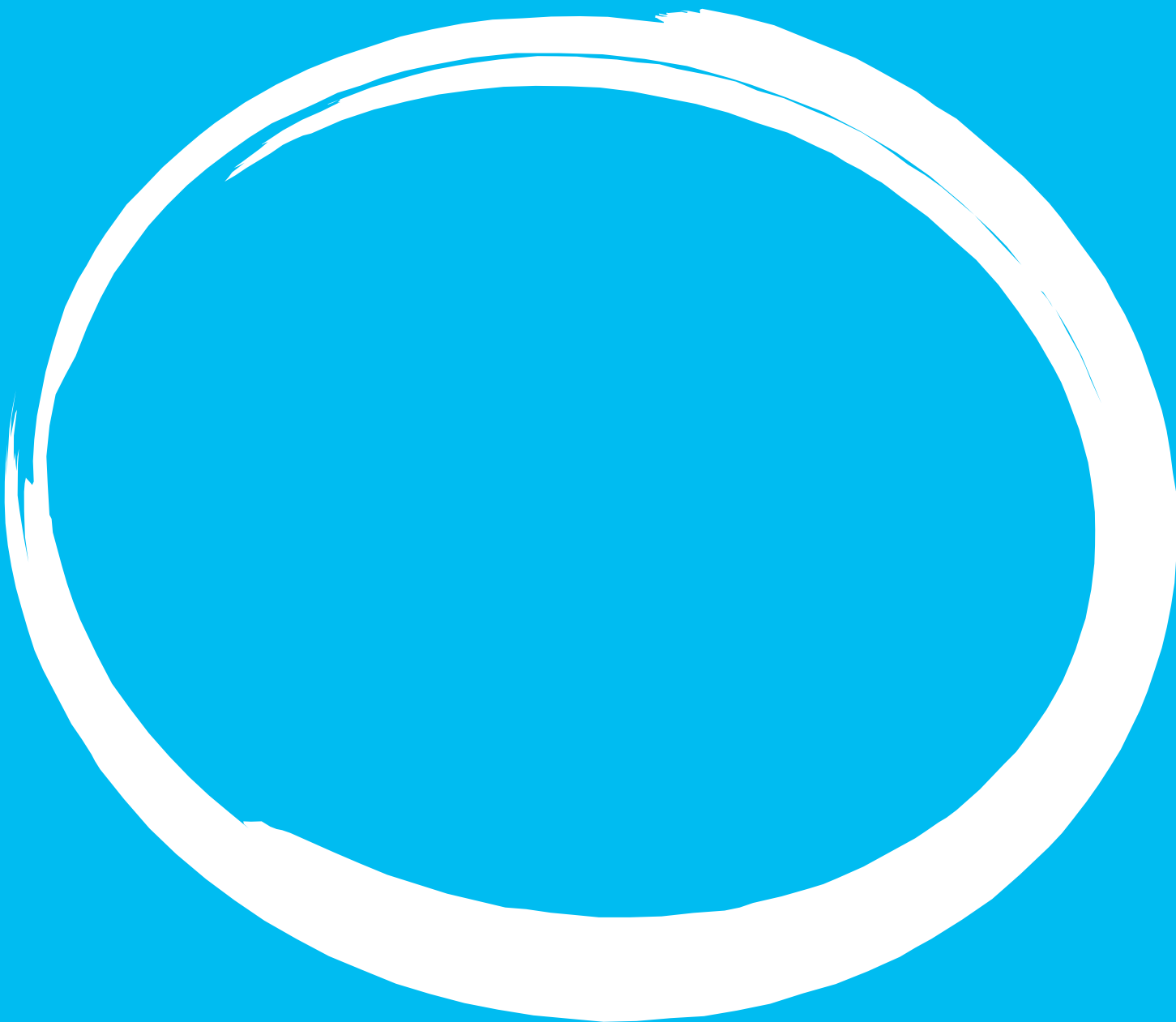


Financial Regulations for Schools



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1. INTRODUCTION

1.1 Procedure Rules provide the basic framework for the conduct of the Council's affairs and require the Policy and Resources Committee to make Financial Regulations for the "regulation and control of the finances of the Council"

1.2 The purpose of Financial Regulations is to ensure that public accountability and high standards of financial integrity are exercised over the control of public funds. In addition they assist sound administration, reduce the risk of irregularities and support delivery of effective, efficient and economical services.

1.3 The Regulations apply to all officers and it is the responsibility of all governing bodies through their headteachers to ensure that they are followed and that all appropriate staff in their school are adequately trained in their applications.

1.4 In order to achieve clarity, the Financial Regulations are set out in self contained sections, each covering a specific area of control. Where appropriate the Regulations are supported by detailed procedures. These Financial Procedures, though printed under separate cover, must be treated as an integral part of the Regulations.

1.5 Serious failure to comply with Financial Regulations, or the procedures issued under them will constitute misconduct.

1.6 The School Standards and Framework Act 1998 redefines the relationship between a Local Authority (LA) and the schools within its remit. This extends further, the delegation of funds and responsibilities to schools over that previously defined by the Education Reform Act 1988 and the Education Act 1993. These regulations apply to schools covered by Milton Keynes Council's Scheme for Financing Schools.

1.7 Throughout these Regulations and the accompanying procedures "schools" are deemed to refer collectively to governing bodies, individual governors, the headteacher and other staff employed at the school. In certain cases the Financial Regulations and Procedures apply specifically to the governing body or the headteacher.

2. OFFICERS ROLES AND RESPONSIBILITIES

Proper control of the Council's financial affairs requires that roles and responsibilities are clearly defined. In the case of schools with delegated budgets the key roles and responsibilities rest with the Council's Section 151 Officer and the school governing bodies. This section defines these roles and responsibilities.

Regulations

2.1 Section 151 Officer Role

2.1.1 The Section 151 Officer has particular legal duties associated with proper financial administration. The 1972 and 1988 Local Government Acts and the Accounts and Audit Regulations 1996 made the Section 151 Officer responsible for the proper administration of the Council's financial affairs and for maintaining an adequate and effective system of Internal Audit in the Council.

2.1.2 The Section 151 Officer therefore has a statutory responsibility for ensuring that adequate systems and procedures exist to account for all income due and expenditure disbursements made on behalf of the Council, including those made at schools, and that controls operate to protect the Council's assets from loss, waste, fraud or other impropriety. The Section 151 Officer discharges the above responsibilities in part by the preparation and issue of Financial Regulations.

2.1.3 The Section 151 Officer is responsible for advising the Council, its Committees and Chief Officer Board on all financial matters affecting the Council and is responsible for supplying financial information as appropriate.

2.1.4 The Section 151 Officer must make arrangements to ensure that the Financial Regulations and Procedures supporting them are duly amended whenever changes are authorised and shall communicate those changes to Corporate Directors, Heads of Service and Chairs of Governors.

2.1.5 The Section 151 Officer or delegated representative has the right to attend meetings of governing bodies, and committees thereof, to give advice or report on major financial matters affecting the Section 151 Officer's statutory responsibility.

2.1.6 For the purpose of carrying out the relevant statutory duties, the Section 151 Officer, or delegated representative, shall have unlimited rights of access to all information and records held in or relating to schools regarding financial matters.

2.2 Governing Bodies' Role

2.2.1 School governing bodies are responsible for the proper stewardship of the resources allocated to their schools. This includes control of staff and the security, custody and management of assets including plant, equipment, buildings, materials, cash and stores.

2.2.2

Governing bodies and headteachers are responsible for the financial probity of their school's affairs and for providing the Section 151 Officer and Corporate Director (Children's Services) with any information required to fulfil their duties.

2.2.3 Governing bodies are responsible for ensuring that both they and the staff in their school comply with Financial Regulations and the detailed procedures which support them.

2.2.4 Subject to the statutory limitations, the governing body shall be free to delegate any power granted to it by these Regulations to a committee of the governing body or to the headteacher. The full extent of any such delegation should be formally agreed and minuted at a full meeting of the governing body.

2.2.5 The governing body may delegate power to the headteacher to incur expenditure for the purpose, and up to the amount, specified in the approved budget for the relevant financial year. The full extent of any such delegation should be formally agreed and minuted at a full meeting of the governing body

2.2.6 When any actions are carried out which have been formally delegated by the governing body, any such actions shall be deemed to have been taken on behalf of the governing body.

2.2.7 Headteachers may delegate aspects of their financial management responsibilities to other members of staff at their school. A record of these delegated powers must be maintained and the governing body informed accordingly.

3. SCHOOL BUDGET PLAN

The annual school budget plan sets out how the total budget delegated to the school is to be spent. It has a number of functions as follows:

- * It sets out the annual income and expenditure budgets and financial implications of the school's policies. As such it should be prepared in conjunction with the schools development plan. OFSTED guidance on school development plans states the following. "The school should have a medium term educational and budget plan (covering at least three years) indicating the intended use of resources in achieving its educational goals. Even though the funding available to each school will change annually, the school development plan should outline which areas are the priority for spending and why."

- * it provides a framework within which those who are responsible at the school for making payments and securing income should operate;

- * it provides governing bodies with authority to incur expenditure, subject to rules relating to virement (see Financial Regulation 4); and
- * it provides the basis on which to monitor financial performance.

These Regulations seek to provide a consistent framework for the preparation and monitoring of the revenue budget.

Regulations

3.1 Each school will be allocated an annual budget share in accordance with the formula set locally under section 47 of the School Standards and Framework Act 1998.

3.2 Each governing body, in consultation with the headteacher, must prepare and approve a financial plan for the relevant year.

3.3 The school's budget plan shall be prepared using the format notified by the LA, and shall be copied to the Schools Finance & Training Team by no later than 1st May in the financial year to which the plan relates.

3.4 Each budget plan should be prepared on a reasonable basis, to break even or to create a surplus balance, subject to restricted levels, and should take account of any previous balances. (see Financial Regulation 5)

3.5 A school shall not normally plan to incur a deficit. Where the governing body believe a deficit is unavoidable, in the first instance they shall submit a plan in line with the procedures covering Schools in Financial Difficulty as set out in the Scheme for Financing Schools.

3.6 The governing body shall be responsible for putting in place arrangements to review the school's budget plan and make amendments as required at the half year stage. A revised plan shall be submitted to the Schools Finance & Training Team by 1st November in the same format as the original. Should it be decided that no revision is necessary then the governing body shall notify the Schools Finance & Training Team accordingly, but still submit a revised re-profiled budget only.

3.7 Any balances set aside in the financial plan should have regard to the school's development plan and should be determined having regard to the guidance issued by the Authority, as set out in the Scheme for Financing Schools.

3.8 School governing bodies shall monitor income and expenditure against delegated budgets on a regular basis and will supply the Schools Finance & Training Team with the information set out in the Scheme for Financing Schools.

4. BUDGETARY CONTROL / VIREMENT

The Council provides funds for schools to enable them to deliver the school's development plan. It is an essential requirement of financial control that, apart from those cases where virement can be properly applied, the funds so provided are not expended except as provided for in the approved budget plan

Virement is the transfer of budget provision either within or between budget headings.

These Regulations set out the authority for incurring revenue expenditure, and the circumstances under which virement can properly take place.

Regulations

4.1 Subject to the provisions of the procedure rules governing bodies may authorise revenue expenditure on policies already agreed and for which funds have been allocated in the delegated budget.

4.2 Governing bodies are responsible for setting in place formal arrangements for approval of any revision of the budget plan.

4.3 The governing body is required to ensure that the delegated budget is properly controlled and is empowered to vire between the various headings of income and expenditure within the delegated budget.

4.4 The governing body must ensure that any future commitments arising as a consequence of virement must be identified and contained within the resources available to the school in subsequent years, and that any increased expenditure will not lead to an overall budgetary deficit in the longer term (see Financial Regulation 5)

4.5 Where authority to vire has been delegated to the headteacher or to a committee of the governing body, details of each virement must be reported to the next ordinary meeting of the governing body.

4.6 Each governing body shall report on the outturn of income and expenditure compared to the delegated budget in accordance with a timetable set by the LA.

5. YEAR END BALANCES

A key element of the delegation of schools budgets to governing bodies is the responsibility for the longer term management of the school's budget, and the ability to carry forward any underspend at the financial year end into the next financial year. Similarly this responsibility means that any overspend at the financial year end will also have to be carried forward.

Regulations

5.1 Any balances at the year end shall be determined by reference to the agreed master accounting records for each school.

5.2 Where a governing body underspends the delegated school budget allocation for a financial year, it shall retain and carry forward the total underspend into the next financial.

5.3 As soon as it appears that the delegated budget is likely to become overspent the Chair of the Governors and/or headteacher must notify the Schools Finance & Training Team immediately. In such circumstances the school will be required to implement a recovery plan in line with the arrangements for Schools in Financial Difficulty set out in the Scheme for Financing Schools.

6. CAPITAL EXPENDITURE

Capital expenditure is an important element in the development of the Council's services since it represents major investments in new and improved assets. Under the Education Reform Act 1988 capital expenditure and interest payments on outstanding capital debt in relation to schools are mandatory exceptions to the budgets which may be delegated to schools. These Regulations seek to provide a consistent framework for the appropriate authorisations for schemes to proceed and to allow committees and schools to manage their capital programmes with defined parameters.

Regulations

6.1 The Corporate Director (Children's Services), in consultation with the Section 151 Officer is responsible for the preparation of the Education draft capital programme, in accordance with Financial Regulations.

6.2 Devolved Capital is delegated to schools on a quarterly basis.

6.3 Governing bodies have the authority to finance expenditure from their delegated budgets. However, all capital resources must be exhausted before utilising revenue funds. Such transfers are

not permitted if the school has a revenue deficit or would be placed in a deficit position having made the transfer.

6.4 The school governing body should seek consent from the Capital Development Team if:

- The premises are owned by the Authority, or the school has voluntary controlled status and
- The proposed works would affect the structure or services of the building e.g. extensions and layout adaptations, boiler or heating system replacement.

6.5 It must be noted that certain lease agreements financed from the school's delegated budgets could constitute capital expenditure. To ensure compliance with the Government's capital controls, it is necessary that all credit arrangements, including lease agreements and the terms thereof should be approved in advance by the Section 151 Officer, unless the arrangements have been previously approved as part of the Authority's Capital Programme.

7. ACCOUNTING

To enable Financial Management to be effective it is important that financial information is available to the LA and governing bodies and that it is prompt, accurate, consistent and meaningful. Such information helps to ensure that the Council's and school's assets and interests are accounted for and safeguarded against loss.

Regulations

7.1 The Section 151 Officer is responsible for determining the accounting procedures adopted by the Council. Financial procedures explain the necessary accounting records and procedures. No variations shall be made to accounting records and procedures without the written agreement of the Section 151 Officer.

7.2 Schools shall use only those local accounting systems that have been approved by the Section 151 Officer, or those approved by the FAS in the case of foundation schools and they shall be operated in accordance with the guidelines and procedures set out in 7.1 above.

7.3 Schools are responsible for ensuring that the information transferred from the local accounting system for input to the central accounting system (forming part of the statutory accounts) is complete and accurate.

7.4 Information on expenditure and income processed through the school's local accounting system shall be sent to the Schools Finance & Training Team in line with the arrangements set out in the Scheme for Financing Schools.

7.5 Schools must comply with the relevant VAT regulations. Detailed guidance on the application of VAT regulations at schools is set out in the “Value Added Tax Guide” issued by the Section 151 Officer.

7.6 Governing bodies must not make arrangements for overdrafts, loans or other forms of credit or deferred purchase, nor offer any security to a bank or other financial institution. The Authority has no legal power to act as guarantor to loans taken out by governing bodies.

7.7 Investment of surplus monies on local bank accounts must only be made with those banks and building societies which meet the criteria set out in paragraph 3.5.1 of the Scheme for Financing Schools.

7.8 Governing bodies are responsible for ensuring that safe and efficient arrangements are in place for controlling the operation of the school’s local bank account and that the guidance issued by the Section 151 Officer and information included in the Scheme for Financing Schools is complied with.

8. INTERNAL AUDIT

The Accounts and Audit Regulations 1996, require the Council to maintain an adequate and effective system of internal audit. The Council has designated responsibility for the function to the Section 151 Officer as the Chief Financial Officer. The Section 151 Officer discharges this responsibility through the operations of the Internal Audit Service and these Regulations provide framework for its operations.

Regulations

8.1 The Internal Audit Service shall have authority to:

- * at all times to enter all schools covered by the Council’s Scheme for Financing Schools, or other property of the Council
- * have access to (and where necessary to copy or retain) all records, documentation, correspondence and computer systems relating to the activities of the school.
- * examine any work or services carried out for the school by an employee or contractor, and any goods purchased on behalf of the school, or issued from store.
- * require and receive such explanations as are necessary concerning any matter under examination.
- * require any employee of the school to produce or account for cash, stores or any other school property under their custody, or control.

* review, appraise and report on the adequacy and application of financial and other controls, and on the protection of the Council's resources, property and assets against loss due to fraud or wasteful practices.

8.2 All school staff are under a duty to report to their governing body, headteacher or directly to the Internal Audit Service any instance where financial irregularity is suspected.

8.3 It is the responsibility of the governing bodies, to ensure steps are taken to minimise the risks of financial irregularities occurring. Governing bodies and headteachers shall notify the Section 151 Officer immediately of any circumstances which suggest the existence of any actual or suspected irregularities. In all significant cases the, Section 151 Officer or the representative appointed by the Section 151 Officer shall notify the Chief Executive.

8.4 The Council's Chief Internal Auditor shall have direct access and the right of report to the Chief Executive, Corporate Directors, the Head of Education, the Monitoring Officer, the District Auditor and the Policy & Resources Committee where appropriate

9. FINANCIAL PROCEDURES

The Financial Procedures set out the more detailed requirement of the Authority's financial systems and are intended to support the Financial Regulations.

Regulations

9.1 Governing bodies are required to ensure that all staff in their school adhere to the Financial Procedures, and are responsible for ensuring staff are adequately trained in their application.

9.2 Financial Procedures set out guidance on the following areas:

- * Expenditure
- * Ordering Goods and Services
- * Payment of Accounts
- * Contracts
- * Salaries and Wages
- * Income
- * Banking Arrangements
- * Petty Cash Accounts

- * Stocks, Stores and Security
- * Inventories
- * Insurance and Risk Management
- * Travelling & Subsistence Allowance
- * Information Technology
- * Voluntary Funds
- * Trust Funds
- * Value Added Tax