

Financial regulations for schools

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LMS finance team

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1 Introduction

The school standards and framework act 1998 requires local authorities (LA's) to prepare a scheme dealing with matters connected with the financing of the schools maintained by the authority. The Luton Borough Council scheme for financing of schools sets out the basis of the financial relationship between the local authority and schools, it is binding upon both schools and the authority. This document can be found on the Luton Borough Council children and learning grid, and on the schools' support services web site.

The scheme for financing of schools' states that schools are required to abide in the management of their budgets by the schools' financial regulations and contract procurement regulations prepared by the authority.

These regulations, therefore, supplement the information provided in the scheme for financing of schools and provide detailed guidance and advice on a range of financial management and control issues. They are designed to be a comprehensive source of all information and guidance in a straightforward and easy to understand format.

The regulations also take into account (where applicable) the standards included in the department for education (DfE) schools financial value standard (SFVS). SFVS assessment template which can be found on the website: <https://www.gov.uk/government/publications/schools-financial-value-standard>

This document provides schools with the principal elements of a sound approach to the financial management. The way in which schools implement the principles of financial management depends on the size and organisation of the school.

In summary, the financial regulations for schools have three main objectives:

1. To maintain adequate and effective financial procedures
2. To demonstrate to the public that proper accountability is being maintained, and
3. To safeguard governing bodies, head teachers and other school staff.

Although the head of finance has a statutory duty to oversee and ensure the propriety of the council's financial affairs, it is emphasised that staff of the LMS team and the internal audit service are available to provide help and assistance in all matters relating to these regulations. Please do not hesitate to contact them whenever you feel it is necessary.

Budgets and quarterly returns should be submitted by due dates. You should have received a timetable but if not please contact your school financial advisor.

DfE's financial management standards

The governing body and head teacher are responsible for following financial management and assurance in their schools and maintain effective and efficient accounting processes and reporting procedures.

Governance and accountability

- 1.1 The roles and responsibilities of the governing body, its committees, the headteacher and other staff in relation to financial decision making and administration should be set out in writing. This allows the governing body to ensure adequate systems of financial control are in place and that it receives the information it needs to carry out the role. Defining the responsibilities ensures that all essential duties and all requisite controls are exercised without unnecessary duplication of effort. This could be in the form of committee terms of reference, scheme of delegation, job descriptions, etc.
- 1.2 The governing body has a strategic role in the financial management in schools; alongside the headteacher they have direct control over substantial amounts delegated to them and make key decisions about the allocation of financial resources. The responsibilities of governing bodies are detailed below. These are based on statutory responsibilities and guidance in the documents “keeping your balance” (OFSTED / audit commission publication) and the DfE schools financial value standard (SFVS) (link provided above) and a summary in Appendix A.

Governing Body

- 1.3 The governing body should:
 - a) Set up a finance committee to consider strategic financial issues on behalf of the governing body, including defining the terms of reference, the extent of its delegated authority and ensuring it receives minutes of the committees’ meetings. Its remit and membership should be reviewed annually.
 - b) Establish the financial limits of delegated authority to the headteacher and/or other members of staff (including virements). The level of delegation of financial powers to the headteacher must be reviewed annually and recorded in the minutes of the governing body.
 - c) Agree with the headteacher the minimum frequency, level of detail and general format of financial reporting to the governing body.
 - d) Ensure detailed minutes are taken and retained of all meetings of the governing body and its committees, these should include all decisions and by whom the action is to be taken.
 - e) Establish a register of business interests of governors, the headteacher and any other staff that influence financial decisions. Governors and staff should declare links they have made with local firms from which the school may wish to buy goods or services, any links to other governing bodies and any relationships with school staff. The register should be open to examination by governors, staff, parents, and the local authority. This demonstrates that those involved in the spending of public money do not benefit personally from the decisions made. It is important that this record is updated as soon as any circumstances change.

The head teacher

- 1.4 The head teacher provides vision, leadership and direction for the school and ensures that it is managed and organised to meet its aims and targets, which are established by the governing body.

- 1.4.1 The Headteacher is accountable to the Governing Body, which can delegate much of its financial responsibility to the Headteacher. In practice, the Headteacher normally has delegated responsibility for the financial management of the school. It is, therefore, particularly important that his/her financial management roles and responsibilities are clear and understood by all those who assist him/her with the school's financial management.
- 1.5 In terms of management of resources, the headteacher should ensure that resources are efficiently and effectively deployed to achieve the schools aims and objectives.
- 1.6 More information about the role of both governors and headteacher is available within the support notes of the DfE schools financial value standard (SFVS) can be found on www.gov.uk/guidance/schools-financial-value-standard-and-assurance-sfvs

2 Internal financial controls

- 2.1 It is important for schools to have systems for recording and controlling financial transactions. Internal financial controls are required to ensure the reliability and accuracy of schools' financial transactions. Examples of key internal controls that schools should ensure are in place are:
- Internal checks – one person checking another person's work.
 - Separation of duties – distributing the work so that key tasks are assigned to separate members of staff.
 - Systems of authorisation – each transaction is authorised before passing on to the next stage of the process.
 - System manuals – clear, readable descriptions of how systems work, and who does what and when, and the systems of internal control. This should be in the form of a finance policy.
 - Audit trail making it clear who has been involved – this tracks all stages of a transaction.
 - Accounting records are all securely retained, and access is controlled.
 - Employees and supplier bank accounts are verified before payment processing.
 - Payments are made only for actual goods and services received,
 - Where the use of petty cash is unavoidable, petty cash transactions should be limited to £50 per transactions and authorised before any purchases are made.
- 2.2 The governing body should ensure that there are written descriptions of financial systems and procedures which are kept up to date. All appropriate staff should be trained in their use.
- 2.3 The Headteacher should ensure that financial control is maintained in the absence of key staff by training or by arranging for staff to shadow each other's duties from time to time.
- 2.4 Schools should retain all financial records securely for six complete years plus the current year and only authorised staff should have access. Where VAT details are retained on site, records should be retained for six complete years plus the current year (e.g. for bank account schools).
- 2.5 All financial transactions should be traceable from the original documentation to the accounting records and vice versa. For example, it should be possible to trace a cheque to the expenditure in the accounts, to the invoice and to the order.
- 2.6 The headteacher should ensure that all expenditure from sources of earmarked funding is accounted for separately and that funding is used for its intended purpose.

3 Accounting / taxation / data protection / freedom of information requirements

- 3.1 The governing body and headteacher shall ensure compliance with the requirements of the head of finance in respect of procedures relating to accounts, income, assets, VAT, and the records associated with those matters.
- 3.2 Responsibilities under the data protection act 1998 (and any subordinate legislation made there under) and any statutory modification or re-enactment thereof for the time being in force shall rest with the governing body and headteacher.
- 3.3 Responsibilities under the freedom of information act 2000 (and any subordinate legislation made there under) and any statutory modification or re-enactment thereof for the time being in force shall rest with the governing body and headteacher.
- 3.4 The headteacher shall be responsible for ensuring that prime documents are retained at the school for the required period – current financial year and the previous six years. Monitoring of expenditure against budgets throughout the financial year is necessary to ensure sound financial control is in place and provides early warning of any problems.
- 3.5 Head teachers are responsible for the continuous monitoring of expenditure and income against the budgetary position and of the regular reconciliation of the school's expenditure and income records with those provided by the director of children and learning. The responsibility extends to cover situations where elements of the budget are delegated to departmental or class level. Head teachers are also responsible for providing regular written financial statements and reports to the governing body.

4 Budget shares and budget preparation

- 4.1 The LMS team will notify each school of its budget share before the commencement of the financial year.
- 4.2 As soon as possible after the accounts have been closed at the end of the financial year, the LMS team will also notify schools of the amounts of any carried forward underspending/overspending affecting the school budget.
- 4.3 Details of the final budget plan in the required format shall be approved and minuted by the finance committee and governing body during the summer term and forwarded to the local authority by 31st May.
- 4.4 Any subsequent decisions by the governing body to transfer planned expenditure between the budgetary headings, or otherwise adjust those headings, shall be notified to the local authority within thirty days from approval.
- 4.5 A school cannot plan for a deficit budget except in specific circumstances agreed in advance by the local authority and the head of finance.

- 4.6 Funds allocated by local authority for earmarked purposes shall not be used for any other purpose. Such funds shall be properly expended within the financial year for which they were allocated.
- 4.7 Monitoring of expenditure against budgets throughout the financial year is necessary to ensure sound financial control is in place and provides early warning of any problems.

5 Budget monitoring and control

- 5.1 Monitoring of expenditure against budgets throughout the financial year is necessary to ensure sound financial control is in place and provides early warning of any problems.
- 5.2 Head teachers are responsible for the continuous monitoring of expenditure and income against the budgetary position and of the regular reconciliation of the school's expenditure and income records with those provided by the director of children and learning. The responsibility extends to cover situations where elements of the budget are delegated to departmental or class level. Head teachers are also responsible for providing regular written financial statements and reports to the governing body.
- 5.3 The Headteacher shall ensure that procedures are in place, to ensure that financial control is maintained in the absence of key staff.
- 5.4 The Headteacher shall ensure that monthly budget monitoring, period end and year end deadlines as requested by the local authority and the head of finance are completed in accordance with procedures and time scales as directed.
- 5.5 Head teachers are required to notify the local authority on a regular basis, of any items of income and expenditure, which cannot be reconciled.
- 5.6 The governing body is required to take such action as necessary to prevent any overspend and must inform the local authority and the head of finance if they believe there may be a potential overspend.
- 5.7 The local authority and the head of finance may attend, or make representation at, any meeting of a governing body when financial matters are considered.
- 5.8 Additional guidance on internal finance controls can be found at Appendix B.
- 5.9 Schools' deficit recovery plan - If you are submitting a deficit budget you must complete a deficit recovery plan for approval before the deficit occurs.

6 Capital Expenditure

- 6.1 Each year during the budget setting process the council sets indicators to comply with the prudential code for capital finance. These indicators are based on the approved capital programme of the authority and limits set by the council must not be exceeded. The approved capital programme deals with capital expenditure and credit arrangements. Governing bodies must take decisions in the light of the limits set and the head of finance will from time-to-time issue guidance on this matter.
- 6.2 A governing body or headteacher shall not permit the use of any part of the delegated budget for the acquisition of any vehicles, plant, computer, or other equipment that are a finance lease or any other form of credit arrangement without prior consent in writing from the head of finance.
- 6.3 Finance leases are credit arrangements whereas the cost of an operating lease is not. The reason for this is that ownership transfers to the council at the end of the finance lease (subject to a peppercorn payment), whereas for an operating lease ownership remains with the leaser. As any capital expenditure in respect of finance leases counts against Luton Borough Council's prudential limits, only operating leases are permitted.

7 Contracts

- 7.1 Statutory requirements exist to cover the manner and form of contracts entered by local authorities. These are outlined in the standing orders for schools – contract procurement procedures and are to be always complied with. This document can be found on the children and learning grid.

8 Register of pecuniary interests

- 8.1 The governing body should establish a register of pecuniary Interests for governors and those staff with financial responsibility, which should be open to inspection.
- 8.2 The register should record both direct and indirect business interests and be regularly reviewed and updated.

9 Banking

- 9.1 The head of finance will be responsible for the opening and setting up of bank accounts.
- 9.2 The head of finance will be responsible for all arrangements with the council's banker.
- 9.3 The governing body and headteacher are responsible for ensuring that robust controls are in operation for the management of the bank account and that monthly reconciliations are undertaken and independently reviewed.
- 9.4 The governing body and headteacher must ensure that procedures are in place to comply with the local bank scheme (guidelines can be found on the children and learning grid).

Under no circumstance should a bank account be allowed to go overdrawn.

10 Income

- 10.1 The governing body and headteacher should ensure that procedures have been approved and adopted to cover staff involved in collecting income or raising invoices that satisfy the following objectives in order to protect both the interests of the school and them:
- a) all income is accounted for.
 - b) accounts for income are raised promptly.
 - c) all income collected is held securely, banked promptly and intact.
- 10.2 Income received must be banked promptly using official paying in books. No income shall be held for longer than one month before it is banked. The headteacher must ensure that the income held within the school does not exceed the insurance limit for the type of safe in which it is held.
- 10.3 When schools make payments into the council's bank account, they must enter cheque details on the bank paying in slip showing the amount of each cheque and the debt to which it relates. The school's name must be entered clearly on the back of the cheque.
- 10.4 All income must be banked in full and must be supported by sufficient documentation to ensure that it can be adequately identified and accounted for, including any VAT information that may be required.
- 10.5 In no circumstances should amounts due to Luton Borough Council be paid into unofficial funds (e.g. school fund).
- 10.6 The headteacher must ensure that procedures as outlined in the council's banking and cash handling procedures are followed.
- 10.7 Where a school has discretion to determine its own charges, such charges should be approved and minuted by the governing body. These charges should be reviewed annually (e.g. lettings, sales to pupils etc). Any delegated powers to negotiate or waive charges should be in writing.
- 10.8 As far as practicable, the responsibility for identifying and raising debtor accounts for sums due to the school, should be separated from the responsibility for collecting and banking such sums.
- 10.9 No deductions from official income may be made or personal cheques cashed from takings.
- 10.10 Transfers of money between members of staff of money belonging or due to Luton Borough Council shall be evidenced in the records of the school by the signature of the receiving officer.
- 10.11 Schools should require payment in advance of the provision of goods and services or lettings. All local debtor invoices for official money due to the school shall be raised promptly using official school stationery.
- 10.12 Where difficulty is encountered in recovering income against local debtor accounts the advice of the council's head of HR and monitoring services and the head of finance should be sought.
- 10.13 The governing body should agree procedures for approving the write off of any debt.

10.14 Schools who require the head of finance to raise invoices and/or collect debts on their behalf will pass all the information that is required for this purpose to the head of finance.

11 Purchasing procedures

11.1 It is at the point of ordering that the school commits expenditure. Therefore, records and procedures must be adequate to ensure that:

- a) The extent of the commitment is known.
- b) Financial allocations are not exceeded without proper authority.
- c) Only works, supplies, goods, and services as ordered are received and paid for.
- d) Purchases are lawful.
- e) Value for money is obtained.

11.2 The four elements of ordering and invoice processing should, as far as possible, be carried out by separate people:

- a) Order completion including authorisation.
- b) Certification that goods have been received and agreed with the invoice.
- c) Checking of invoices against copy orders for correctness of price, ensuring items not previously passed for payment and authorisation of invoices for payment.
- d) Signature of the payment cheque.

11.3 Where the number of staff is not sufficient to allow such separation, as a minimum the person checking that the goods have been received should not be the person authorising the order and/or certifying the invoice.

11.4 Official orders in writing must be issued for all works, supplies, goods, or services to be supplied to the school except for supplies of gas, electricity, water, rent rates, telephones and petty cash disbursements (less than £25).

11.5 Where the value of a contract or official order exceeds £1,000 but is less than £50,000 the school should obtain quotations. Where the value of the contract or official order exceeds £50,000 then a tender process should be followed. The number of quotations obtained depends on the value of the contract/official order being entered.

Estimated value of contract or official order	Minimum number of written quotations required
Over £1,000 and under £10,000	At least 1
£10,000 - £50,000	At least 3

When ordering work, goods or services schools must ensure that value for money is obtained.

11.6 Each official order committed, must be signed personally by the designated member of staff as per the authorised signatory list approved by the governing body. A copy of each signed order raised shall be retained at the school. Orders must only be used for goods and services provided to the school. Individuals must not use official orders.

- 11.7 The authorising individual is responsible for ensuring that the expenditure to be incurred is legal, for the proper purposes of the school, can be met from uncommitted budget allocations approved for that purpose and will give the best value for money. The order should also clearly indicate the nature and quantity of the items being ordered, and any quoted process, and the cost code(s) to which the expenditure will be charged is (are) clearly stated on the order.
- 11.8 Verbal orders must be kept to an absolute minimum and must be confirmed in writing within two working days thereafter and authorised by a member of staff approved to sign orders.
- 11.9 Quotations and tenders must be in accordance with the current standing orders for schools – contract procurement procedures. All documentation supporting quotation and tender decisions must be retained.
- 11.10 No council/school employee or governor may seek or accept payment or favour by way of money, goods, gifts, services, discounts, or any other means from any council agent, contractor, or supplier. To this end the school should maintain and make available a hospitality register. Any employee approached by a body offering inducements, or who believes that they may have inadvertently committed the council contractually for work, goods or services which are not in the school/councils best interest, must immediately notify the headteacher, who must promptly inform the head of finance.
- 11.11 A summary of the purchasing process is as follows.
- 1) A person asks if they can purchase x by raising a purchase requisition, (PR)
 - 2) The budget holder checks.
 - a) Is the item necessary?
 - b) For items over an amount agreed with the headteacher, has the headteacher approved the expenditure?
 - c) Is there sufficient budget?
 - 3) If the answer to (a) is 'no,' then do not buy it.
 - 4) If the answer to (b) is 'no,' then do not buy it.
 - 5) If the answer to (c) is 'no' but the answer to (a/b) was 'yes,' then sufficient budget must be found by reducing another budget line.
 - 6) If it is agreed to purchase x then a suitable supplier should be found that offers good value for money
 - 7) Negotiate a price, request a bulk discount, request a 'good customer' discount, etc.
 - 8) Raise a purchase order (PO) to the chosen supplier.
 - 9) When the goods arrive, check the goods received note, (GRN), to the physical goods and to the PO.
 - 10) When the invoice arrives check it compared to the GRN
 - 11) Attach the PR, PO and GRN to the invoice and request authorisation to pay.

12 Payment of Invoices

- 12.1 It is important that controls on the payment of invoices must be sufficiently robust to assure the headteacher and governing body that funds are being spent in line with approved procedures.
- 12.2 Each headteacher is responsible for ensuring that all payments made are properly authorised. The payment for works, goods or services may only be authorised by staff that have the headteacher's written authority to do so. A current schedule of the positions, names and specimen signatures of authorised officers must be held at the school, with a current copy sent to the Head of Finance whenever an amendment is made. The schedule must specify which documents and to what value the staff are authorised to sign.
- 12.3 The method of payment of invoices shall be in accordance with the payment scheme adopted by the school e.g. central payments or local bank account.
- 12.4 Headteachers shall ensure that arrangements for processing payments accord with instructions issued by the head of finance covering invoice payment arrangements approved by their school. Certification and checking of invoices for payment shall be carried out properly by the headteacher or a member of staff approved in writing by the headteacher to also certify payments.
- 12.5 Staff authorising a payment will be declaring that all of the following points have been complied with:
- a) the payment is being made in response to an official invoice, which complies with VAT regulations.
 - b) the work, goods, or services to which the payment relates have been received or carried out, examined and approved for payment.
 - c) the prices, totals, trade discounts, other allowances, credits, and tax are correct, and in accordance with the order.
 - d) that the correct expenditure code has been provided.
 - e) where necessary, inventories, stores records or registers have been updated.
 - f) the item has not been previously provided for payment.
- 12.6 Payments through local bank account arrangements **MUST NOT** be processed where to do so would cause the account to become overdrawn.
- 12.7 No member of staff shall certify a claim form for reimbursement to him/herself.
- 12.8 No amendments are to be made to any invoice, which includes VAT. When an error is found, the supplier must be asked to supply a fresh invoice. To avoid duplicated payments, loss of VAT recovery or retention of document problems, payments must not be made from photocopies or faxed copies of invoices.
- 12.9 If payment is made on a proforma invoice and VAT reclaimed, then a full VAT invoice must be requested and received within 28 days, or the VAT will need to be returned.
- 12.10 Headteachers are responsible for ensuring that appropriate staff have read and understood the council's general VAT guide. These can be found on the children and learning grid.

13 Petty Cash

- 13.1 Petty cash advances may be drawn from the school's official local bank account.
- 13.2 Petty cash must be held securely, ideally in the school safe. Only authorised staff should have access to the cash.
- 13.3 All petty cash accounts must be reconciled at least monthly to the original sum advanced and certified as correct by a member of staff other than the imprest holder. Reimbursement should be made at least termly.
- 13.4 Payments out of the petty cash account must not exceed £50 and be supported by official receipts and clearly show the VAT incurred.
- 13.5 Under no circumstances should petty cash be used for personal purposes or exchanged for personal cheques.

14 Stocks and stores

- 14.1 Headteachers are responsible for the storage and control of the stocks and stores of consumable items held at the school, to prevent unnecessary expenditure or loss.
- 14.2 Records must be kept in a form which gives sufficient information to ensure that receipts can be readily identified so that documentation and balances in hand can be readily established.
- 14.3 Where appropriate, headteachers shall arrange periodical test examination of stocks in hand and ensure that all stocks are checked at least annually by a member of staff, ideally who is independent.
- 14.4 The governing body should agree and approve procedures for the reporting of significant surpluses or deficiencies to them and also for the disposal of stocks and stores.
- 14.5 All proceeds from the sale of items purchased from official school funds or donated to the school, and which the school therefore owns, must be paid directly to the credit of the school's official bank account.

15 Inventories

- 15.1 The headteacher is responsible for maintaining the school inventory of all furniture, fittings, and equipment over £1,000 in value, which should also set out the basic authorisation procedures within the school for disposal of any such asset. Schools are free to decide the format of their own registers.
- 15.2 Inventories should contain an adequate description of furniture, fittings, equipment, plant, and machinery held for the purposes of the school. They should also include the make, location, model number and serial number where appropriate.

- 15.3 Headteachers shall be responsible for the control and proper use of all items on the inventory and for arranging that a physical stock check is carried out at least once a year, detailed in the register, and authorised by an independent member of staff. Discrepancies between the physical count and the amount recorded in the inventory register should be investigated and where significant reported to the governing body.
- 15.4 No property shall be removed from the school premises, without the authority of the headteacher. A record must be maintained of all occasions where such property has been approved for removal and its eventual return to the school. The position relating to insurance must be clarified before any assets are taken off the school premises.

16 Insurance

- 16.1 Headteachers who buy back insurance services from the authority shall give prompt notification to the head of finance of all risks, properties or vehicles that are required to be insured by Luton Borough Council and of any alteration affecting existing insurance.
- 16.2 The head of finance will supply headteachers with information as to risks and current levels of insurance cover to enable them to advise him/her of any variations in the level of cover which should be provided. All risks should be reviewed annually by the governing body in conjunction with the headteacher to ensure that sums insured are commensurate with risks.
- 16.3 Headteachers shall promptly notify the head of finance in the form specified of any loss, liability, damage, or other event likely to lead to an insurance claim.
- 16.4 Copies of the insurance guidance notes for schools are obtainable on the local authority's website.
- 16.5 For those schools who do not buy back their insurance services from the authority the governors and headteacher must ensure that all risks, properties, or vehicles that are required to be insured are covered and that they inform their insurers of any alteration affecting existing insurance.
- 16.6 All risks must be reviewed annually by the governing body in conjunction with the headteacher to ensure that sums insured are commensurate with risks.
- 16.7 Headteachers shall promptly notify their insurers in the form specified of any loss, liability, damage, or other event likely to lead to an insurance claim.

17 Salaries, wages, and pensions

- 17.1 Salaries and wages payments cover the largest area of a school budget. It is essential that arrangements covering this expenditure are sound and effective, payments lawful and allowances and deductions authorised.
- 17.2 The payment of all salaries, wages, pensions, compensation and other emoluments to employees or former employees of Luton Borough Council shall be made by the head of finance or under arrangements approved by him/her.
- 17.3 The governing body must establish and document procedures for the administration of personnel activities including appointments, terminations, and promotions.

17.4 Schools should retain personnel records securely and administer those records held on computer files in accordance with the provisions of the data protection acts.

17.5 Schools who use an external payroll provider:

17.5.1 Governing bodies must ensure that they have documented and approved the procedures for recruitment, employment, and staff departure and with which they are always complied. They must ensure that the procedures ensure that all allowances and deductions are in line with statutory requirements and that payments are lawful.

17.5.2 All payroll records and other pay documents shall be in the form prescribed or approved by the governing body and certified personally by the headteacher or an authorised officer on his/her behalf. Headteachers must ensure that accuracy of the time records and pay documents submitted prior to certification. The time records and pay documents must also be retained for the required period to meet Inland Revenue requirements.

17.5.3 Appointment of staff must be made in accordance with the approved establishment grades, rates of pay and conditions of service and any procedure as approved by the governing body.

17.5.4 The Headteacher is responsible for ensuring that claims for payment of car allowances, subsistence allowances, other allowances, travelling, and incidental expenses made by staff within the school are valid and accurate.

17.5.5 The Headteacher shall ensure that the process 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. No member of staff should be able to authorise any notification concerning amendments to his/her own pay.

17.6 Schools who use Luton Borough Council payroll

17.6.1 For scheme 2 schools, headteachers will be responsible for ensuring that the council's rules and procedures regarding recruitment, employment and staff departure are always complied with. Advice regarding these rules and procedures is available from human resource services for schools.

17.6.2 Appointment of staff must be made in accordance with the approved establishment grades, rates of pay and conditions of service and any procedures prescribed by Luton Borough Council or the Diocesan Trustees (where applicable).

17.6.3 Headteachers must ensure that the head of finance is promptly given in writing all information regarding: -

- a) appointments, resignations, retirements, deaths dismissals, suspensions, secondments, and transfers.
- b) absences from duty for sickness or other reasons, apart from approved leave.
- c) changes in remuneration, other than normal increments and pay awards.
- d) overtime hours worked; and
- e) pension, income tax and national insurance.

17.6.4 All payroll records and other pay documents shall be in the form prescribed or approved by the head of finance and certified personally by the headteacher or an authorised officer on his/her behalf. Headteachers must ensure that accuracy of the time records and pay documents submitted prior to certification. The time records and pay documents must also be retained for the required period as defined by the head of finance.

17.6.5 The Headteacher is responsible for ensuring that claims for payment of car allowances, subsistence allowances, other allowances, travelling, and incidental expenses made by staff within the school are valid and accurate.

17.6.6 The Headteacher shall ensure that the process 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. No member of staff should be able to authorise any notification concerning amendments to his/her own pay.

18 Loans, borrowing and investments

18.1 It is essential that Luton Borough Council complies with its obligations and legislation in this area.

18.2 Governing bodies or headteachers shall not arrange or commit the school or Luton Borough Council to any borrowings, bank overdraft or loans involving any school funds or assets without the prior written approval of the head of finance.

19 Information Technology

19.1 Financial data held within schools should always be complete, accurate, secure, and capable of prompt retrieval in the case of an emergency.

19.2 Headteachers and the governing body will ensure that the security and privacy of all computerised information within the school is maintained in accordance with the data protection act 1998 and the freedom of information act 2000 (and any subordinate legislation made there under) and any statutory modification or re-enactment thereof for the time being in force.

19.3 Headteachers and the governing body must ensure that all staff who have access to computers must comply with the following:

- a) passwords must not be shared, be kept securely and updated at least every term.
- b) if a member of staff believes that there has been a breach of password security, whether the information system has suffered unauthorised access, they must notify the headteacher; the headteacher should consider informing the audit manager.
- c) unauthorised or illegal software must not be used on any computer.
- d) all financial and other management data must be backed up at least weekly and stored in a fireproof cabinet/safe with one copy taken off site.

20 Security

- 20.1 The protection of assets is essential and the headteacher and governing body must agree and approve procedures to ensure that assets are properly maintained to prevent unnecessary loss and the invalidation of insurance policies.
- 20.2 Headteachers on behalf of the governing body shall be responsible for always arranging proper security for all buildings, stocks, stores, furniture equipment, money etc under their control.
- 20.3 They shall also be responsible for maintaining proper security and privacy in connection with personal information held on any computer to which the school has access.
- 20.4 To this end the headteacher and governing body must ensure that procedures have been agreed and approved to ensure that requirements under the data protection act 1998 and the freedom of information act 2000 (and any subordinate legislation made there under) and any statutory modification or re-enactment thereof for the time being in force, are being adhered to.
- 20.5 Cheque books and any cash held must be stored in a secure place, normally the school safe always. The headteacher and governing body must ensure that storage of income does not breach insurance requirements.
- 20.6 Headteachers must keep an up-to-date register of staff within the school that hold keys to safes and cash boxes. These staff will be responsible for those keys. If the keys are lost, this must be immediately reported to the headteacher. All safes must be kept always locked unless in immediate use. The school's insurers must be consulted before a safe is acquired.
- 20.7 Headteachers shall ensure compliance with all conditions of insurance policies as notified to them by their insurer.
- 20.8 All title deeds and other documents relating to the property in which the council has any interest, or which is within its control shall be held under arrangements approved by the solicitor to the council.
- 20.9 Headteachers are required to ensure that accounting records and supporting documentation are properly safeguarded to prevent loss, destruction, or unauthorised alteration.

21 Fraud

- 21.1 The headteacher and governing body are responsible for the approval and implementation of controls designed to prevent and /or detect fraud. The governing body will establish a fraud policy for the school.
- 21.2 The Headteacher and governing body must inform all staff of school policies and procedures related to fraud and theft, the controls in place to prevent them; and the consequences of breaching these controls. This information must also be included in the induction for new school staff and governors.
- 21.3 Any member of staff who suspects that a financial irregularity is occurring within the school should immediately notify the headteacher or chair of governors, who must immediately pass the information to the audit manager and the head of finance.
- 21.4 The headteacher and governing body must ensure that staff are made aware of the whistleblowing policy that can be found in the personnel handbook for schools.

22 Internal and External Audit

- 22.1 There is a statutory obligation under the accounts and audit regulations 1996 covering the requirement for the audit of financial and other records of schools. The council's external auditors and internal audit service may undertake audits.
- 22.2 The requirement to audit locally managed schools was originally established in the department of education and science circular 7/88, issued in 1988, stating that the accounts of schools with delegated budgets will be subject to regular internal audit.
- 22.3 Current requirements are documented within the council's financial regulations. This states:
- The accounts and audit (England) regulations 2015 requires the council to maintain an adequate and effective internal audit of its accounting records and accounting control systems in accordance with proper internal audit practices, and any officer or member shall, if required:
- a) Make available such documents for the purpose of the audit and
 - b) supply such information as considered necessary.

In summary, internal audits, under the independent control and direction of the chief finance officer, shall undertake to investigate the accounting, financial and other operations in all departments of the authority, including schools. All schools covered by this scheme are required to co-operate with the internal audit arrangements.

Internal audit

- 22.4 Authorised representatives of the internal audit service shall be afforded facilities and right of access, at all times, to such documents, records and computer files as appear to the auditor to be necessary for the purpose of the internal audit.
- 22.5 The auditor shall be entitled to require from any governors or person employed at the school such reasonable information or reasonable explanation as the head of finance thinks necessary for the purpose of the internal audit.
- 22.6 Where a matter arises which involves or appears to involve, any irregularity concerning accounting, cash, stores, stocks or in any other way affecting the school finances or any breach of these regulations, the headteacher or any governor or other member of staff shall immediately on its discovery report the matter to the head of support, challenge & intervention, head of finance and audit manager.

External audit

- 22.7 Representatives of the external auditors shall, on production of suitable identification be allowed access to the accounts and records of a school and given every co-operation to complete their work.

23 Voluntary funds

- 23.1 Where a school is directly associated with a voluntary fund such as a school fund, the governing body must appoint a fund treasurer and auditor. The auditor should have some accounting knowledge and be independent of the school and governing body.
- 23.2 An annual audited financial statement must be presented to the governing body for approval. A copy should be made available for inspection by all members of staff or parents within the school.
- 23.3 Voluntary fund accounts must not be mixed with official school accounts.
- 23.4 When requested copies of such accounts should be supplied to the internal audit service.

Appendix A

Key Governing body responsibilities

Setting the educational financial priorities, through the school plan, 3-year financial plan, and annual budget, and ensuring the budget is managed effectively. Deciding how to spend the schools delegated budget should be made in accordance with the school plan and any statutory curriculum requirements, depending on any conditions set out in the LA scheme.

Approving and monitoring the annual budget and determining virement and expenditure thresholds.

Ensuring the school meets all its statutory obligations and through the headteacher complies with the local authority's financial regulations and standing orders.

Evaluating the effectiveness of spending decisions.

Ensuring a manual is available containing information and description of financial systems and procedures for all staff with financial management responsibility. The handbook should clearly describe the financial duties of all staff to avoid potential conflicts.

Establish formal procedures and a timetable for budget planning.

Ensure that only a balanced sound budget is approved.

Ensure financial records are maintained that can provide auditors with explanations they consider necessary.

Respond promptly to recommendations made by auditors or inspectors.

Ensuring that the school seeks to achieve efficiency and value for money when purchasing goods and services.

Establishing charging policy for supply of goods and services.

Ensuring in conjunction with the headteachers that: salary payments are only made to school employees, made in accordance with appropriate conditions of employment, only made for services provided to the school, appropriate deductions are made (tax and NI) and payroll changes are accurately recorded and promptly processed.

Deciding after careful consideration, whether to insure risks not covered by the LA.

Authorising the disposal or write off of stock.

Act as a critical friend to the headteacher by providing advice, challenge, and support.

Best Value

Best value is a policy, which applies to the way local authorities provide services. Schools are not currently directly covered by best value legislation. However, given the very high proportion of local authority spending which flows through delegated budgets, it is a requirement of the DfE financial management standard that schools should demonstrate that they have applied the principles of best value in their expenditure. To meet this intention, when submitting the annual budget plan, the governing body of each school should be asked to submit a statement setting out what steps it will be taking in the course of the year to ensure that expenditure, particularly in respect of large service contracts, will reflect the principles of the best value regime.

The basic principles of best value (4Cs) are:

1. Challenge involves questioning why, how and by whom activities are carried out.
2. Comparison of performance against other schools and between parts within each school e.g. benchmarking.
3. Consult with stakeholders, especially pupils, parents, and staff about key issues to foster partnership working.
4. Competition means using competition as a means of securing more efficient and effective services wherever practicable, to secure efficient and effective services. Headteachers will be considering the following generic application of best value activities within their schools:
 - Develop a programme of performance and activity review, which will aim for continual improvement linking to the school improvement plan and post-inspection action plans.
 - Activity reviews following the principles of the 'four Cs' including comparisons with others.
 - The development of a framework of performance indicators and targets, used by the school to compare with others and provide a clear practical expression of a school's performance, taking national requirements into account.
 - The inclusion in the school improvement plan of a summary of objectives and strategy for the future including consultation arrangements with linking forward targets on an annual and long-term basis.
 - We recommend schools consider buying goods and services from DfE recommended suppliers to ensure value for money has been achieved.
 - Buying for schools: <https://www.gov.uk/guidance/buying-for-schools>

Appendix B

Internal financial controls

It is important for schools to have systems for recording and controlling financial transactions. Sound internal financial controls are required to ensure the reliability and accuracy of schools' financial transactions. Examples of key internal controls that schools should ensure are in place are:

- a) Internal checks – one person checking another person's work.
- b) Separation of duties – distributing the work so that key tasks are assigned to separate members of staff.
- c) System of authorisations – each transaction is authorised before passing on to the next stage of the process.
- d) Systems manuals – clear, readable descriptions of how systems work, and who does what and when, and the systems of internal control. This should be in the form of a finance policy.

Audit trail makes it clear who has been involved – this tracks all stages of a transaction.

The governing body should ensure that there are written descriptions of financial systems and procedures which are kept up to date. All appropriate staff should be trained in their use.

The headteacher should ensure that financial control is maintained in the absence of key staff by training or by arranging for staff to shadow each other's duties from time to time.

Alterations to any original documents should be made clearly in ink or other permanent form.

Schools should retain all financial records securely for six complete years plus the current year and only authorised staff should have access. Where VAT details are retained on site, records should be retained for six complete years plus the current year (e.g. for bank account schools and imprest bank accounts).

All financial transactions should be traceable from the original documentation to the accounting records and vice versa. For example, it should be possible to trace a cheque to the expenditure in the accounts, to the invoice and to the copy order.

The headteacher should ensure that all expenditure from sources of earmarked funding is accounted for separately and that funding is used for its intended purpose.

Appendix C

List of Contacts

Principal Accountant Schools	Jaspreet Raju	546086
Senior School Financial Adviser	Paula Field	548073
School Financial Advisers	Shirley Chin Shadaab Azim Shama Khan Zaieda Ditta Siobhan Ife	546095 548074 548076 546089
Assistant Accountant	Teresa Turnbull	546081
Schools Estate & Strategy Manager	David Cham	548002
Schools Strategic Asset Management & Capital Funding Advice	Philomena Fairley	546019
Head of Finance	Dev Gopal	546087
Audit Manager	Kanchan Vasisht	547285
Auditor – Schools	Wayne McBayne	547042
Payments Queries	Donna Obembe	547763
Payroll Queries	Penny Szatmari	546065
Debtors Queries	Inderjeet Puar	546103
Insurance and Risk Manager	Gloria Johnson-Ashman	547044