governor controlled accounts are held separately, and further information is given below.

6.9.2 Each school in the corporate banking arrangements will have two accounts for county council funds. The first of these is the General account, which is the operational account, where all transactions pass through. Cheques and other payments will be made from this account and income should be received into this account. These accounts are then linked to an interest

bearing FIBCA account, the cleared balance on the general account will sweep into or out of this account overnight and the balance on the account will earn interest.

6.9.3 The FIBCA interest is paid monthly with an annual bonus if the account is not overdrawn during the year. Latest interest rates can be found on the GRID using the link in [section 6.3.7](#). Charges are also made on the account quarterly, the schedule of charges can also be found on the GRID using the link above under [section 6.3.7](#).

6.9.4 All process and associated forms for operating these accounts, as well as contacts at Barclays can be found on the GRID using the link above under [section 6.3.7](#).

6.9.5 Private fund accounts are available from Barclays, and can be set-up separately from the pooled arrangements directly with Barclays.

6.10 Transfer of School Budget Share

6.10.1 The school budget share payments will be made available to Governing Bodies in 13 instalments as follows:

- 1st April – 4%
- 18th of April and every and every 18th of the month¹ thereafter – 8%

6.10.2 Eligible expenditure from the school's bank account holding public funds. Any items processed through the school's general (public funds) bank account should relate to all official income and

¹ Where the 18th of the month is on a non-working day, schools budget payments will be made on the last working day prior.

38

expenditure of the school, regardless of the source of finance for such spending (whether from the school's budget share or from allocated excepted or earmarked funds).

6.10.3 It is a key responsibility of the Governing Body and Headteacher to ensure that funding held in this account is spent on the provision of education and is targeted to maximise its impact on raising education standards.

6.10.4 Generally, the Headteacher will have delegated authority to authorise expenditure on behalf of the school, subject to any limitations recorded in the school's Schedule of Delegation (or similar document). However, the Governing Body should authorise expenditure that falls outside of the CFR framework or that may give rise to questions about appropriate use of public funds. This will safeguard both the Governing Body and the Headteacher, and promotes accountability and sound audit controls.

6.11 Governors as authorised signatories

6.11.1 A key role of the members of the Governing Body is to satisfy themselves that there are adequate internal controls over all methods of payment. Including but not exclusively cheque payments, payments by procurement card and electronic "online" payments. and that the controls are being applied. If the Governing Body wishes to authorise payments above specified predetermined limits, this may still be achieved by a separate authorisation slip. Moreover, control can be exercised at an earlier stage of the process, by the Governing Body authorising

orders over a predetermined limit, together with the internal controls built into the payment process.

6.11.2 The Authority does not recommend that governors act as authorised signatories. This is for the following reasons:

- this may be impractical, where governors are not available on a daily basis
employees are required to account to internal and external audit in a way that governors are not
- there can be no County Council disciplinary sanctions to deal with any financial irregularity committed by a governor
- the County Council's fidelity insurance scheme does not cover governors, only employees • no checks are undertaken on the suitability of governors in terms of previous financial conduct (except bankruptcy).

Where a member of the Governing Body wishes to be authorised to sign cheques, the school must demonstrate that it has arranged insurance to indemnify the Authority against loss.

39

6.12 Additional Banking services for schools

Purchasing cards

6.12.1 A corporate contract is held with NatWest/RBS providing all schools with purchasing cards. The contract provides cards with no fees and where spending can be controlled by limits on types and value. Due to borrowing regulations schools are not allowed to hold credit or store cards. Further information on setting up and operating purchasing cards can be found on the GRID at the link below:

<http://www.thegrid.org.uk/info/sfu/banking.shtml>

Online Banking

Barclays bank provide an online banking portal, Barclays.net, which schools may set-up via their Barclays fund account, and use to have delegated access to their general and FIBCA accounts. The portal can be used both for viewing information and making payments. Further information on setting up and operating Barclays.net can be found on the GRID at the link above.

6.13 Insurance cover for official funds

6.13.1 Schools must have insurance cover for banking of official County Council's funds. The County Council arranges the following insurance cover for schools:

Limit of any one loss

£

1. Non-negotiable money, (e.g. cheques, money orders) in

the situations specified in items 2.a, 2.b, 2.c.i and 2. c .ii below 50,000

2. Other money

a. in transit in the custody of employees, or in transit

by registered post, or in the bank's night safe 5,000

b. in transit in the custody or control of a security company

or similar organisation nil

c. on school premises:

i. in the custody of or under the actual supervision

of employees 4,000

ii. in locked safes or strongrooms:

if model of safe not approved by Insurer 1,000*

if model of safe approved by Insurer 5,000*

40

iii. in locked receptacles (other than safes or

strongrooms) 250

* Please note that the limits quoted in 2.c.ii are also maximum sums insured per establishment. If approval of a safe is required, please write to the Insurance Section, Assurance Services, Resources Department at Robertson House, quoting full details of the make and model of the safe, its position within the building, weight if known and whether or not it is free-standing. Keys must be removed from the school site out of hours.

Schools must be able to demonstrate that "reasonable care has been taken" in relation to claims for loss or theft of monies or injury resulting from theft for purposes of the County Council's insurance policy. It is recommended that members of staff undertaking banking are accompanied and banking routines are varied. Schools may also wish to consider using the banking courier service organised through the Authority.

The County Council arranges a Personal Accident Assault policy, which covers all staff. There is a capital benefits limit of £35,000, which is based on the Continental Scale of Compensation, with a weekly benefit of £50 for temporary total disablement.

If a private vehicle is used to transport monies to a bank, you must ensure that suitable vehicle insurance is arranged, i.e. business use. Some insurers will provide this coverage at no extra charge.

Any school that requests delegation will be required to demonstrate that cover arranged by the Governing Body, relevant to the County Council's insurable interests, is at least as good as the relevant minimum cover arranged by the Authority.

PART 7: PRIVATE AND VOLUNTARY FUNDS

7.1 Audit Requirements

7.1.1 The SFVS standard that refers to Private and Voluntary funds asks “Does the school have adequate arrangements for the audit of voluntary funds?” For more detailed information please visit http://www.thegrid.org.uk/info/internal_audit/fund_account.shtml

7.1.2 The term voluntary fund applies to any account other than the Budget Share Account that is managed by the school. This includes the School Fund Account, Governors accounts etc.

41

7.1.3 The Governing Body must provide the Internal Audit with details of each private, voluntary or trading organisation account and notify them of any additions or changes to these, as part of the SVFS submission.

7.1.4 At the end of each financial year the final accounts of the private and voluntary funds require to be prepared and to have an independent examination/audit. An independent examiner could be any person not involved with the running of the school with a financial knowledge. Therefore it cannot be a governor but could be a parent, a person in the local community or request for FSS to audit the accounts. Some schools have taken the decision to swap accounts with a local school and audit each other's.

7.1.5 An audit certificate is what an auditor will expect to see when visiting the school. This should be completed by the examiner to state they are an accurate set of accounts. This certificate and what an independent examination consists of can be found at [Annex B](#) (Definitions of ‘audit’ and ‘independent examination’) and [Annex I \(Proforma\)](#). Whilst the SFVS standard asks for an audit Hertfordshire will accept an independent examination in line with the Charity Commission’s guidelines. This states that the governors can opt for an independent examination as opposed to a statutory audit for fund accounts with gross income under £500,000.

7.2 Operation of Bank Accounts

7.2.1 County Council funds may not be transferred from the ‘school budget share account’ into a private or other account. Funds that are intended for the school budget share account must not be diverted into a private or other account.

7.2.2 The Headteacher must ensure that expenditure that should properly be met from a private or other account is not met from the school budget share account. Equally, income due to the school budget share account should not be paid into a private or other account. Schools should observe the principle that any income generated/received should be paid into the account that meets any corresponding expenditure.

7.2.3 Any fraud or irregularity in the operation of a private, voluntary or trading account must be notified to the Chief Internal Auditor immediately. The Authority accepts no responsibility for the investigation of such matters, except where a school has opted to include the audit of one private account as part of the coverage provided by Internal Audit. However, the Chief Internal Auditor needs to be able to make an assessment of whether any official account or publicly funded

resources could have been defrauded or suffered any loss.

7.3 Public and private funds

7.3.1 It is important to distinguish between those public funds provided by the LA/Government, and possibly other official bodies, and those generated or raised by the governors or school. Funds falling into the first category are governed by the Authority's [Scheme for Financing Schools](#) and the provisions of this Handbook. Funds falling into the second category are controlled by the

42

Governing Body and will be held in a separate (private) account. A third category of funds may exist belonging to bodies which, although they may be closely associated with the school, are not part of it and therefore the accounts and transactions should be wholly separate, e.g. parent teacher associations. More guidance regarding this separation of accountability is provided below, under Section 7.5.

7.3.2 Although the funds held in a private, voluntary or trading account are not the responsibility of the Authority, parents, pupils and, arguably, the wider community should expect standards of propriety and stewardship in relation to these funds to match those expected for 'official' funds. This is particularly relevant since such funds will often be administered by members of staff as part of their duties.

7.3.3 The Governing Body is potentially liable to Corporation Tax on any income and gains arising from, or generated by, these accounts. Please refer to the [VAT section](#) on the GRID for further guidance.

7.4 Internal Audit coverage

7.4.1 Where a school has opted to have a private, voluntary or trading account included as part of Internal Audit's normal coverage, then the audit will seek to establish that the following controls are in place:

- proper recording and substantiation of all payments
- proper recording and substantiation of all receipts
- maintenance of such additional and subsidiary records as are necessary to support the first two bullets, e.g. records of income expected and received from individual sources
- recording of transactions and balances at a level of detail sufficient to properly reflect the sources of income to the account and the purposes for which the funds are used
- use of the account for appropriate purposes only
- reconciliation of account - frequency, method and evidence of proper recording
- regular reporting of and monitoring of income, expenditure and the net position on the account by the Headteacher and Governing Body
- separation of duties in the key accounting functions
- identification of turnover on 'business' activities where this may exceed the VAT registration threshold
- clear separation of funds and transactions from other accounts.

7.5 Other accounts

7.5.1 Charitable Trusts and the funds and accounts of separate organisations, e.g. parent teacher associations, should be separated from those controlled and managed by the governors and school staff.

43

7.5.2 These 'Other' accounts would include the 'Governors' accounts of Voluntary Aided and Voluntary Controlled Schools, since these accounts are subject to the control/influence of a separate body, e.g. the local Diocese.

7.5.3 The fund raising or management committee for other funds/accounts will normally be set up and constituted as a separate body, whose members may be wholly or partly non-County Council employees. These funds will generally be controlled by a nominated member of that body, whereas decisions regarding the use of funds in the school's private, voluntary or trading account(s) can be determined only by the governors of the school, (although the day-to-day running of the account is usually delegated to the Headteacher).

7.5.4 Donations to the school from these organisations can be made to the General Account or to a private, voluntary or trading account(s). Once monies have been donated to any of these accounts the donor ceases to have any control over the fate of these monies, although both school employees and governors should be expected to act in good faith to use the donation in accordance with the wishes of the donor, especially where this is agreed in advance.

PART 8: CAPITAL

8.1 Regulations and Guidance

8.1.1 The Governing Body **must** inform in advance the Director of Children's Services of any proposed capital expenditure in excess of £50,000 (Primary, infant, junior, first) or £100,000 (Secondary, Middle, Upper) and provide an opportunity for comments to be made by the DCS to the Governing Body before a final decision is made.

8.1.2 The Governing Body **must** seek consent of the Council's Property Services to any proposed capital works if the County Council owns the premises or if the school has voluntary controlled status.

8.1.3 Expenditure relating to capital works **must** be separately identified in any financial returns to the Authority.

8.1.4 For further guidance on Capital please see the [Capital Accounting Schools Financial Procedures Handbook](#) under the [Capital Accounting Guidance](#) section of the GRID.

PART 9: PURCHASING STRATEGIES, LEASING AND BEST VALUE

9.1 Purchasing Strategies

9.1.1 The Governing Body **must** ensure that delegated powers to incur expenditure are recorded in the

school's schedule of financial delegation or similar document. A list of delegated powers and limitations should be available to all relevant staff.

44

9.1.2 The Governing Body must ensure that proper procedures and best practice are exercised to obtain goods and services in the most cost-effective way. They must be purchased from the cheapest sources commensurate with the required quality, performance and delivery.

9.1.3 Purchasing by schools is subject to the Authority's Contract Regulations, tendering procedures and to the general regulations regarding purchasing.

9.1.4 Schools are required to maintain a Contract Register, and ensure that they comply with the Authorities Record Keeping Guidance within the School Commissioning Guide (link below) a proforma register can be found [here](#)

9.1.5 The [Schools Commissioning and Procurement guide](#) has been designed for schools that are looking to commission goods and services. It is important that schools are able to clearly demonstrate need for goods and services that are commissioned. The toolkit draws from guidance and information provided by Hertfordshire County Council's (HCC) Contract Regulations and Best Practice in Procurement (BPiP) documentation.

9.2 Leasing

9.2.1 The Governing Body must seek the advice of the County's Director of Resources² prior to entering a leasing agreement. Leasing, rental or other deferred payment agreements must not conflict with the Authority's application of Government capital expenditure controls.

9.3 Leasing of Equipment

9.3.1 Leasing is an option available to obtain equipment where expenditure is required on assets which have a life expectancy of more than one year.

9.4 Types of Lease

9.4.1 Basically there are two types of lease, Finance and Operating, and this classification is made at the inception of the lease. Whilst it is possible for a school to enter into an operating lease they are not allowed to enter into finance leases, which are classified by accounting standards as a form of borrowing. It should be noted that the classification is based on the substance of the transaction rather than the form of the contract – saying a lease is operating doesn't make it so if the conditions suggest that it is finance.

9.4.2 Finance Lease – this is defined as a lease where the entire risks and rewards incidental to ownership are substantially transferred to the school. Some indications of these risks and rewards are where the school is responsible for repairs, maintaining and/or insuring the leased asset, ownership of the

² Made via the Schools Finance Team at csf.sfu@hertfordshire.gov.uk

45

asset transfers at the end of the lease period or can be purchased of sufficiently less than the fair value or if the lease term is for the major part of the economic life of the asset.

9.4.3 Operating Lease - this is defined as a lease where the entire risks and rewards incidental to ownership are **NOT** substantially transferred, that is to say not finance lease.

9.5 Finance Leases

9.5.1 Finance Leases, as classified by accounting standards, are a form of borrowing.

9.5.2 Schools are reminded that they are not permitted to borrow money without the written consent of the Secretary of State, as outlined in the Hertfordshire County Council's Scheme for Financing Schools, our guidance to Schedule 14 of the Schools Standards & Framework Act 1998.

9.5.3 If the answer to any or a number of the points below is yes it would indicate that the lease is a Finance Lease;

- Will you own the asset at the end of the lease term?
- Is the lease for longer than 50% of the useful life of the asset?
- Do you have to option to purchase the asset at the end of the lease for a value sufficiently lower than the fair value at that date?
- Is the asset so specialised that only you can use them without major modification? • If you cancel the lease will you have to continue to pay or will there a significant penalty for cancellation?
- Do you have the option to continue the lease for a secondary period, at a rate much lower than the market value?
- Is the present value of the minimum payments over the life of the lease at least substantially all of the value of the asset?
- Are you responsible for repairing, maintaining and/or insuring the leased asset? • Will any loss or profit in the assets value at the end of the lease be yours?

9.6 Operating leases

9.6.1 As indicated above only operating leases are available and this applies to all acquisitions, including those in the information technology field and property. The classification is done to ensure that leases are not Finance and as such the answers to the questions given in the Finance Lease section should be "no".

9.7 Lease arrangements through County Supplies

9.7.1 Schools contemplating entering into a lease arrangement may contact Herts Full Stop (aka County Supplies) who can offer advantageous terms. See contacts list for this Section. Moreover, by taking

up an operating lease through this route there is no further requirement to clear this through the School Finance Team.

PART 10: ORDERING OF GOODS AND SERVICES AND PAYMENT OF ACCOUNTS

10.1 Ordering of Goods and Services

10.1.1 The Governing Body **must** ensure that delegated powers and limitations for ordering are recorded in the school's schedule of financial delegation (or similar document) and listing of authorised signatories. Please refer to [Annex G](#).

10.1.2 The authorised signatory to the order must be satisfied that the intended goods or services are appropriate and needed, that there is adequate budgetary provision and cash flow, and that quotes or tenders have been obtained if necessary.

10.1.3 Orders for all goods and services must be made on the school's official order forms, except:

- for utilities (e.g. water, electricity and gas), rents, national non-domestic rates and petty cash payments
- in cases of emergency, where a verbal order may be made

10.1.4 In the latter circumstances, the order must be immediately confirmed on an official order form ('confirmatory order'), marked CONFIRMATION ONLY to avoid duplicate delivery.

10.1.5 Order forms must be securely retained when not in use.

10.1.6 Orders must be used only for goods and services provided to the school. Individuals or other organisations associated with the school (e.g. PTAs) must not use official orders to obtain goods and services for their private use.

10.1.7 The authorised signatory must ensure that order forms are properly completed and ruled off below the last item or service ordered, so as to prevent alteration or additions. Copy orders must be securely retained in number order.

10.2 Delivery and Payment of Goods and Services

10.2.1 Goods and services must be checked on receipt, to ensure that they are in accordance with the order. The check should be recorded on the order and carried out by someone other than the person who signed the order. Incomplete, disputed or unsatisfactory deliveries (or those exceeding the order) should be clearly noted on the order.

10.2.2 Payment **must not** be made unless a proper VAT invoice has been received, and the following checks made:

- satisfactory receipt of the goods or services must be recorded on the copy order (if not recorded this must be established prior to payment)
- expenditure must be properly incurred and within budget provision

- prices must accord with quotations, tenders, contracts or catalogue prices, and arithmetic must be checked as correct
- discounts where available must have been taken
- the correct accounting treatment of VAT must be made
- the invoice must be correctly coded
- Copy orders, inventories and accounting records must be properly endorsed.

10.2.3 All invoices for goods and services **must** be made out in the name of the school.

10.2.4 A pro forma invoice **must** be used where there is no formal invoice, e.g. in the case of reimbursement to a teacher. The pro forma invoice must be fully supported with appropriate documentation to validate the original transaction. See [Annex J](#) or a sample pro forma invoice.

10.2.5 The pro forma invoice for reimbursements to staff **must** be signed by the claimant and authorised by the Headteacher (or other authorised signatory where this responsibility has been further delegated).

10.2.6 The Governing Body, or a governor or sub-committee (to whom this responsibility has been formally delegated) **must** approve any reimbursement made to the Headteacher for expenditure on behalf of the school, travel claims or claims for other personal expenses.

However, the Governing Body may set a level (both for individual amounts and in aggregate for the financial year) below which such approval is not specifically required. These figures should be formally recorded in the school's schedule of financial delegation (or similar document) and should be reasonable and prudent.

The Headteacher and another authorised signatory must sign the cheque.

10.2.7 An authorised member of staff must certify invoices for payment. Wherever possible, this should be neither the person who signed the order nor the person who checked the receipt of the goods or services. The school should maintain a list of staff authorised to sign invoices.

10.2.8 The Headteacher must ensure that an up to date authorised signatory listing is held by the County Council's accounts payable agent.

10.2.9 All paid invoices must be marked 'Paid', cross-referenced to the cheque number and stored securely.

48

10.2.10 Payments must not be made on a photocopied invoice or a statement from a supplier or an invoice without the supplier's VAT registration number (where VAT is to be claimed).

PART 11: INCOME

11.1 Collection and Treatment of Income

- 11.1.1 Income from lettings should not normally be paid into voluntary or private fund accounts held by the school. Foundation and Voluntary Aided schools have discretion over the destination of lettings income.
- 11.1.2 The Governing Body must ensure that income is collected promptly and in full, that it is properly recorded, and that it is banked intact (i.e. without any deductions for payments or to supplement a float) to an official account as soon as possible.
- 11.1.3 The Headteacher must ensure that where goods or services are provided on credit, accounts are raised and settled with minimum delay. Such provision may have to be accompanied by a detailed invoice.
- 11.1.4 VAT must be charged on taxable goods and services sold by the school through the school budget share account.
- 11.1.5 Monies received by the school itself or on behalf of the County Council must be banked at a minimum weekly or more frequently if insurance limits are likely to be exceeded.
- 11.1.6 The Governing Body must ensure that all necessary controls are in place to collect and bank school meal income due to the Authority. The school must take all reasonable measures to recover any outstanding payments due. For guidance and support please [HCL Catering](#)

11.2 Charging for School Activities

- 11.2.1 Sections 449-462 of the [Education Act 1996](#) sets out the law on charging for school activities in schools maintained by local authorities in England.
- 11.2.2 Schools should refer to advice produced by the Department for Education regarding [charging for school activities](#).

11.3 Policies for Charging and Refunding Surpluses

- 11.3.1 The Governing Body must establish a charging policy for the supply of goods or services. The school must ensure the policy is aligned with the Authority's charging policy and within statutory limitations.
- 11.3.2 The Governing Body must establish a policy for refunding surpluses (e.g. surpluses for school journey contributions).

11.4 Letting the school premises

- 11.4.1 The Governing Body is responsible for setting charges for the letting of the school.

When setting rates the Governing Body should consider the following:

- Cost of services (heating and lighting);
- Cost of staffing (additional security, caretaking and cleaning);
- Cost of "wear and tear";
- Kitchen or catering charges;

- Cost of administration;
- Cost of use of school equipment (if applicable);
- Equipment hire (if applicable);
- Profit element (if appropriate)

11.4.2 The Governing Body should set a clear and justifiable charging structure for usage and establish a 'Lettings Policy'. This should be reviewed annually. Income and expenditure associated with lettings should be regularly monitored to ensure that costs incurred are covered.

11.5 Debt Recovery and Write-Offs

11.5.1 The Governing Body **must** establish a policy or procedure for dealing with any debts leading, if necessary, to their write-off. Such a policy should ensure that staff are clear about how to deal with debts and that debtors receive consistent treatment.

11.5.2 A debt may only be written off with the prior approval of the relevant officer or body, which depends on the amount of the debt as shown below:

- up to £500 – the Governing Body may authorise a write off, where income accrues to the school; otherwise the approval of the Finance Business Partner for Children Services is required.
- over £500 – the Governing Body, with agreement of the Finance Business Partner for Children Services.

11.5.3 Where the Governing Body writes off debts this must be formally recorded and the record retained for seven years.

11.5.4 Schools must contact the Debt Management Team in respect of pursuing outstanding debts. Please in the first instance contact

Shirley.Hancock@hertfordshire.gov.uk

PART 12: VALUE ADDED TAX (VAT)

12.1 VAT Information

12.1.1 VAT is a tax on consumer expenditure and is chargeable on most supplies of goods and services within the UK except those specifically exempted or zero-rated.

12.1.2 VAT is administered by Her Majesty's Revenue and Customs (HMRC), whose officers may carry out visits to all VAT registered persons. During these visits they examine business and accounting records to ensure compliance with all VAT regulations. It is vital that staff who deal with income and/or expenditure are aware of the VAT rules. The correct treatment of VAT is important, as penalties can be incurred if errors are made. If an assessment is made by HMRC due to VAT errors, the cost may be met by the schools concerned.

12.1.3 The general principles of VAT apply to a local authority and its schools in the same way as to other organisations. However, local authorities benefit from a more generous treatment in many respects. For example, a local authority is allowed to reclaim via HMRC most of the VAT which it has paid out on expenditure. Expenditure in schools' accounts is therefore charged net of VAT, and the VAT element is

charged to a VAT code and reclaimed by submission of a VAT.

12.1.4 VAT reimbursements are now made through the digital process to comply with the Making Tax Digital legislation. For schools using RM this is an electronic process within the software, for those schools on other Locally Managed systems an automated email process is in place. Manual claim forms are no longer permitted.

12.1.5 Reimbursements claims submitted by school's form part of the County Council's legal declaration to HMRC. It is therefore essential that, in accordance with the Financial Regulations, reimbursement claims are accurate, certified by an authorised signatory and submitted to Serco AP on a monthly basis. Failure to submit accurate and timely returns might result in an assessment being made by HMRC and potentially a penalty being imposed on the school.

12.1.6 Schools are required to ensure that regularly (monthly) VAT control accounts within locally managed financial systems are reconciled. Failure to adequately reconcile VAT may result in irrecoverable VAT being charged to the school. RM schools are no longer able to roll into new periods within the system without submitting a VAT claim (regardless of value)

12.1.7 HCC has up to 3 years from the tax point (usually date of invoice) to recover VAT from suppliers invoices through the authorities VAT return process. Any invoices "out of time" for recovery therefore result in the VAT element being non recoverable and charged to the school.

12.1.8 For information on VAT for schools please refer to the section provided on the Hertfordshire Grid for Learning:

<http://www.thegrid.org.uk/info/vat/>

51

PART 13: CONSTRUCTION INDUSTRY SCHEME (CIS)

13.1.1 CIS is an HMRC tax deduction scheme for the construction industry. When HCC engages 'sub contractors' (not HCC) to carry out 'construction operations' it is obliged to consider the application of the scheme to those engagements.

CIS does not apply if the contract payment is made by the Headteacher or Governing Body of a maintained school as the agent of the LEA. In practice this excludes our schools from CIS.

13.1.2 Should you have any further queries relating to the Construction Industry Scheme please contact The Pay and Reward Team via email at:

payandreward@hertfordshire.gov.uk

13.1.3 Please refer to the [Government website](#) to determine employment status of individuals engaged by the school.

You must ensure you keep a copy of the outcome and a copy of the data input for potential future HMRC inspections.

If you have any queries, please direct them to payandreward@hertfordshire.gov.uk.

PART 14: PERSONNEL AND PAYROLL

All HR and Payroll forms for schools, including guidance notes for completion are regularly updated and maintained on the Hertfordshire Grid For Learning (The Grid) and can be located [here](#)

Schools who are considering outsourcing their payroll provision must read the separate guidance located [here](#)

14.1 Governing Body regulations

14.1.1 The Governing Body **must** establish procedures for the administration of personnel responsibilities. These procedures must be formally documented and a record of the annual review should be maintained. The key areas are:

- permanent and temporary appointments
- promotions and other contract variations
- terminations of employment
- payment of casual staff (building contractors, consultants and similar providers of services and occasional staff)
- expenses

52

The key objectives should be to ensure:

- payments are made only to *bona fide* employees
- payments are in accordance with individuals' conditions of employment
- payments are made only in respect of services provided to the school
- deductions including income tax and National Insurance contributions are properly administered
- amendments to the payroll are promptly and properly processed.

14.1.2 The Governing Body must maintain a list of authorised signatories for payroll administration:

- for schools using the Authority's payroll agent, a copy must be sent to the Payroll and HR team.
- for schools making other payroll arrangements, a copy must be sent to the payroll bureau or alternative provider, or provided to payroll administration staff.

14.1.3 The Governing Body must ensure that the processes of completing, checking and authorising all documents, and claims related to appointments, terminations of employment and expenses, are not the sole responsibility of one person.

14.1.4 On a termly basis the Payroll & HT Team provide the school with a nominal roll report for all staff showing their grades, proportion of whole time, allowances, etc. This report must be checked to

ensure that the employment contracts held by the school are correct, paying particular attention to the following;

- ensuring that all recent changes have been properly actioned
- ensuring that part-time hours have been properly reflected
- ensuring that temporary contracts have been properly set up, i.e. that termination dates are reflected within the payroll system to prevent the overpayment of staff
- ensuring that teaching staff, or non teaching staff, who are not currently making contributions towards a pension have formally opted out of the scheme

Any errors identified are reported back to the Payroll & HR Team to ensure that pay and deductions are consistent with each individual's employment terms and entitlements and vice versa.

14.1.5 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.

53

14.1.6 The school must retain personnel records securely and administer those records held on computer files in accordance with the provisions of the Data Protection Act 1998. Section 5.5 [above](#) provides further guidance on the provisions of the Data Protection Act.

14.2 Payroll

14.2.1 Contracting the Authority or a Payroll Bureau (alternative provider) to administer payroll does not relieve the Governing Body and the Headteacher of responsibility in this area. They must still ensure that:

- payments are made only to *bona fide* employees
- payments are made in accordance with individuals' conditions of employment • payments are made only in respect of services provided to the school
- deductions, including income tax and national insurance, are properly administered • amendments to the payroll are promptly and properly processed.
- employees have a proper contract of employment and a current copy of the contract is held at the school
 - *every person who works in partnership with the school is required to have an enhanced Disclosure & Barring Service (DBS) check in place prior to the service commencing.*

14.3 Payroll process

14.3.1 All salaries, wages, fees, other remuneration (including honorariums) and the reimbursement of expenses to employees, whether to established staff or casual, must be processed through a payroll system. This is to ensure proper deductions are made for income tax, national insurance and, where applicable, pension.

14.3.2 Where, during periods of school closures, self-certified timesheets are submitted, the school must ensure that a formal procedure is in place. This will check to see that all expenditure incurred during

self-certified periods is appropriate and is reconciled to the payroll monitor report.

14.3.3 Schools using the Authority's payroll agent must process any pay or expenses through the Payroll & HR Team. Further guidance for the reimbursement of expenses to employees is provided in [Annex N](#) to this Section, [Guidelines for Schools' Travel and Subsistence Expenses](#).

14.3.4 Schools that have other payroll arrangements must ensure that systems set up to reimburse employee expenses meet HMRC tax deduction and reporting requirements.

14.4 Employment status of persons engaged by the school

14.4.1 The Authority, and all schools and other establishments funded by the Authority, have a duty to identify **any** individuals to whom they make payments who should be regarded as an employee. The onus is on the potential employer to determine whether the nature of the engagement has

54

the characteristics of an employment – if so the individual engaged **must** be treated as an employee. The effect of the PAYE Regulations is to place the responsibility for making this decision and settling any tax and national insurance liabilities on the employing party, **not** on the individual. This applies whether or not that person later declares those earnings. Therefore, making the wrong initial judgement could have a serious impact in grossing up the schools' costs.

14.4.2 [Annex L](#) to this Section provides guidance on how to determine whether an individual is employed or not. It is important to note that an individual's self-declared status as "self-employed" (even when supported by his/her accountant or Tax Office) should not be solely relied upon. Schools must **rigorously** follow the guidance set out in [Annex L](#) to determine employment status and are recommended to keep a record of the reasons for their decision. If there is any doubt at all, please email the Pay and Reward Team (PayandReward@hertfordshire.gov.uk)

14.4.3 [Annex M](#) outlines the ruling received by the authority in relation to performers, guest lecturers and speakers.

14.5 Taxable expenses and benefits in kind

14.5.1 Schools must be aware that certain expenses paid to employees may be taxable, depending upon the nature of the expenses, the level of those expenses and the circumstances in which they are paid. For example, travel costs between home and the normal place of work are private, and any reimbursement is ordinarily taxable. With reimbursed business travel, any excess of mileage rates above those accepted by HMRC attract tax and, where relevant, Employers' and Employees' Class 1 National Insurance.

14.5.2 Equally any benefits in kind provided to employees may attract tax and Employers' Class 1A National Insurance. These include for example:

- accommodation provided at less than market rent (although there are exceptions where an employee is required to live on site to fulfil his/her duties)

- use of school vehicles for private use
- clothing provided to employees, except where this meets specific conditions to be classed as uniform. In particular, if the clothing is in any way suitable for social or external use, it should bear a permanent, fixed logo bearing the name of the school. This should avoid tax and national insurance contribution issues
- School equipment and facilities made available to employees for private use. However important exceptions include:
 - insignificant private use of equipment and machinery on school premises, for example modest and sporadic use of photocopiers and PCs
 - private use of employer owned computer equipment with an original cost of £2,500 or less
 - Private use of employer owned mobile telephones

55

14.5.3 These exceptions apply for tax and national insurance contribution purposes and are obviously subject to normal, disciplinary procedures as to the use of Authority equipment.

14.5.4 Facilities and equipment used privately at home, (other than those excepted above) will also be liable to tax and national insurance. This particularly applies to fixed, home telephones where the bill is paid by the school.

14.5.5 Essentially, any other goods, services or facilities made available to employees at less than their market value may be deemed to be a taxable benefit. Accordingly any such benefits should be paid via the EXP1 expenses claim and identified as taxable, where appropriate, or otherwise declared to HMRC. Expense claim forms must be processed via the school's payroll provider, and the EXP1 expense claim form has been developed for this purpose for schools within the HCC payroll ice contract. Schools that have other payroll arrangements must ensure that a similar mechanism is set up with their payroll provider to ensure that, where appropriate, tax and national insurance contributions are correctly deducted. These schools are strongly advised to obtain a dispensation from HMRC for the payment of *any* expenses other than through their payroll provider, and they must make arrangements with their payroll provider to process any taxable expenses as such. Schools will be liable for any unpaid tax, national insurance and penalties thereon.

14.6 Authorised signatories

14.6.1 Headteachers must maintain a list of authorised signatories for payroll administration. For schools using the Authority's payroll agent, a copy must be sent to the Payroll & HR Team, who carry out an annual review of authorised signatories. However, schools should ensure that any changes are notified to Serco immediately to ensure the authorised listing is kept up to date.

14.6.2 Further guidance and a copy of the form for notifying changes to authorised signatories are reproduced in [Annex G](#) to this Section.

14.6.3 For schools that have other payroll arrangements, a copy must be sent to the payroll service provider or provided to payroll administration staff.

14.7 HM Revenue and Customs (HMRC)

14.7.1 In employing staff, the Governing Body must, by law, declare to HMRC payments made to its staff. It follows that, where contractual arrangements are made on behalf of the Authority, these should be paid through a payroll system. The necessary deductions and employer's contributions

56

must be calculated, and the school charged with the full cost. It is **not** correct to assume that the employee is responsible for declaring this income for his or her own tax purposes.

14.7.2 The liability of the County Council extends to paying to HMRC any tax or national insurance due that has not been deducted, and this would be passed on to the school. In addition, under the Authority's [Scheme for Financing Schools](#), any fines, penalties or surcharges levied on the County Council in such circumstances can be charged against the school's budget.

14.8 Review of payroll reports

14.8.1 Whether paying its own staff or using a payroll service provider (the payroll service provider will provide a payroll transaction report) the school should ensure through **monthly** reviews that all, and only, *bona fide* staff are included, and that all payroll changes are correct. The payroll transaction report should be signed and dated to evidence this check.

14.8.2 The school should also check, at least annually, that gross pay agrees with contracts or other authorised documents, and that deductions have been correctly determined.

14.9 HMRC concession for payments to performers, guest lecturers and speakers

14.9.1 Difficult situations can arise when schools purchase services from external suppliers, if the school does not know whether they are employed or self-employed for tax purposes. It has been recognised by HMRC that this situation creates work for schools and the affected departments within the County Council. To try to help with this, Hertfordshire County Council has negotiated a 'concession' in this area where, **in the appropriate circumstances**, a payment of up to £350 can be paid to an individual gross, without considering his or her taxation status. This does not, of course, apply where a short term employment contract is intended. This concession is only available to schools within HCC's contract for payroll services. All schools with external payroll arrangements must separately negotiate a similar concession with HMRC.

14.10 Payroll provider

14.10.1 The section for schools wishing to consider moving to an outsourced payroll provider is located [here](#)

14.10.2 Teachers' Pensions Regulations

57

Under the [Teachers' Pensions Regulations](#) the Authority is regarded as the employer for pension purposes for all maintained schools. In essence this means that the Authority is responsible for sending monthly contribution payments, salary and service returns and appointment and leaver notifications to Capita, Teachers' Pensions. The responsibility also covers payments of Additional Voluntary Contributions (AVCs) to Prudential. This does not affect the employer/employee relationship in Foundation and Voluntary Aided schools.

The specification for payroll services provided to schools by an external agency must include provision for audit access to provide assurance that the correct level of contributions is being made over to the Authority.

14.11 Local Government Pension Scheme

14.12.1 General

Under the Local Government Pensions Scheme (the "Scheme") regulations, all non-teaching staff have the option of joining the Local Government Pension Scheme. Hertfordshire County Council is the Administering Authority of the Pension Fund (the "Fund") and administers the Scheme on behalf of the participating employers and members. Administration of scheme benefits is provided by the London Pension Fund Authority (LPFA) who can be contacted at 01992 555466, or Hertscc@lpfa.org.uk.

Comprehensive information and guidance about the Scheme is accessible from the Fund's website at: <http://www.yourpension.org.uk/Hertfordshire>. This includes:

- On-line self-service portal providing access to information about the LGPS, current forms and guides for administering the Scheme and the facility to submit monthly and annual returns electronically.
- Monthly newsletters providing information, advice and guidance about administering the Scheme and ad hoc bulletins to advise employers about specific issues that require attention or action.
- Policy and strategy statements for the Fund, outlining employers' responsibilities and providing information on how the Fund is governed and managed.
- Guidance on Scheme benefits and forms for members including the death grant nomination form.

All employers with employees in the Scheme have a responsibility for ensuring that they abide by the administration requirements of the Scheme regulations and Fund policies and procedures. Employers are also required to ensure that their employees are advised of their pensions rights on appointment and during their employment.

The Fund's Administration Strategy sets out the responsibilities of scheme employers, the standards of performance expected and the charges that will be levied on scheme employers for poor performance.

A copy of the Administration Strategy can be found at:

<http://www.yourpension.org.uk/Hertfordshire/Fund-information/Policy-statements>

Annex A: Scope of the Internal Audit System

The Internal Audit Strategy for School Audit looks at the overall risks to HCC of maintained schools not contributing corporate objectives. To ensure that the audit resource is appropriately targeted towards current risks, audit themes are selected on an annual basis. The audit themes selected are included in HCC's annual audit plan.

The Department for Education requires that maintained schools comply with the Schools Financial Management Standard and a proportion of the audit resource in each year is used to ensure the school's compliance with the standard.

The Schools Financial Standard comprises 25 questions that assess the controls in operation in the following areas:

- The governing body and school staff
- Setting the budget
- Value for money
- Protecting public money

More information of the Schools Financial Value Standard is available at:

http://www.thegrid.org.uk/info/internal_audit/sfvs_guidance.shtml

Documents Required for an SFVS Audit Visit

We will use the documents listed below to derive our audit opinion when undertaking an SFVS audit and we will ask for many of the documents in advance of the visit. If the school uses additional or alternative documents to those listed, these should also be emailed in advance of the visit.

a) Governing Body & School Staff

- List of current staff and governors
- The governors' competency matrices
- The minutes from the full governing body and the finance committee along with the supporting papers for the last 12 months. (A copy of May and September minutes for both)
- A list of the training that the governors have received over the last 12 months
- The school's communication with parents on the financial position of the school
- Finance Committee Terms of Reference

- Schedule of Financial Delegation
 - The programme of business for the governing body and its committees. •
- Finance Staff Job descriptions
- The school's pay policy
 - Evidence of independent advice taken when setting the Headteacher's pay

b) Setting the Budget

- The last three budget monitors provided to Governors
 - The file containing the monthly budget monitors for the Headteacher
 - The register of pecuniary interest for staff and governors
 - Staff competency matrices
 - The school development plan
 - The medium term financial plan
 - Approved Budget Return, Budget monitoring notes and system reconciliation •
- The end of year return for 31 March 20XX or March 20XX if available.

c) Value for Money

- The most recent Benchmarking exercise
 - The contracts register
 - Quotes/procurement forms
 - Asset Management Plan
 - Details of where the school has improved the use of resources over the last 12 months •
- Details of lettings at the school

d) Protecting the Public Purse

- Whistleblowing Policy
- The fund/governors account audit certificate
- The school's asset register
- Details of the school's insurance arrangements if these are not through HCC

Definitions of ‘audit’ and ‘independent examination’ based on those published by the Charity Commission.

Professional audit: An audit undertaken by a person who is eligible under the 1993 Charities Act, normally a registered auditor. The auditor has to express a professional opinion as to whether the accounts are ‘true and fair’ and they conduct the audit in accordance with relevant auditing standards.

An **independent examination** is an external review of an organisation’s accounts and is carried out by an independent person with the requisite ability and practical experience to carry out a competent examination.

An independent examination provides an external check on the accounts and can be carried out by any person with the relevant ability and experience. An examination is a less onerous form of scrutiny than an audit and provides less assurance in terms of the depth of work which is to be carried out.

An examiner, in their report, is only required to confirm that no evidence has been found that suggests certain things have not been done by the organisation. This form of ‘negative assurance’ is a more limited form of scrutiny. The examiner is not acting as an auditor and so is not required to plan their work, to identify fraud or to test the internal financial controls operating in the organisation.

An examination involves a review of the accounting records kept by the organisation and a comparison of the accounts presented with those records. It also involves a review of the accounts and the consideration of any unusual items or disclosures identified. It is important to note that verification and vouching procedures, where an item in the accounts is checked against an original document such as an invoice or a receipt, only becomes necessary where significant concerns are identified from the work of the examiner, or where satisfactory explanations cannot be obtained from those responsible for the administration of the accounts.

In the examiner’s report, the examiner is only required to provide a statement on specific matters that have come to their attention as a result of the examination procedures followed. An auditor is required to build up a body of evidence to support a positive statement of opinion on the accounts. In particular, an auditor is required to form an opinion as to whether the accounts show a ‘true and fair view’.

Annex C: Approved Annual Budget Return

The local authority requires maintained schools to submit Approved Budget Returns (ABR’s) and Termly revised financial forecasts via the Solero system. The Solero system offers the benefits of reduced paperwork, simpler authorisation requirements and two way confirmation of the information. An example of the format of the Solero report is appended to this section.

From April 2002, the format for annual budget returns is based on the DfES consistent financial reporting framework (CFR). See [Annex K](#) of this Handbook for further information about CFR and benchmarking.

Assistance in budget preparation is available from Financial Services for Schools. Please refer to the list of

contacts for this Section.

The deadline for all HCC maintained schools to submit their ABRs is 31 May

Annex D: Termly Returns and Revised Forecast Statement

Each school must provide two in-year termly monitoring returns to the Authority which include a revised out-turn forecast; one for each of the summer term and the autumn term, deadlines are published on the School Finance web page, but are included below.

The Governing Body is responsible for monitoring the approved budget to ensure the school's financial viability.

To enable control to be exercised and decisions taken, the school should ensure processes are in place:

- To compare actual and committed spending against the overall school budget and individual budget headings
- To project actual income and expenditure to gain a picture of the budgetary position for the whole financial year.

When completed, the termly statement and supporting documents will give a clear picture of the school's current and anticipated year-end financial position. The returns must be submitted by the specified deadlines. This is to enable the Authority to fulfil its statutory duty with regard to the sound management of public funds.

Governing bodies are directly responsible for the financial stewardship of their schools and therefore must ensure that an effective monitoring cycle is in place. The above reporting cycle relates only to the reporting requirements of the authority and schools may continue to have or wish to add local monitoring arrangements as part of their governance, in order to meet the requirements of their governing bodies.

The only method of submitting termly financial returns to HCC is the e-based return using SOLERO, an example of the return is included below.

The reporting schedule will be as follows:

Year to end of	Period Covered	Submission date
Summer Term	1 April - 31 August	15 October
Autumn Term	1 September – 31 December	15 February

Termly Financial Return

Annex E: End of Year Statement of Accounts

63

Schools are required, as part of the local authority, to prepare and submit a number of returns at year end to allow Hertfordshire County Council to produce a consolidated final statement of accounts.

Our accounts, as is standard practice, is accrual accounting, to reflect the actual cost of running your establishment for the year, rather than record the actual value of payments and receipts made. This will require schools to make accrual adjustments to their accounts.

You should ensure that the financial returns are prepared in accordance with guidance notes published on the School Finance web page and the Financial Handbook for Schools, as these are based on:

- HCC accounting principles, policies and practices; and
- DfE Consistent Financial Reporting framework introduced in April 2002.

Samples of schools' Year End Statement of Accounts are audited each financial year. While the Year End Statement of Accounts generally provides all the information we require, you should ensure that all supporting information is readily available should we or our auditors require further clarification.

Schools are required to submit these returns electronically, as outlined in the Financial Guidance for schools year end guidance that is published in February. Declaration forms are available to download from the schools financial website.

When accounting for creditors, debtors, prepayments and receipts in advance, schools should consider whether an item is material. Schools should note the following definitions when preparing this statement.

➤ Debtors

Income should be recorded at the point when it is due to the school, whether or not received by the end of the accounting period. When income is owed to a school in respect of goods and services provided by

the school during the financial year, the person or organisation owing the money is a debtor. An example of this would be where payment was not received in respect of invoices for hire of school premises that took place during the accounting period. All significant debtors must be taken into account on the year end statement.

➤ Receipts in advance

Income received in advance should be properly accounted for in the relevant accounting period. For example, income received for a school journey or day trip that will take place in a following accounting period. All significant receipts in advance must be taken into account on the year-end statement.

➤ Prepayments

Payments made in advance for goods or services to be received in the next accounting period. For example, payment of deposits for a field study visit to take place during the next accounting period is allocated to that period. All significant prepayments must be taken into account on the year-end statement.

➤ Creditors

Expenditure should be recorded in the accounting period when the goods and services were received. Where a school has received goods or services during the financial year and has not yet paid for them, whether or not an invoice has been received, these are known as creditors.

Goods and services ordered during the financial year **but not received** by 31 March **must not** be included as creditors and **must** be accounted for in the following financial year. All significant creditors must be taken into account on the year-end statement.

LMSFR (Locally Managed Schools Financial Returns) sample forms for the year end statements can be downloaded from the Schools financial web page on The GRID

Locally Managed Schools Financial Returns

• LMSFR3

LMSFR 3 is a summary of Year End Outturn by CFR heading for Income and Expenditure. It should also identify the element of Accruals by type within the total outturn figure.

Typical Headings and layout are presented below and can be summarised with totals carried forward, and brought forward balances:

• LMSFR4

LMSFR 4 is the school's annual accounts summary Balance Sheet, ensuring that total Income less total Expenditure balances to the LMSFR3.

Calculated using the summary figures from LMSFR3 adding Current Assets (Debtors, prepayments and Cash) and reducing balances by current liabilities (Creditors and Receipts in advance), the schools net balance should be represented by the CFR Headings for Balances (B01 – B06)

- **LMSFR5**

LMSFR 5 is a representation of the schools reconciled cash as at the 31st March. Schools must reconcile their cash to the schools closing bank balance as at that date, with supporting bank statements.

All un-reconciled items need to be listed.

- **LMSFR5a**

LMSFR5a is a reconciliation of petty cash held by the school; this balance is added to the schools closing bank balance as cash asset.

65

- **LMSFR6**

LMSFR6 is a reconciliation listing of the schools DEBTORS and Pre-PAYMENTS.

Accruals that are included in Debtors and Prepayments, must state the organisation to which the accrual has been raised to, a brief description of the purpose of the accrual, and the appropriate CPiD (Counter Party Identifier) code.

This is required to ensure that the school return can be incorporated into the Local Authorities accounts, and subsequently the whole of Government accounts (WGA).

- **LMSFR7**

LMSFR7 is a reconciliation listing of the schools CREDITORS and Receipts in Advance (RIA).

Accruals that are included in Creditors and RIA, must state the organisation to which the accrual has been raised to, a brief description of the purpose of the accrual, and the appropriate CPiD (Counter Party Identifier) code.

This is required to ensure that the school return can be incorporated into the Local Authorities accounts, and subsequently the whole of Government accounts (WGA).

- **LMSFR8**

Schools returns are reported in CFR (Consistent Financial Reporting). The Authority has to ensure that there is a true reflection of Income within the accounts. To enable this to be analysed LMSFR8 details by analysis account code, the amount of income that has been included within the schools accounts and the purpose for which it was received.

- **LMSFR9**

Specific codes within the schools accounts identify the costs and income relating to Special Educational Needs, LMSFR9 summarises these codes.

A List of the codes required is available on request.

• **LMSFR10**

LMSFR10 is a reporting requirement that enables the schools financial return database to post actual line items included within I08 (Special Facilities Income).

Account codes that are included within I08 are detailed and summarised, in this report. • **LMSFR11**

66

LMSFR11 is a reporting requirement that enables the schools financial return database to post actual line items included within I07 (Other Grants and Payments Received).

Account codes that are included within I07 are detailed and summarised, in this report. Also required at the point of submission are:

- ❖ Photocopies of Bank Statements other than Barclays General Account, where Public Money is held.
- ❖ Aged Debtors and Creditors report
- ❖ Committed Revenue Balances Report B01
- ❖ CFR report
- ❖ Signed Declaration

Annex F: Reimbursement of travel expenses

The following chart sets out recommended reimbursement mileage rates for school based travel that is met from the schools' delegated budget.

Activity/journey Rate Applicable

School trips or journeys, (including planning and preparation visits) **Single Status Rate**

School sporting events, (whether held at the school or at other venues, e.g. inter-school events)	Single Status Rate
Any journey connected with out-of-school activities, (such as visits to swimming pools, music centres, teachers centres)	Single Status Rate
Transport of ancillary or relief staff	Single Status Rate
Any visits to other education establishments within the County (e.g. Primary/Secondary liaison, school/college liaison)	Single Status Rate
Official visits to pupils' homes	Single Status Rate Carrying sick/injured pupils home, to doctor or to hospital
Journeys connected with pupil work experience (including preparation and follow up visits, travel to venues offering formal, simulated work experience)	Single Status Rate
Collection of equipment from, for example, Herts Fullstop events	Single Status Rate All training Public Transport
Interview expenses for teachers attending interview at your school (this includes travel and subsistence claims)	Public Transport
Attendance at case conferences for pupils attending your school	Single Status Rate
Visits to other schools where pupils are placed	Single Status Rate temporarily (e.g. special schools or units)
Visits to school annexes for teaching purposes (split-site travel)	Single Status Rate Visits to other schools for joint planning and teaching activities
The banking of money on behalf of the school or Authority	Single Status Rate
Journeys from home to work for 'directed' activities outside normal school hours, connected with attendance at staff meetings, parent consultation meetings, PTA Committee meetings and Governing Body meetings.	payment is made through payroll. Travel expenses to be met from non-delegated budgets
Travel from home to work and work to home is subject to the deduction of income tax and	Public Transport

Journeys and expenses connected with the following activities will be met from non-delegated budgets.

Travel for 'official' County business

68

Reimbursement of the cost of travel for 'official' County business listed below to events organised by or on behalf of the authority. Where journeys do not fall into one of the categories below the school must meet the costs.

Activity/Journey Rate Applicable

Official attendance at events on behalf of the Authority, (e.g. funerals or special events at the invitation of local industry or other agencies.

Extraordinary meetings of education-related organisations at district, divisional, County or national level. These must be of clear benefit to the Authority (e.g. Hertfordshire Teachers' organisations, Herts Sports Association Committee or other sporting activities not at school level). This does not include Trade Unions or Associations, or routine divisional meetings of heads not arranged by the Authority.

Meetings or exhibitions arranged by or at the request of the Authority.

Travel to official County Council sponsored

in-service training activities where participation is as a tutor or direct contributor. This does not include as a recipient of training.

Travel Rates Applicable as at 2016 Single Status Rate Single Status Rate

Single Status Rate Single Status Rate

Mileage Rate VAT element

Up to 10,000 miles 45.00p 2.00p Over 10,000 miles 25.00p 2.00p

Training Rate 31.93p 2.00p Passenger Miles - only paid with training rate 3.20p 0 Lease
Car 12.00p 2.00p Pedal Cycle 10.18p
Solo M/C under 150cc 13.42 1.67p Solo M/C over 150cc 19.12p 1.67p

Annex G: Authorised Signatory Listing

1. It is a fundamental principle of internal control that all transactions should be authorised in line with the County Council's financial regulations. Serco maintains, on behalf of the Authority, a full list of schools' authorised signatories and uses the list to check the authorisation of payroll, accounts payable and accounts receivable items.

69

2. Authorised signatories will be those employees of the school that have been delegated responsibilities in accordance with the school's Schedule of Delegation for authorising payments. Please refer to [Section 10](#) of this handbook for further details.

3. Each authorised signatory within the school must complete a copy of the attached form and provide two specimen signatures in the boxes provided. The form must then be authorised by the Headteacher or, where the form relates to the Headteacher, by the Chair of Governors.

4. Completed forms should be returned to:

Serco Controls Team
County Hall
Hertford
SG13 8TN

A copy must be retained within the school for future reference.

5. Schools should ensure that the authorised signatory listing held by Serco is kept up to date and changes are notified as and when they occur. The form overleaf can be used for this purpose.

6. Serco will check the authorisation of payroll, accounts payable and accounts receivable items against the authorised signatory listing for the school. Due to the volume of transactions processed on behalf of schools, these checks will be carried out on a rolling programme of sample checking of transactions.

A copy of the form for notifying changes to authorised signatories can be found [HERE](#)

Annex H: Requirement for a payroll provider

1. Statutory commitments

- Income tax and national insurance: In particular, [The Employer's Further Guide to PAYE \(CWG2\)](#) and [Booklet 480, Expenses and Benefits: A Tax Guide.](#)
- National Insurance contributions: as defined in the [National Insurance rates and categories](#)
- Statutory Sick Pay (SSP): as defined in the [Statutory Sick Pay \(SSP\): employer guide](#)
- Statutory Maternity Pay (SMP): as defined in the [Statutory Maternity Pay and Leave: employer guide](#)

2. Conditions of Service

- Apply the relevant *Scheme of Conditions of Service* in relation to all payment matters, or any local variations as defined by the LA.

3. Teachers Pensions Scheme

- Calculate and collect contributions in accordance with the DfE requirements. • Pay over the collected contributions to the LA for submission to the DfE monthly.
 - Calculate and pay amounts due to teachers' dependants under the Short Term Pension Regulations and make the recovery from the DfE.
- Provide the relevant year-end returns relating to contributions, required by the DfE.

4. Local Government Pension Scheme

- Calculate and collect contributions in accordance with the Regulations.
- Pay over the collected contributions to the Local Government Pension Scheme monthly.
- Produce an annual schedule of contributions.

5. Other deductions

Calculate, collect and pay over, the collected contributions for:

- court orders - attachment of earnings
 - child maintenance
 - debt recovery
 - council tax
- voluntary subscriptions
 - (as requested)
 - National Union of Teachers
 - Local Government Officers Association
 - National Union of Public Employees
- UNISON Benevolent Fund
- rent (of county council property)
- loan repayments

Annex I: Pro Forma Audit Certificate

A separate certificate should be completed for each unofficial or private account run by the school or its Governing Body.

Examiner's or auditor's report

I have examined the final accounts for the year ending.....for the

..... (title of account) run by

.....School, and the

underlying accounts and financial records. I have obtained all the information and

explanations I consider necessary to complete the statement below. Further, I have not identified any significant concerns regarding these accounts which remain either unresolved or undeclared in the accounts themselves or this report.

I certify that the accompanying final accounts (summary income and expenditure account and balance sheet) present an accurate picture of the activities and transactions undertaken through this account and of the financial position at the end of the year.

Examiner's/auditor's signature.....

. Date.....

Name (please print).....

Status (e.g. parent, accountant, etc.).....

Contact telephone number.....

Annex J: Sample Pro Forma Invoice

PRO FORMA INVOICE/CHEQUE REQUISITION

73

Request from:

--

Cheque No:

Date:

Please raise payment by means of a cheque, made out as follows:

Amount to be drawn:

Account to be drawn from: Date cheque required

by:

//

Purpose of cheque:

Payee:

£

General Fund/Pe

Supporting documents with VAT registration number (where applicable) should be attached.

Claimant's signature:

Headteacher/authorised signatory: Date:

//

74

Annex K: CFR Guidance

Income

➤ I01: funds delegated by the local authority (LA)

This is the major share of funding provided by the LA to the school. All delegated funding other than sixth form funding should be included here.

Includes:

- the school's gross budget share, before any de-delegation for central services
- any additional funding from the LA that is not formally included in the school's delegated budget but is managed by the school, including any extra funding from the LA's high needs budget that has been targeted to specific mainstream schools because they have a disproportionate number of pupils with special educational needs (SEN), or type of SEN (but not top-up funding relating to individual pupils – see I03 below – or funding for SEN or alternative provision services provided by the school on behalf of a LA or other school – see I08 below)
- funding for nursery pupils
- notional SEN budget included within budget share

- pre-16 place funding for special units and resourced provision in mainstream schools and in special schools, pupil referral units and other maintained alternative provision settings with delegated budgets

Excludes:

- sixth-form funding (see I02)
- high needs top-up funding outside the budget share (see I03)
- minority ethnic funding which is not already included in the budget share (see I04) •
- pupil premium funding (see I05)
- capital funding (see capital income)
- any balances carried forward from previous years

➤ **I02: funding for sixth form students**

Includes:

- funding from public sources for sixth-form students
- Education Funding Agency (EFA) funding
- additional learning support funding for sixth forms from the EFA within their main EFA budget allocations
- 16-19 bursary fund
- post-16 high needs place funding (elements 1 & 2)

75

Excludes:

- voluntary sources of funding for sixth-form students (see I13)
- any balances carried forward from previous years
- high needs top-up funding (Element 3) provided by the LA direct to the school (see I03)

➤ **I03: high needs top-up funding**

This is funding outside of the school budget share.

Includes:

- high needs top-up funding (from any commissioner – home LA, other LA or other school) •
- any top-up funding (Element 3) from any LA for sixth-form students with high needs

Excludes:

- voluntary sources of funding for high needs pupils (see I13)
- place funding delegated by the LA to a special unit or resourced provision in a mainstream school, to a special school, or to a pupils referral unit – this forms part or all of the school budget share (see I01)
- notional SEN budget within your school's budget share (see I01)
- funding for SEN or alternative provision support services commissioned by an LA for delivery by the school under a service level agreement (see I08)
- any balances carried forward from previous years

➤ **I04: funding for minority ethnic pupils**

Any devolved funding which is allocated in addition to the school's budget share.

Includes:

- any publicly-funded source intended to promote access and opportunity for minority ethnic pupils, in support of English as an additional language or as part of a wider focus on raising attainment

Excludes:

- voluntary sources of funds for minority ethnic and traveller pupils (see I13)
- any balances carried forward from previous years

➤ **I05: pupil premium**

Includes:

- pupil premium funding
- pupil premium funding received directly from local authorities other than the school's maintaining authority
- summer school funding

76

Excludes:

- any other source of funding for deprived pupils
- any balances carried forward from previous years

➤ **I06: other government grants**

Includes:

- income from the National College of Teaching and Leadership
- the total of all development and other non-capital grants from government not included in the lines above
- Salix loans (ie specific funding from SALIX for energy efficiency projects)
- year 7 catch-up premium
- School Direct salaried programme
- Voluntary, Community, and Social Enterprise Grant (VCSE)

Excludes:

- grants or monies from government captured in I01 to I05 above
- payments by government agencies for goods or services provided by the school
- Big Lottery Fund (see I07)
- grants not funded through government (see I07)
- any balances carried forward from previous years

➤ I07: other grants and payments received

Includes:

- Big Lottery Fund or lottery grants
- European Union funding
- payments received from other schools eg from a partner school in a collaboration or cluster to meet supply cover costs to enable your school to participate in development activities organised by the partner school primarily for the benefit of your own and other schools
- milk subsidy
- income from recycling refunds such as paper, glass and plastic
- 2 year-olds demonstration project

Excludes:

- grants received from government sources (see I01 to I06)
- refunds or rebates from over charge or over payment, should be credited against original expense account

77

- any balances carried forward from previous years
- payments received from other sources for which your school has provided a service (see I08)
- payments received from other schools for services provided by your school (see I08)

➤ I08: income from facilities and services

Includes:

- income from meals provided to external customers including other schools
- income from assets such as the hire of premises, equipment or other facilities
- all other income the school receives from facilities and services, eg income for consultancy, training courses and examination fees
- any interest payments received from bank accounts held in the school's name or used to fund school activities
- income from sale of school uniforms, materials, private phone calls, photocopying, publications, books etc
- income from before and after school clubs
- income from the re-sale of items to pupils eg musical instruments, classroom resources, commission on photographs, etc
- income from non-catering vending machines
- income from a pupil-focused special facility
- rental of school premises including deductions from salaries where staff live on site
- income from universities for student/teacher placements
- income from energy/feed-in tariffs
- income from SEN and alternative provision support services commissioned by an LA or other school, for delivery by the school or pupil referral unit, under a service level agreement specifying the service required for pupils who may or may not be on the roll of the school, and who remain the responsibility of the commissioning LA or school, but this does not include high needs place funding or top-up funding

Excludes:

- payments received from other schools for which you have not provided a service (see I07)
- income from community-focused special facilities (see I17)
- any balances carried forward from previous years

➤ **I09: income from catering**

Includes:

- income from catering, school milk provision and catering vending machines
- any payments received from catering contractors, e.g. where a contractor is in default of contract or has previously overcharged the school

Excludes:

- receipts for catering for external customers (see I08)
- income from non-catering vending machines (see I08)

- any balances carried forward from previous years

78

➤ **I10: receipts from supply teacher insurance claims**

Includes:

- payments from staff absence insurance schemes (including those offered by the LA) to cover the cost of supply teachers

Excludes:

- insurance receipts for any other claim, for example building, contents, and public liability (see I11)
- any carry-forward balances from previous years

➤ **I11: receipts from other insurance claims**

Includes:

- all insurance receipts in respect of claims for losses incurred (including absence insurance schemes for education support staff and other non-teaching staff)

Excludes:

- insurance receipts from supply teacher absence claims (see I10)
- any carry-forward balances from previous years

Further information

Sometimes an insurance receipt relates to a claim for a capital item. When this is the case, the income should first be recorded under this heading and then moved into the capital section of the framework via direct revenue financing, E30.

➤ **I12: income from contributions to visits**

Includes:

- income from parental contributions requested by the school, eg educational visits, field trips, boarding fees and payments to the school for damage done by pupils

Excludes:

- donations and voluntary funds not expressly requested by the school (see I13)
- any balances carried forward from previous years

➤ **I13: donations and/or voluntary funds**

79

Income should be recorded against this code if it has been paid into the main school budget during the financial year. This code excludes money that has remained in the school's private accounts throughout the year.

Includes:

- All income from private sources under the control of the governing body available for the purposes of the school or for the purposes of the maintenance of any part of the school premises, including:
 - income provided to the schools account from foundation, diocese or trust funds during the year to support educational needs at the school
 - business sponsorship
 - income from fund-raising activities
 - any contributions from parents (not expressly requested by the school) that are used to provide educational benefits for students

Excludes:

- any contributions or donations that are not used for the benefit of students' learning or the school
- details of balances available in trust funds or other private or non-public accounts
- any balances carried forward from previous years

➤ **I15: pupil-focused extended school funding and/or grants**

Includes:

- EFA funds that are deemed to be for pupil-focused extended school activities
- other sources of funding to be attributed to pupil-focused extended school activities

Excludes:

- any charges for these activities should still be captured in income from facilities and services (see I08)
- any funding which is to be attributed to a community-focused activity (see I16)

➤ **I16: community focused school funding and/or grants**

Includes:

- sources of funding to be attributed to community-focused activities

Excludes:

- any funding that is to be attributed to a pupil-focused extended school activity (see I15)

Further information: See Annexe A: Schedule of Financial Delegation:

<https://docs.google.com/document/d/1sRe21PhaFpemi8CQUabuxquLxMOT6Zlx/edit>