

Appendix 1: Consultation Draft - Financial Regulations for Maintained Schools

1. Application

- 1.1 These Financial Regulations are made in accordance with:
 - 1.1.1 the provisions of S.151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015 to provide for the proper administration of the Council's financial affairs.
 - 1.1.2 the Bradford Local Authority Scheme for Financing Schools (the Scheme).
 - 1.1.3 the School Standards and Framework Act 1998.
- 1.2 These regulations are designed to provide a balance between giving schools the freedom necessary to exercise their delegated authority whilst maintaining accountability for the management and control of public funds.
- 1.3 Funds devolved and delegated to the School's Governing Body by the Council remain the property of the Council and, subject to limited exceptions, are spent by the Governing Body or the Headteacher as agent for the Council.
- 1.4 These regulations state the principles of financial control and administration to be followed by the Governing Body who are legally responsible for their application and compliance. The Governing Body may delegate some but not all powers to the Headteacher in accordance with the Scheme. The Governing Body or Headteacher acting under their delegated powers may authorise other school staff to act in the name of the school within these Financial Regulations and those staff must follow these Regulations. Failure to comply with these Financial Regulations may result in disciplinary action against the school staff concerned. Failure to comply with these Financial Regulations may also lead to a Notice of Concern and suspension of the school's delegated budget.
- 1.5 Where indicated, these regulations also place specific responsibilities on the Strategic Director Children's Services.
- 1.6 Subject to Regulation 1.8. the Governance and Audit Committee may alter these Financial Regulations on the recommendations of the Council's Chief Financial Officer (S151 Officer) and Strategic Director Children's Services only after appropriate consultation with schools.
- 1.7 The Council's Chief Financial Officer may allow specific exceptions to these Financial Regulations where in their opinion it is in the school's interest. The Council's Chief Financial Officer must keep a record of these exceptions and report these to the Governance and Audit Committee on an annual basis.
- 1.8 The Council's Chief Financial Officer can alter the financial limits in these regulations because of the changes in the value of money or where changes are required in order to comply with legal requirements. The Chief Financial Officer must report any alterations to the next meeting of the Governance and Audit Committee and inform schools of any such changes in writing.
- 1.9 All amounts quoted in these Financial Regulations refer to values excluding Value Added Tax.
- 1.10 In applying these Financial Regulations the Governing Body must comply with the requirements of the:
 - 1.10.1 Scheme For Financing Schools (the Scheme).

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- 1.10.2 Guide to Financial Procedures in Schools (the GFPS), and
- 1.10.3 any other legal requirements.

FINANCIAL CONTROLS AND PROCEDURES

2. Accounting Control

- 2.1 The Governing Body must establish accounting and financial systems, which meet the requirements of the Regulations of the Schools Standards and Framework Act 1998, Section 48, and the accounting arrangements of the Council. School staff must comply with these accounting and financial systems.
- 2.2 The Strategic Director Children's Services should ensure that Governing Bodies provide details of their accounting transactions in a format agreed with the Council's Chief Financial Officer for inclusion within the Council wide accounting financial systems.

3. Audit Arrangements

- 3.1 The Governing Body is responsible for the provision of information in order that the Council's Chief Financial Officer can monitor, review and report on:
 - 3.1.1 The soundness and adequacy of financial management control systems and how they are implemented.
 - 3.1.2 How far established policies, plans and procedures of the school are complied with and the financial effect.
 - 3.1.3 How far assets, resources and interests are accounted for and safeguarded from losses due to:
 - Fraud
 - Waste, extravagance and inefficiency.
- 3.2 In order to fulfil this function the Council's Chief Financial Officer can:
 - 3.2.1 Visit all premises to see cash, stores and other property.
 - 3.2.2 Access any necessary documents or data sources they think necessary.
 - 3.2.3 Ask for any other information and explanation they think necessary.
 - 3.2.4 Produce a written report to the Headteacher and Governing Body.
 - 3.2.5 Attend any meeting of the Governing Body or its committees.
- 3.3 All suspicions or knowledge of losses or irregularities relating to cash, property, stores or other financial matters must be reported immediately to the Governing Body by any member of the staff at the school or any Governor having any such suspicions or knowledge. The Governing Body must have arrangements in place to deal with such reports, which must include immediately reporting the matter to the Council's Corporate Fraud Unit. The Council's Chief Financial Officer will discuss the action to be taken, and must report serious losses and irregularities to the Governing Body, the Strategic Director Children's Services and the Governance and Audit Committee.
- 3.4 The Governing Body is required to ensure that all prime financial records kept in school are retained for the minimum periods required by law.

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3.5 The Governing Body must reply within two months to any Audit report received giving details of action taken. The Strategic Director Children's Services is responsible for appropriate procedures being in place to ensure that intended action is implemented. The Council's Chief Financial Officer must tell the Governance and Audit Committee every year about any replies to reports, which are still outstanding.

4. Provision of Financial Information and Reports

4.1 The Strategic Director Children's Services must produce a statement under Section 251 of the Apprenticeships, Skills, Children and Learning Act 2009 showing the actual expenditure incurred by the Local Authority on behalf of all schools and the actual expenditure incurred by each school.

4.2 The Governing Body is required to comply with all the requirements set out in the Scheme regarding the provision of financial information and reports.

4.3 The Governing Body must obtain and consider a financial monitoring report at least once per term.

4.4 All local authority maintained schools (including nursery schools and Pupil Referral Units (PRUs) that have a delegated budget) must demonstrate compliance with the Schools Financial Value Standard and complete the assessment form on an annual basis.

4.5 All local authority maintained schools must also demonstrate compliance with additional reporting requirements set out by the Department for Education, such as Pupil Premium and PE and Sports Grant Premium.

5. School Staff Remuneration

5.1 The Governing Body is responsible for ensuring that the arrangements for paying school staff are in accordance with the Scheme and rules issued and systems established by the Council's Chief Financial Officer. Payments to workers must comply with IR35 Regulations.

5.2 The Governing Body is responsible for ensuring that all information, which is used for making payments to school staff is accurate. Where this information is passed to the Council for payment, the Council is responsible for the accuracy of payments made in accordance with information received. Where the school processes payroll themselves, or passes this to a third party for processing, the Governing Body must ensure the integrity and accuracy of this process in accordance with requirements and guidance given in the GFPS.

5.3 The Governing Body may nominate members of school staff to authorise payroll documents for payment and must notify the Council or other payment service provider of all such nominated persons.

6. Cash, Banking and Investments

6.1 The Governing Body must ensure that public money is managed in accordance with the Council's Treasury Policy Strategy Statement subject to the additional limitations detailed below:

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- i) School budget funds must be held in a bank account with Barclays, HSBC, Lloyds TSB or RBS (Nat West) (RBS only if the account was opened before 1 October 2012).
 - ii) Investments must only be made in accordance with written procedures approved by the Governing Body. These procedures must comply with the requirements of the Council's Treasury Policy Strategy Statement and the current Scheme for Financing Schools.
 - iii) The maximum permitted period of an investment is 1 year.
 - iv) Investments must be made under the name of the School on behalf of the Council.
- 6.2 The Governing Body must make a return to the Council's Chief Financial Officer on the 31 of March each year detailing the Institutions used and amounts involved.
- 6.3 The Governing Body must ensure arrangements are in place for the sound and efficient operation of the School's bank accounts. School bank accounts in which school delegated funds are maintained must not be allowed to go overdrawn and must not have an overdraft facility.
- 6.4 The Governing Body is responsible for ensuring that there are safe and efficient arrangements for the control of and access to blank cheques, the preparation and signing of cheques and the monthly reconciliation of the cash books with bank statements.

7. Borrowing Arrangements

- 7.1 The Governing Body must not negotiate overdraft facilities or loans to the school.
- 7.2 The Governing Body must not enter the school into a finance lease unless prior approval has been given in writing by the Secretary of State. A finance lease would transfer substantially all the risks and rewards of ownership to a school. It is a form of borrowing and must not be entered into by a school without prior Secretary of State approval.
- 7.3 The Governing Body must not enter the school into a hire purchase agreement as it is similar to a finance lease.
- 7.4 The Governing Body may enter the school into an operating lease. An operating lease is any lease which is not a finance lease. It will have the character of a rental agreement with the leasing company usually being responsible for the repairs and maintenance of the asset.
- 7.5 The Governing Body must receive and retain written legal advice from a professional advisor (financial or legal) or the Council's Legal Department prior to signing a lease agreement to ensure that it is an operating lease. Advice from the leasing company on the nature of the lease is not sufficient.

BUDGET PREPARATION AND OPERATION

8. Budget Management

- 8.1 The Governing Body must ensure that appropriate arrangements are in place to meet the requirements for the approval and submission of school budgets in accordance with the Scheme and GFPS.

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- 8.2 The Governing Body must operate their budget in accordance with the [Scheme](#), the [GFPS](#), the Authority's [Schools Surplus Balances Protocol](#) and the Authority's [Deficit Budget Protocol](#).

EXPENDITURE REQUIREMENTS

9. Expenditure Limits

- 9.1 Subject to any requirements in the Scheme the Governing Body may spend up to the total financial resources available to them in the most efficient and cost effective manner for the purposes of the school and in accordance with any requirements in the Scheme.
- 9.2 Where the Governing Body has delegated day to day management of the budget it has approved to the Headteacher, the Headteacher is responsible to the Governing Body for all expenditure incurred and any variations within the total budget.
- 9.3 The Governing Body must take due consideration of all commitments to expenditure, particularly related to staffing levels, which extend from one financial year to the next.
- 9.4 Where the Headteacher has a professional concern about expenditure decisions being made by the Governing Body the Headteacher has the responsibility to report the matter to the Council's Chief Financial Officer.
- 9.5 All financial transactions must be authorised by the Governing Body or their nominee, except in the circumstances set out in the Scheme where the budget share of a school can be charged by the Local Authority without the consent of the Governing Body.

10. Invoices

- 10.1 The Governing Body is responsible for ensuring that invoices are checked prior to payment, and for the integrity and accuracy of the school's payment system.
- 10.2 The Governing Body must nominate persons to certify invoices for payment and must maintain a record in school of such nominated persons. Only persons nominated by the Governing Body may authorise payment for any goods, works and services supplied to the school.
- 10.3 As far as possible the Governing Body should ensure that the placing of orders for goods, works and services, the receiving of goods, works and services, and the certification of payment of them are carried out by different persons.

CAPITAL EXPENDITURE

11. Expenditure Arrangements

- 11.1 Schools have the right to receive explanatory information about Capital Expenditure Programmes relating to them.

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INCOME REQUIREMENTS

12. Income Arrangements

- 12.1 When the Governing Body provides goods or discretionary services to bodies or individuals external to the school, the Governing Body must ensure
- 12.1.1 A sound business case is established.
 - 12.1.2 The Governing Body has legal authority to carry out the service.
 - 12.1.3 All relevant financial, employment and legal aspects have been properly considered.
 - 12.1.4 The Governing Body is not exposed to unreasonable or disproportionate financial or other risk.
 - 12.1.5 The Governing Body, through its actions, does not expose the Council to unreasonable or disproportionate financial or other risk.
- 12.2 The Governing Body has the responsibility for making arrangements for the collection, receipt, recording, banking and safe-keeping of all the school income in accordance with the GFPS.
- 12.3 The Governing Body has the responsibility for making arrangements for credit facilities and for recovering outstanding debts, for all school income in accordance with the GFPS.
- 12.4 All contracts where the Governing Body agrees to provide a service for a fee must be in writing and state the services to be provided, the price to be paid, the payment agreement and the time within which the contract is to be performed.
- 12.5 Credit notes must only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt and once it is confirmed that the debt is not payable. Credit notes must be approved by the Governing Body or their nominated member of school staff before they are raised.
- 12.6 Debts up to £500 may only be written off by the Governing Body when evidence is provided that the school's debt recovery procedures have been followed and the debt is deemed to be irrecoverable. Debts over £500 may only be written off by the Council's Chief Financial Officer when evidence is provided that the school's debt recovery procedures have been followed and the debt is deemed to be irrecoverable by the Council's Chief Financial Officer. Credit facilities should not be provided to an individual/organisation that the Governing Body has previously had to write off a debt for.
- 12.7 The Governing Body is responsible for arrangements for the submission of grant applications to funding agencies, the proper processing and certification of grant claims and the proper management of grant monies received.

13. Review of Fees, Charges, Remissions and Use of Premises

- 13.1 The Governing Body shall determine all fees, charges and remissions and review them each year. The annual review must have regard to relevant policies and strategies, cost of service and budget implications and inflation. In particular, where there is a requirement for a service to break even or to generate a surplus, the review must have regard to this requirement.

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- 13.2 Governing Bodies may enter into lettings arrangements for use of school premises and retain all income from such lettings. The premises of a community, community special or voluntary controlled school belong to the Council and the Governing Body of such a school may not sell or dispose of these premises, and except in the case of caretakers' service tenancy agreements, may not enter into any tenancy agreement in relation to these premises.

MANAGEMENT OF ASSETS

14. Safekeeping of Assets

- 14.1 The Governing Body is responsible for making suitable arrangements for the safekeeping and proper use of equipment, property and other assets in their control.

15. Keeping of Inventories

- 15.1 The Governing Body must supply the Strategic Director Children's Services with such information as is required to maintain the Authority's Asset Register.
- 15.2 The Governing Body must ensure that an inventory record system is operated in accordance with the guidance in the GFPS, which requires an up to date record of assets to be maintained. In accordance with the Scheme the inventory must include items over £1,000 and, at the Governing Body's discretion, such items as it decides below £1,000 including those that are considered attractive or portable.
- 15.3 Inventories must be regularly updated and all items should be physically checked at least annually.
- 15.4 All plant and equipment must be clearly marked to show they belong to the School.

16. Private Property

- 16.1 When the School is entrusted with private property, it is the responsibility of the Governing Body to ensure that there is a complete inventory made, arrangements are made for its safekeeping and arrange for any appropriate insurance cover.

17. Private Funds and Community Facilities

- 17.1 A Private Fund can only be set up with the approval of the Governing Body, who must make appropriate arrangements for recording and safekeeping of such funds. The Governing Body must ensure that funds that do not come from Local Authority sources are clearly accounted for separately from Local Authority funds.
- 17.2 Local Authority monies must not be paid into Private Fund accounts.
- 17.3 Private Funds must be reported to and reviewed by the Governing Body annually. The Governing Body must arrange for an annual audit of such funds. A copy of the audited accounts must be forwarded to the Strategic Director Children's Services.

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- 17.4 Accounting arrangements for such funds must be in accordance with the requirements of the Scheme and the appropriate procedures and standards required by these Financial Regulations and the GFPS.

INFORMATION MANAGEMENT

18. Security and Control

- 18.1 The Governing Body shall make suitable arrangements for the identification, recording securing and proper use of all:
- 18.1.1 computer hardware/software and associated technologies owned by or used by the school.
 - 18.1.2 school information systems, manual and electronic, including the control of access to premises where information is processed and stored.
- 18.2 The Governing Body must appoint a Senior Information Risk Owner (SIRO). The SIRO must be a senior member of staff (normally the headteacher) who is familiar with information risks and the school's response. The SIRO has the following responsibilities.
- They own the information risk policy and risk assessment.
 - They appoint the Information Asset Owners (IAOs).
 - They act as an advocate for information risk management.
- 18.3 The SIRO must identify an IAO for each asset or group of assets within school. For example, the school's management information system should be identified as an asset and should have an IAO. The role of an IAO is to understand:
- What information is held, and for what purposes.
 - How information will be amended or added to over time.
 - Who has access to the data and why.
 - How information is retained and disposed off.
- 18.4 The IAO must manage and address risks to the information and make sure that information handling complies with legal requirements. There may be several IAOs within a school whose roles may currently be those of e-Safeguarding Coordinator, ICT Manager or Information Systems Manager.
- 18.5 The handling of secured data is everyone's responsibility, whether they are an employee, governor, volunteer, technical support or third-party provider. Failing to apply appropriate controls to secure data could amount to gross misconduct or result in legal action.

CONTRACTING ARRANGEMENTS

19. Schools Contracts Standing Orders

- 19.1 Any employee or representative of the school who is either responsible for, or undertakes, procurement of goods, works and services on behalf of the Governing Body, must follow the Schools Contracts Standing Orders.

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20. Claims

- 20.1 The Governing Body must inform the Council's Chief Financial Officer of all claims by or against contractors, which are the subject of dispute between the Governing Body and the contractor.

INSURANCE ARRANGEMENTS

21. Insurance Cover

- 21.1 The Council's Chief Financial Officer will determine the extent and levels of insurance protection/indemnity that are appropriate to protect both the school's and the Council's interest in property, personnel and potential legal liability.
- 21.2 The Council's Chief Financial Officer will make a scheme of insurance available to schools in compliance with Regulation 22. Where a school does not use this scheme the Governing Body must ensure that they meet the extent of cover identified under Regulation 22, and such insurance must be written in the joint names of the School and the Council.
- 21.3 The Governing Body has the responsibility to effect, maintain and amend as necessary contracts of insurance.

22. Insurance Claims

- 22.1 The Governing Body must ensure that procedures are in place to immediately inform the Council's Chief Financial Officer either of any loss or damage, which will involve a claim under the cover arranged through the scheme of insurance or any incident and /or claim which may result in an action for damages against the Governing Body and /or the Council.
- 22.2 The Council's Chief Financial Officer will handle, negotiate and arrange settlement in accordance with the insurance arrangement affected through the Corporate Resources Department.

PUBLIC ACCOUNTABILITY REQUIREMENTS

23. Rules for Governors and School Staff

- 23.1 A member of school staff must not, under colour of their office of employment, accept any fee or reward whatsoever other than their proper remuneration.
- 23.2 A Governor or member of school staff must not receive or give or offer any gift or bribe or personal inducements in connection with the School's activities.
- 23.3 A Governor or member of school staff must not use Local Authority or School property, assets or materials for other than the purposes of the Local Authority or school without authorisation of the Governing Body or nominee. Such authorisation can only be given if it can be shown that such use is in the interests of the Local Authority or school.

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23.4 A Governor or member of school staff must not subordinate their duty to the Local Authority and School to their private interests or put themselves in a position where their duty and private interest conflict.

23.5 The Governing Body of each school must establish a register, which lists for each member of the Governing Body and the Headteacher any business interests they or any members of their immediate family have, details of any other educational establishments that they govern and any relationships between school staff and members of the Governing Body. The Governing Body must ensure that the register is kept up to date with notification of changes and through annual review of entries; must make the register available for inspection by governors, staff and parents, and the Authority; and must publish the register on the school's website.

23.6 If any Governor or member of school staff suspects or knows of any financial loss or irregularity they must inform the Council's Corporate Fraud Unit immediately.

24. Cashing of Cheques

24.1 The cashing of cheques is not allowed except with the specific approval of the Governing Body or their nominee. Such approval can only be given where it necessary to provide effective financial management of the school.

25. Prevention of Money Laundering

25.1 In accordance with the Money Laundering Regulations 2007, the School must not accept cash payments in excess of €15,000. For practical purposes, this limit is set at £13,000 subject to Financial Regulation 1.8.

26. Value Added Tax (VAT)

26.1 The treatment of Value Added Tax (VAT) in relation to fees, charges and any other income and expenditure should follow accurately the guidance given in the Local Authority VAT Education Guide.

27 School Companies

27.1 In accordance with the School Companies Regulations 2002 (as amended), the Governing Body must seek prior written approval from the Strategic Director Children's Services and the Council's Chief Financial Officer to form or become a member of a company.

27.2 Once approval has been received, the Governing Body must comply with all of the requirements of the School Companies Regulations 2002 (as amended).

27.3 The Governing Body must provide management and financial data on a quarterly basis (or more frequently if requested) to the Council's Chief Financial Officer to enable the Council, as Supervising Authority, to fulfil its legal duty to monitor the management and finances of the school company.

27.4 The Governing Body must also provide audited accounts to the Council's Chief Financial Officer in accordance with the requirements of the Regulations.

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28. Partnerships and Joint Ventures

28.1 Where a Governing Body is considering becoming involved in a partnership arrangement or a joint venture, the Governing Body shall first consult with the Council's Chief Financial Officer and City Solicitor on the proposals, and shall agree arrangements to provide for the effective monitoring in each case of the arrangement or Joint Venture.

29. Proposals to transfer services to an External Provider

29.1 Before a Governing Body tenders for services currently provided internally by the school, by the Council or by a third party provider, it must obtain legal and financial advice in writing to ensure appropriate decisions are made and adequate safeguards are in place.

29.2 The legal and financial advice must (but not exclusively) consider any TUPE, pension, equality, diversity, data protection and information security implications. It must include an estimate of the whole life-cycle costs (including on-going or disposal costs or costs that would (or could) be incurred or met by third parties.) A written, clear specification must be prepared as part of the proposal, which will form the basis of the contract.

29.3 After considering the financial and legal advice, if the Governing Body decides to tender for a service :

- i) currently provided by the Council, the Governing Body must notify the Strategic Director of the service provided, in writing, at least 3 months in advance of the tender process. If the restricted tendering procedure is followed, the Council must be invited to tender for the service.
- ii) currently provided by a third party that can be provided by the Council, if the restricted tendering procedure is followed, the Council must be invited to tender for the service.

29.4 Amongst other services, the Council can provide catering, cleaning, payroll, HR and training services to schools. The Governing Body must make appropriate enquiries to determine whether the Council can provide the service to be tendered prior to carrying out the tendering process.