

# NORTH YORKSHIRE COUNTY COUNCIL

## CYPS EXECUTIVE MEMBERS

08<sup>th</sup> FEBRUARY 2022

### NORTH YORKSHIRE COUNTY COUNCIL LOCAL MANAGEMENT OF SCHOOLS (LMS) FINANCIAL PROCEDURE RULES

#### 1.0 PURPOSE OF THE REPORT

- 1.1 To present proposed changes to North Yorkshire County Council's Local Management of Schools (LMS) Financial Procedure Rules to CYPS Executive Members for their consideration and approval.

#### 2.0 BACKGROUND

- 2.1 The School Standards and Framework Act 1998 (Section 48) requires that the Local Authority sets out in an LMS Scheme the financial controls within which the delegation of funds to Schools works.
- 2.2 The LMS Scheme is the funding framework for Schools, which sets out the financial relationship between the Local Authority and the maintained Schools it funds.
- 2.3 The LMS Scheme requires Schools, in managing their delegated budgets to abide by the County Council's requirements on financial controls and monitoring. The Financial Procedure Rules form part of the overall control framework and set out these requirements.
- 2.4 The LMS Financial Procedure Rules have been reviewed and updated to ensure that they reflect the latest DfE and LA guidance and requirements. Other proposed amendments have also been made in order to provide clarity and to ensure the continued efficient operation of decision-making.
- 2.5 The proposed changes to the LMS Financial Procedure Rules were considered by the North Yorkshire Schools Forum on 20<sup>th</sup> January 2022. Link to the report: [Item 2.2 - LMS Financial Procedure Rules Update.docx.pdf \(northyorks.gov.uk\)](#)

#### 3.0 SUMMARY OF KEY AREAS TO NOTE AND CHANGES TO THE LMS FINANCIAL PROCEDURE RULES

- 3.1 The summary of the key areas and changes to note are as follows:

Section	Area	Summary of key change
1.4	Introduction	The Brexit transition period has now concluded meaning that the UK is no longer a member of the EU. The Rules have been updated to remove references to the EU

Section	Area	Summary of key change
2.3	Preparation of Revenue Budget	In line with NYCC's Scheme for Financing Schools (approved by Schools Forum on 13/11/2019) submission deadline date for Start Budgets changed to 20th May
11.1	Inventories and stores	In line with the DfE's statutory guidance on schemes for financing schools, the requirement for an inventory of assets value increased from £100 to £1,000, however this limit is reduced to £200 for items which are deemed to be portable and attractive
14.13	School Bank Accounts	Removed requirement for the Governing Body to arrange for the printing of cheques.
16.3	LMS Licensed Deficits	Provision removed for the Council to charge interest on a licensed deficit and cash flow advances.
16.9	LMS Licensed Deficits	In line with the DfE's statutory guidance on schemes for financing schools and NYCC's LMS Scheme for Financing Schools (approved by Schools Forum), updated the conditions for an approved licensed deficit.
17.5	Charging of school budget share	In line with the DfE's statutory guidance on schemes for financing schools and NYCC's LMS Scheme for Financing Schools, updated the circumstances in which charges may be made against the school budget
19.1	Insurance and Risk Management	Section updated to reflect the directed change from the DfE requiring Schemes for Financing Schools to reflect the extension of the national risk protection arrangement (RPA) to local authority maintained schools
Appendix	Specimen Budget Management Policy	Updated in line with the above

3.2 The revised LMS Financial Procedure Rules are detailed in Appendix 1. This document has been reviewed by NYCC Legal Services.

#### 4.0 RECOMMENDATIONS

4.1 CYPS Executive Members are asked to consider and approve the revised LMS Financial Procedure Rules.

Report Prepared by: Sally Dunn – Head of Finance, Schools and Early Years

# **LMS Financial Procedure Rules**

## LMS Procedure Rules

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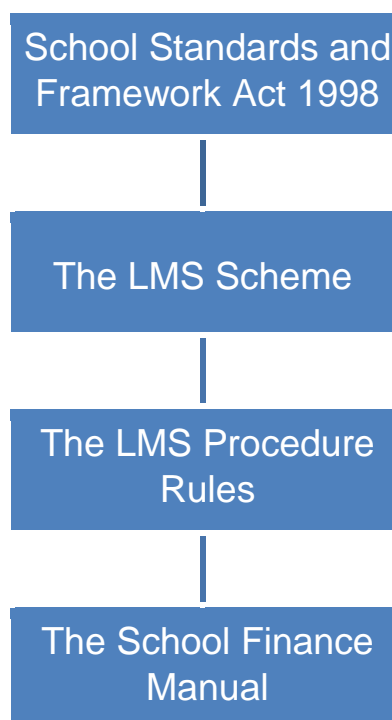
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**PART 3 LMS PROCUREMENT AND CONTRACT PROCEDURE RULES are shown in Part 3**

### PART 1 – INTRODUCTION

#### 1.0 INTRODUCTION

- 1.1 The LMS Procedure Rules, as set out in this document, form part of the overall control framework within which Schools, administered by the Local Authority, operate.
- 1.2 The financial control framework takes the form of a hierarchy, as illustrated below:



- 1.3 The School Standards and Framework Act 1998 (Section 48) requires that the Local Authority sets out in an LMS Scheme the financial controls within which the delegation of funds to Schools works.
- The Scheme and any revisions are approved by the Secretary of State for Education.
- 1.4 The LMS Scheme is the funding framework for Schools. It sets out the financial relationship between the Local Authority and the maintained Schools it funds.
- Contained within it are requirements relating to financial management and associated business which are binding to both the Local Authority and its Schools.
- Subject to the provisions of the Scheme, School Governing Bodies may spend budget shares for the purposes of the School and on any additional purposes as prescribed by the Secretary of State for Education.
- The Scheme, whilst based on a model prescribed by the Secretary of State for Education, adopts the principles which are consistent with the County Council's Financial Procedure Rules and Procurement and Contract Procedure Rules, both of which form part of the County Council's Constitution (see LMS Part 3 for the Procurement and Contract Procedure Rules). The Scheme contains a specific requirement to abide by the County Council's LMS Procedure Rules in the procurement of Supplies, Services and Works as well as other contracting matters. However, any section of the Council's LMS Procedure Rules shall not apply, under the terms of the approved LMS Scheme, if it requires Schools to:-

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- a) do anything incompatible with any of the provisions of this Scheme, or any statutory provision,
- b) select suppliers only from an approved list;

The LMS Scheme requires Schools, in managing their delegated budgets, to abide by the County Council's requirements on financial and contractual controls and monitoring, i.e. those set out in these LMS Procedure Rules and the School Finance Manual.

The County Council may suspend a School's right to a delegated budget if the provisions of the LMS Scheme (or the Rules applied by that Scheme) have been substantially or persistently breached, or the budget share has not been managed satisfactorily. There is a right of appeal to the Secretary of State for Education.

The Scheme is updated to reflect both local arrangements and Governmental direction.

The LMS Procedure Rules form a part of this overall control framework. They aim to facilitate service delivery by setting out best practice for the administration of all financial and contractual matters within Schools. This, then, ensures a high quality of financial information thereby enabling better decision making. They should not be viewed as a barrier to executive action and are constantly kept under review to ensure that they remain relevant to the day to day activities of Schools.

Certain elements of the financial requirements are specifically incorporated in the LMS Scheme whilst others are detailed in these LMS Procedure Rules. The LMS Procedure Rules reflect and record all the key issues in the LMS Scheme.

The LMS Procedure Rules are consistent with the principles of the LMS Scheme and embrace elements of the Council's own Financial and Contract Procedure Rules judged necessary to reflect the status and delegated responsibility of Schools and their Governing Bodies.

- 1.5 The **School Finance Manual** contains both the LMS Scheme and the LMS Procedure Rules together with all financial instructions and associated guidance. It is a comprehensive document detailing all aspects of financial systems and procedures and is designed for use on a day to day basis by staff or members of the Governing Body involved in any aspect of School financial administration.

The manual is produced by North Yorkshire County Council for its maintained Schools and is updated to reflect any changes of a local or national nature.

- 1.6 **Financial Instructions** will be issued to Schools as and when necessary by the CD-SR in accordance with paragraph 1.1 of Part 2 of the LMS Financial Procedure Rules. Revised instructions will be incorporated, as appropriate, in revisions of the LMS Scheme, the LMS Procedure Rules, or the School Finance Manual. In addition, there will be instructions issued to Schools on other finance related issues.

- 1.7 Other guidance and policies for Schools are produced by the Local Authority outside of the LMS Scheme and LMS Procedure Rules e.g. issues relating to Human Resources and Property.

## 2.0 DEFINITIONS

In these Rules, unless the context otherwise requires:

<b>ACE(LDS)</b>	means the Council's Assistant Chief Executive (Legal and Democratic Services).
<b>Asset</b>	means any asset including material and intellectual Property (e.g. software), but excluding any estate or interest in land and buildings, (i.e. 'Property' as defined by these Rules).
<b>BAFS</b>	means the Bank Account for Schools Scheme operated by the County Council.
<b>Best Value Form</b>	means the form to be completed to capture the rationale for not seeking bid in accordance with Rule 8.3 of the Procurement and Contract Procedure rules.
<b>Building Contract</b>	means a Contract for Works such as the erection of a building, or the refurbishment or extension to an existing building at a School.
<b>Contract</b>	means any Agreement made between the School and any other Person which is intended to be legally enforceable and involves the acceptance of any offer made by one party to commit itself to an action or series of actions and subject to the exceptions in LMS Procurement and Contract Procedure Rule 2.2.
<b>Contractor</b>	means a Person with whom the School has a Contract.
<b>Council</b>	means the North Yorkshire County Council, the Local Authority.
<b>CD-CYPS</b>	means the Corporate Director – Children and Young People's Service of the Council.
<b>CD-SR</b>	means the Corporate Director – Strategic Resources
<b>Executive</b>	means the Council's Executive.
<b>Governing Body</b>	means the Governing Body of a School.
<b>Governor</b>	means a member of the School's Governing Body.
<b>Head of Internal Audit</b>	means the Head of the Council's appointed Internal Auditors, currently Veritau Ltd.



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<b>Headteacher</b>	means the Headteacher of a School. The term ‘Headteacher’ shall be taken to include Officers delegated by them to undertake duties and responsibilities set out in these Rules. A record of such designations shall be maintained by the Headteacher.
<b>Internal Audit</b>	means the Council appointed Internal Auditors, currently Veritau Ltd.
<b>Leasing Agreement</b>	means a Contract for the provision of finance to enable Supplies or Services to be obtained and where ownership in any such Supplies does not automatically pass to the Council at the end of the Contract period.
<b>Letting</b>	means the hiring of part of the School premises by a club or other group under an ad hoc licence arrangement.
<b>Officer</b>	means a School employee or other authorised agent of the School.
<b>PCR</b>	means Public Contracts Regulations 2015. <a href="https://www.legislation.gov.uk/ukhr/2015/20150001/eng/regs/20150001">The Public Contracts Regulations 2015 (legislation.gov.uk)</a>
<b>Person</b>	means any individual, partnership, company, trust, other School or Local Authority, Government department or agency.
<b>Property</b>	refers to any estate or interest in land or buildings.
<b>Property Contract</b>	means a Contract which creates an estate or interest in land or buildings.
<b>Property Service</b>	means the service formerly known as the Corporate Landlord Services (CLS) or the Corporate Property Landlord Unit (CPLU).
<b>Responsible Officer</b>	means the Officer in the School who is responsible for the procurement and/or management of a Contract.
<b>Rules</b>	means these Rules which include the LMS Financial Procedure Rules and the LMS Procurement Contract and Procedure Rules.
<b>School</b>	means an educational institution for pupils aged between 3 and 19 controlled or aided by the Council.

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**Services or Supplies** means as defined in Regulation 2 of the PCRs.

**Works** means as defined in Regulation 2 of the PCRs.

### 3.0 RESPONSIBILITIES

#### Corporate Director - Strategic Resources

- 3.1 The Council's Constitution and the LMS Scheme define the framework within which the powers to make decisions, take action, etc. are delegated to the appropriate level in the organisation. In particular, they empower the CD-SR to:
- act as the Proper Officer under Section 114 of the Local Government Finance Act 1988; and exercise the proper administration of the Council's financial affairs under Section 151 of the Local Government Act 1972.
- 3.2 This means that the CD-SR has a statutory responsibility to ensure that adequate systems and procedures exist to account for all income due and expenditure payments made on behalf of the Council, and that controls operate to protect the Assets of a School from loss, waste, fraud or other impropriety. In addition to these Rules, the CD-SR may discharge this responsibility, in part, by the issue and maintenance of financial instructions such as the School Finance Manual, with which any Officer of a School, together with any Person employed by an organisation contracted by the Council, shall comply.
- 3.3 As Section 114 Officer of the Council, the CD-SR shall be responsible for the production and certification of the Statement of Final Accounts in accordance with the Accounts and Audit Regulations 2011. The CD-SR shall also be responsible for all arrangements relating to the external audit of the Statement of Final Accounts in accordance with those Regulations. This responsibility also extends to financial information contained within any Statutory Plan published by the Council, including any statutory reporting requirements under LMS.
- 3.4 The CD-SR shall, in compliance with Section 114 of the Local Government Finance Act 1988, report to the Council if a Governing Body or an Officer:
- a) has made or is about to make a decision which involves or would involve the Council incurring expenditure which is unlawful;
  - b) has taken or is about to take a course of action which, if pursued, to its conclusion would be unlawful and likely to cause a loss or deficiency on the part of the School or Council; or
  - c) is about to enter an item of account (in the ledger), the entry of which is unlawful.
- 3.5 The CD-SR may also produce a report if it appears that the expenditure proposed by the School in a financial year is likely to exceed the resources available to meet its expenditure. (Further details on Licensed Deficits are included in Section 16 of Part 2 of these Rules).
- 3.6 The CD-SR will monitor adherence to these Rules with the assistance of Internal Audit. The CD-SR will maintain a record of the exercise of duties and responsibilities delegated to him by these Rules.
- 3.7 The CD-SR is responsible for the review of these Rules (see paragraph 4.0).
- 3.8 The CD-SR and the CD-CYPS, or their representatives, shall have the right to attend any meeting of the School Governing Body for the purposes of giving advice or reporting on any matter of financial significance to the Council or involving any financial irregularity. The Council will give prior notice of any such attendance unless it is impractical to do so and CD-SR attendance shall normally be limited to items which relate to issues of probity or overall financial management and shall not be regarded as routine.

**Internal Audit Service**

- 3.9 Schools are required to co-operate with both internal and external auditors, the latter being appointed to audit the Council itself. This includes the provision of such information and explanations thereof as the auditors consider necessary to comply with this responsibility.
- 3.10 In instances where a School wishes to seek an additional source of assurance at its own expense, a School is permitted to spend funds from its budget share to obtain external audit certification of its accounts, separate from any Council internal or external audit process. Where a School chooses to seek an additional audit it does not remove the requirement that the School must co-operate with the Council's internal and external auditors. Further details on Internal Audit are provided in Section 20 of Part 2 of these Rules.
- 3.11 In addition to the normal internal and external audits, Schools must provide CD-SR with audit certificates of any voluntary or private funds they hold and the accounts of any trading organisation controlled by the Council. Further details on Voluntary Funds are provided in Section 18 of Part 2 of these Rules.

**Governing Bodies**

- 3.12 Every Governing Body shall be responsible for the proper administration of financial resources, for the observance of the Rules within their School and for the training of staff under their supervision to enable them to comply with these Rules. This principle also applies to any instructions or guidance, published in the School Finance Manual, issued under the authority of these Rules.
- 3.13 If any Governing Body employs a consultant, agency staff or an external Contractor to undertake any duties which would normally be undertaken by an Officer of the School, they must ensure that every such Person acts in accordance with these Rules. It is the responsibility of the Governing Body to ensure such Persons are aware of this responsibility and are given training, if appropriate, to enable them to carry out these duties. Every Agreement for such work should include adequate remedies to enable the School to secure reimbursement if there is a failure to comply with these Rules which leads to a financial loss for the School.
- 3.14 A Governing Body is responsible for all Revenue and Capital Expenditure which it or its Officers incur. It is the responsibility of the Governing Body to consider the extent to which it wishes to delegate its powers to the Headteacher and to record its decisions, together with its reasons, in the minutes of the Governing Body. The Governing Body must also monitor the effectiveness of these arrangements. The County Council has no wish to impose uniformity on Schools but considers that the desirable level of delegation to Headteachers is as set out in Annex B to Appendix 1 to these Rules. Whatever arrangements are put in place the Person(s) responsible shall exercise their responsibilities in accordance with these Rules.
- 3.15 Governing Bodies are free to spend budget shares 'for the purposes of the School', subject to any provisions in these Rules. A Governing Body must spend its delegated budget in a manner which is consistent with the implementation of a national curriculum and the Council's policy in the approved Children and Young People's Plan together with any modifications agreed by the Governing Body. Public money is entrusted to the School and careful consideration should be taken not to offer inappropriate levels of hospitality to members of the Governing Body, School staff or third parties. If Schools are in any doubt as to what is acceptable they should contact the Legal and Democratic Services Helpdesk, details of which are in section 5.2 below, for advice.
- 3.16 Governing Bodies shall supply to the Council all financial and other information which might reasonably be required to enable the Council to satisfy itself as to the School's management

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of its delegated budget share and devolved capital or the use made of any other allocations by the Council (e.g. earmarked funds) to the School.

- 3.17 The Governing Body is a corporate body and, consequently, Governors will not incur any personal liability in the exercise of their powers to spend the delegated budget share, provided they act in good faith.
- 3.18 Each Governing Body shall maintain, and keep up to date by an annual review, a register which lists for each member of the Governing Body and staff who make purchasing decisions, any business interests they or their immediate family have. This register will be available for inspection by the Council, Governors, staff and parents. Guidance on the drawing up of such a Register is included in Section 17 of the School Finance Manual. In addition, a register of gifts and hospitality received by Governors and School staff shall be maintained in line with the protocol circulated to Schools.

### **Failure to Comply with these Rules**

- 3.19 Every Governor and Officer shall comply with these Rules. Any unauthorised failure to comply with these Rules, and any related instructions or guidance contained in the School Finance Manual may lead to disciplinary action being taken against individual Officers. It may also lead to the suspension of Delegation.
- 3.20 Any loss arising from negligence, failure to adhere to the advice of the Council or failure to provide reasonable standards of financial administration, having regard to these Rules or any other related guidance, will be charged against the School budget and may ultimately lead to the suspension of delegation or the withdrawal of the BAFS account from the School.

## **4.0 REVIEW OF LMS PROCEDURE RULES**

- 4.1 The CD-SR (in consultation with the ACE(LDS) shall regularly review the application and effect of these Rules and shall, after consulting with the Schools Forum, propose such updated Rules to the Executive Members for Children & Young People as the CD-SR may consider appropriate. The CD-SR welcomes feedback on the operation of these Rules, or any aspect of the School Finance Manual to ensure that they both remain effective and relevant to the day to day operational activities of Schools.

## **5.0 GUIDANCE**

- 5.1 The Rules make reference to specific guidance documents which can be found via the following links:

LMS Scheme

<https://cyps.northyorks.gov.uk/school-finance-manual>

Select Chapter 2

School Finance Manual

<https://cyps.northyorks.gov.uk/school-finance-manual>

The Governors' Handbook and Competency Framework

[Governance handbook and competency framework - GOV.UK \(www.gov.uk\)](#)

- 5.2 The Council recognises the complexity of some of these Rules and Schools are therefore encouraged to seek the support available from the Legal and Democratic Services Helpdesk:

E-mail

[legal.services@northyorks.gov.uk](mailto:legal.services@northyorks.gov.uk)

## **PART 2 - LMS FINANCIAL PROCEDURE RULES**

### **1.0 GENERAL**

- 1.1 The nature and format of all accountancy systems and related financial procedures and records maintained in Schools must comply with any instructions issued by the CD-SR. The financial ledger maintained by the CD-SR will be regarded as the primary financial record of the Council, for both actual expenditure and income transactions. The principles shall also be applied to any partnership or joint working arrangement with a third party whereby the School agrees to allocate to, or receive (and then administer) funds from a third party under the terms of the partnership or joint working arrangement. No funds should be allocated to, or received from, a third party on this basis without the agreement of the CD-SR as to the financial systems and procedures that will be adopted either by the School or the third party.
- 1.2 Each Governing Body is responsible for the proper financial management of all resources allocated to their School. They shall devise and implement such controls and procedures, in accordance with the instructions in these Rules and the guidance in the School Finance Manual, as are necessary to carry out their duties and prevent loss, waste, fraud or other impropriety in relation to the Assets or integrity of the School. If the School has any doubts over its proposed controls and procedures it shall seek the advice of CD-SR.
- 1.3 Each Governing Body shall define a budgetary control policy for the resources (revenue or capital) allocated to their operational area, record its decisions, and ensure it is enforced. The same principle shall apply to any funds allocated to, or received from, a third party under a partnership or joint working arrangement (see Rule 1.1). A model Budget Management Policy for consideration by Governing Bodies is attached as an Appendix 1 to these Rules.
- 1.4 Given the very high proportion of Local Authority spending which flows through delegated budgets, the government has determined that Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements. Schools should refer to the Procurement Contract and Procedure Rules for further information.

Useful links:-

<https://www.gov.uk/guidance/buying-for-schools>

<https://cyps.northyorks.gov.uk/procurement-best-value>

- 1.5 Only allowances in respect of purposes specified in School Governance (Roles, Procedures and Allowances) (England) Regulations 2013 [The School Governance \(Roles, Procedures and Allowances\) \(England\) Regulations 2013 \(legislation.gov.uk\)](https://www.legislation.gov.uk/uksi/2013/1632/contents/part-2/section-1) may be paid to Governors from a School's delegated budget share. Schools are expressly forbidden from paying any other allowances to Governors. Schools are also barred from payment of expenses duplicating those paid by the Secretary of State to additional Governors appointed by him to Schools under special measures.
- 1.6 Schools are required to use their best endeavours in spending the budget share to meet the special educational needs of children.

**2.0 PREPARATION OF REVENUE BUDGET**

- 2.1 The detailed form of the Council's annual budget and its preparation shall be determined by the CD-SR. The Governing Body will be required to compile, consider and submit such data and statistics as the CD-SR might require to assist in the preparation of that annual budget.
- 2.2 Schools are required to:
- a) prepare budgets in accordance with any instructions from the CD-SR; and
  - b) provide the Council with details of expected and actual expenditure and income at times determined by the CD-SR. The current requirements are set out in the following paragraph.
- 2.3 The Governing Body of each School must prepare and regularly update a financial management plan as part of its School Development Plan. The plan should cover the ensuing budget year and two subsequent years, and should include:-
- a) a resource utilisation strategy in broad terms (e.g. finance, manpower, Property, equipment); and
  - b) a detailed spending plan for the ensuing budget year and the assumptions underpinning that plan. The format of the Plan should accord with the format determined by the CD-SR. In determining the format, the CD-SR will follow the requirements of the Department for Education as set out in the Consistent Financial Reporting Framework.

The CD-SR and the CD-CYPS retain the right to specify any further information that may reasonably be required in connection with the financial management plan of a School.

The detailed spending plan for the ensuing budget year (the Start Budget) must be prepared and approved by the Governing Body and a copy sent to the CD-CYPS **by 20<sup>th</sup> May of each budget year**. An indicative budget should also be prepared of estimated income and expenditure for the two following financial years. The projection should be considered by the Governing Body during either the Summer or Autumn Term and should be made available, if required, to the CD-CYPS.

The CD-SR will also require the submission of revised plans by the end of the Autumn Term (see also arrangements for Licensed Deficits in Section 16 of Part 2 of these Rules).

**3.0 CONTROL OF REVENUE BUDGET**

- 3.1 The funds delegated to a School by the Council in accordance with the LMS Scheme represent a cash limited resource allocation for a given financial year and Governing Bodies **must** therefore control spending within this allocation.
- 3.2 From the start of each financial year, expenditure may be incurred within the overall revenue budget approved by the Governing Body. Similarly, the responsibility for making appropriate arrangements to collect any income reflected in approved budgets shall be exercised by the Governing Body.
- 3.3 Expenditure on behalf of the School can only be committed against approved budgets and in accordance with the policies for which the budget was established. Any significant commitment to continuing liabilities (including staffing changes - see Rule 3.4 below) in future years in excess of current budget provision or any proposed change in policy likely to affect the current approved budget and/or the forecast budget for future years (see Rule 2.3) shall be the subject of a report to the Governing Body prepared by the Headteacher which sets out clearly the full financial implications. Such proposals may relate to expenditure and/or income



and this should be made explicit in any statement of financial implications (see Rule 2.3).

- 3.4 Any changes to the existing staffing arrangements either in terms of the number of posts and/or their grade shall be approved by the Governing Body
- 3.5 A Governing Body must not anticipate resource allocations for future years by overspending in the current year with the intention of funding this via underspending in later years except in exceptional circumstances to be approved in advance by the CD-CYPS and CD-SR. These exceptional circumstances and the arrangements for prior approval of any anticipated overspend, known as a licensed deficit, are set out in Section 16 of Part 2 of these Rules.
- 3.6 Schools may carry forward from one financial year to the next any surplus/deficit in net expenditure relative to the School's budget share for the year plus/minus any balance brought forward from the previous year.
- 3.7 To exercise adequate budgetary control during a financial year, a Governing Body should record, analyse and monitor expenditure and income against its detailed spending plan and, as necessary, approve a virement of resources between the various budget heads that have been established. Governing Bodies are advised to establish the criteria for virements and financial limits above which the approval of Governors is required. To assist in this process the CD-SR will provide regular information to Schools including all income and expenditure data which it holds about employee related costs and other financial transactions processed centrally on behalf of the School. A School must ensure that the information provided by the CD-SR is reconciled regularly to the School's accounting records.
- 3.8 Regular budget monitoring reports shall be submitted to the Governing Body. The Governing Body must receive a report at least termly whether the routine monitoring is delegated to a sub-committee made up of a selection of members of the Governing Body and the Senior Team i.e. a Finance Committee, or not. The sub-committee shall submit a brief summary report to the full Governing Body once per term.
- 3.9 As soon as possible after the end of the financial year, the CD-SR will produce a statement of actual expenditure and income for that year in respect of each School. This will be the definitive statement of the financial position for that School at that financial year end. The Governing Body must ensure that this is fully reconciled to the School records and considered at its earliest meeting with a supporting report from the Headteacher.
- 3.10 The Council is authorised to make sums available to Schools from central funds in the form of an allocation which are additional to and separate from the School's budget share. Such allocations shall be subject to conditions setting out the purpose or purposes for which they may be used and, whilst these conditions may not preclude virement (except, of course, where the funding is supported by a specific grant where the Council itself is not permitted to vire), this should not be carried out to the point of assimilating the allocations into the School's budget share.
- 3.11 Such earmarked funding from centrally retained funds is to be spent only on the purpose for which it is given, or on other budget heads for which earmarked funding is given, and is not to be vired into the School's budget share. These earmarked funds must also be spent and accounted for in accordance with these Financial Procedure Rules including any specific instructions issued about their use by the CD-SR and/or the CD-CYPS. It may be a requirement that such earmarked funds, if not spent 'in year', must be returned to the Council.

#### **4.0 INCOME OF THE SCHOOL**

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- 4.1 All income received in respect of activities where related expenditure is incurred by the School's resource allocation, shall be paid into the BAFS account. This shall include, with the exception **only** of Voluntary Aided Schools, all income and expenditure related to the Letting of School premises, grounds or facilities. The retention of income from Lettings is subject to any alternative provisions arising from Joint Use or PFI Agreements.
- 4.2 Schools are permitted to cross-subsidise Lettings for community and voluntary use with income from other Lettings, provided there is no net cost to the budget share.
- 4.3 Each Governing Body shall be responsible for the determination of Lettings and other fees and/or charges relevant to the activities carried out by/within their School. For practical purposes this responsibility should be linked to the budget management arrangements established in accordance with Rules 1.3 and 2.3. The arrangements, including the respective responsibilities of the School and the Council, for the fixing and review of Lettings are set out in the School Finance Manual.
- 4.4 Lettings and other fees and/or charges within the control of the School shall be subject to review at least annually by the Governing Body except as provided in any specific agreements between the School and relevant third parties.
- 4.5 Schools may retain the proceeds of the sale of Assets except in cases where the Asset was purchased with non-delegated funds. This provision does not apply to "Property" i.e. land or buildings forming part of the School premises which are owned by the Council. Income from the sale of Assets purchased with delegated funds may only be spent for the purposes of the School and must be paid into the BAFS account. Prior to the disposal of any Asset, a School must ensure that the Asset is of no further use to the School and consult the CD-SR in respect of any Assets subject to a Leasing Agreement.
- The procedures defined in the LMS Contract Procedure Rules apply to the disposal of any Assets of the School. In particular, no quotations or tenders for other than the highest price shall be accepted without reference to LMS Contract Procedure Rules 8.7 and 8.9 and/or 9.8 and 12.2 as appropriate. For items valued at under £250 and to save the costs of disposal, to reduce the need to send items to landfill and to maximise the use of Council and School resources, local arrangements can be made in line with the guidance included in Section 21.3.5 of the School Finance Manual.
- 4.6 In the case of a proposal to dispose of Property, the School shall consult the CDCYPS on any suggestions regarding disposal. The disposal, if agreed, will be processed by the Council.
- 4.7 Income collected by a School shall be in accordance with the terms of the Charging and Remissions Policy for School Activities agreed by the Governing Body of that School. Schools are required to have regard to any policy statements and charging guidance produced by the Council.
- 4.8 The Governing Body must formally designate those Officers who shall be responsible for the collection of income, issuing receipts, raising debts and the banking and recording of income. In formulating these arrangements, the Governing Body should have regard to the key concept of division of duties. In all but the smallest Schools where there are staffing limitations, different members of staff must be responsible for raising debts and collecting and recording the settlement of those debts. In most Schools, although not achievable in all, a further separation of duties would be helpful by having a different Person taking responsibility for the updating of the financial system as compared with the responsibility for collecting and recording



the receipt of income. The nature of the arrangements that a Governing Body must establish shall be subject to the detailed guidance from the CD-SR as set out in Chapter 11 of the School Finance Manual.

- 4.9 Schools may operate an online income collection system but must only use a supplier whose system has been approved by the CD-SR. Transaction charges for on line payments must not be passed on to the payee unless the School has adopted a policy to that effect and communicated it to parents.
- 4.10 Income may not be used to directly offset payments due. All money received on behalf of the School shall, as soon as practicable, be either banked intact for the credit of the School's BAFS account or deposited with the CD-SR. The use of 'intermediate accounts', i.e. Post Office accounts, to facilitate effective banking arrangements shall be operated in accordance with arrangements authorised by the CD-SR. All income in 'intermediate accounts' shall be transferred to the main BAFS account as soon as practical and, in any event, within one month of deposit.
- 4.11 Schools may not retain income from fees and charges where a service is provided by the Council from centrally retained funds.
- 4.12 Where it is necessary to raise an invoice in connection with a debt it should be done promptly using a proforma debtor invoice form approved by the CD-SR. Sums due for up to £250 which are considered to be irrecoverable shall not be written off without the prior written approval of the Governing Body of the School. Sums in excess of £250 shall not be written off without the additional consent of the CD-SR and, in such circumstances, the Headteacher shall provide copies of all relevant documents to the CD-SR.
- 4.13 Where an invoice has been raised in respect of a debt and it subsequently becomes apparent that the debt was not legally due to the School (on the grounds that, for example, it was mistakenly believed that the School had a valid legal claim against the debtor), then the invoice may be cancelled by the Headteacher in consultation with the Chair of the Governing Body.
- 4.14 If an overpayment has been made by the School to a third party (including, but not limited to, employees and suppliers) then all necessary steps shall be taken to recover the amount of the overpayment. If, however, it is considered appropriate not to recover the overpayment (on grounds including, but not limited to, cost effectiveness or compassionate reasons) then approval not to pursue the overpayment must be obtained from:
- a) the Governing Body in respect of debts up to £250
  - b) the CD-SR in respect of amounts of £250 and above.
- 4.15 The Education Act 2002 empowers Schools to provide community facilities. Governing Bodies are required to follow the provisions in Section 12 of the LMS Scheme and associated guidance in chapters 12 and 19 of the School Finance Manual.
- 4.16 The Headteacher has significant responsibilities in relation to income collection procedures whilst not being involved, to any significant degree, in its financial administration. It is particularly important that the Head should be sufficiently informed to be able to readily identify problems, potential or actual, which arise including, very occasionally, fraudulent intent. In order to safeguard against these eventualities, the following precautions are advocated:
- a) The budget monitoring process in itself should highlight many potential problem areas i.e. if income targets are failing to be achieved;
  - b) The Headteacher must approve the action proposed for debts which have been outstanding for more than 8 weeks; and

- c) An occasional examination of the income records should be conducted and tests applied, to ensure that the invoices have been settled in a timely manner and any outstanding debts are being pursued vigorously. A useful check would be to trace all income from the School's income record to the appropriate bank statement.

## **5.0 CAPITAL EXPENDITURE**

- 5.1 The definition of capital expenditure will be determined by the Council having regard to appropriate national regulations and guidelines. The current definition is set out in the Guidance Notes on Consistent Financial Reporting. Capital expenditure will be controlled by the Council within the limits of a capital programme prepared each year.
- 5.2 The Rules relating to a Governing Body's use of its own budget share and Devolved Capital allocation to meet capital expenditure on School premises are set out in sections 2 and 3 of Part 3 of the LMS Contract Procedure Rules.

## **6.0 ACCOUNTING RECORDS AND PROCEDURES**

- 6.1 All expenditure incurred and income generated by a School under the terms of the LMS Scheme will form part of the overall accounts of the Council and, therefore, all accounting procedures, records and vouchers will be determined by / or be subject to approval by the Corporate Director – Strategic Resources (CD-SR) as the Officer holding overall statutory responsibility for the financial affairs of the Council. Detailed instructions and guidance, including those set out in the LMS Scheme, these Rules and the School Finance Manual, will be issued by the CD-SR in conjunction with the Corporate Director – Children & Young People's Service (CD-CYPS) about the processes, systems and controls required for the satisfactory standard of probity and regularity which the Governing Body and School staff must maintain.
- 6.2 All financial records and vouchers must be retained for a minimum period determined by the CD-SR. Detailed guidance on the retention periods for accounting and other records maintained by Schools is contained in Section B of the Schools' Information Governance Manual and Chapter 19 of the School Finance Manual.
- 6.3 A Governing Body shall ensure the timely and accurate completion of any statistical returns required by any Government department or the Council.

## **7.0 GRANT APPLICATION AND CLAIMS**

- 7.1 The CD-SR (or nominated representative) should be consulted prior to a School submitting a grant or external funding application, or accepting a grant or external funding award where no application was required, for amounts in excess of £100,000. The School shall comply with such requirements as the CD-SR may stipulate relating to the application for the grant or external funding.
- 7.2 The CD-SR shall determine the accounting arrangements for grant and external funding awards in excess of £100,000 including the completion and approval of grant claims and, where applicable, any requirements for external audit approval.
- 7.3 Certain grant claims are required to be audited and an opinion provided on the accuracy of the expenditure being claimed by the Head of Internal Audit. Each Headteacher shall ensure that records are retained to enable the Head of Internal

Audit to complete the work and provide explanations, as necessary, for any matters raised. Upon acceptance of any grant award that requires audit certification, the School shall contact the Head of Internal Audit to discuss the audit requirements of the particular grant.

- 7.4 Further detailed information can be found in Section 6 of Chapter 15 of the School Finance Manual.

### 8.0 PROCUREMENT OF SERVICES, SUPPLIES AND WORKS

- 8.1 A Governing Body shall be responsible for the following:

- a) the procurement of all Services, Supplies and Works by their School;
- b) ensuring that the Services, Supplies and Works ordered are received and are of the correct quality;
- c) ensuring that Services, Supplies and Works are only ordered by Officers with authority to do so and provided there is approved budgetary provision to cover the associated costs (see Rule 9.2); and
- d) ensuring that the certification of invoices in accordance with arrangements approved by the CD-SR. Details are set out in section 9 of these Rules with more detailed guidance in Chapter 8 of the School Finance Manual. Detailed guidance on Purchasing is provided in Chapter 6 of the School Finance Manual.

- 8.2 All Supplies or Services, with the **exception** of the following list, shall require the issue of an official Council order form, approved by the CD-SR (except where he specifically waives this requirement), signed by the Headteacher or other Officer as approved by the Governing Body, who shall be responsible for all orders issued by the School.

- a) gas, electricity, telecommunications services, rent, rates, water and sewerage charges;
- b) small purchases using the Petty Cash account where the transaction is completed at the point of sale/service (see Rule 10);
- c) training courses for members of the Governing Body or staff;
- d) purchases made by means of a Purchasing Card operated within the scheme organised by the CD-SR; or
- e) such other items as the CD-SR may from time to time determine.

- 8.3 A Governing Body must establish arrangements to ensure that the financial commitment arising from all Contracts are properly recorded and monitored in the School's financial records and that, by virtue of checks carried out by someone other than the Person signing the order, all Supplies and Services ordered by a School are, in fact, received and are correct as to quality, quantity and price before payment is authorised. **For the avoidance of doubt, an order form is a Contract.** The nature of the arrangements that a Governing Body must establish shall be the subject of detailed advice from the CD-SR.

- 8.4 Individuals must not use official orders to obtain Supplies or Services for their own private use or for third party organisations/individuals, other than for other North Yorkshire Schools.

- 8.5 The Council shall determine on what basis Services from centrally retained funds will be provided to Schools. The Council is debarred from discriminating in its provision of Services on the basis of categories of Schools except where:

- a) funding has been delegated to some Schools only, or
- b) such discrimination is justified by differences in statutory duties.

- 8.6 Any Services which the Council is providing for a charge must be offered in a way which does not unreasonably restrict Schools' freedom of choice.

## **9.0 PAYMENT OF ACCOUNTS**

- 9.1 With the exception of any payment made on behalf of the School by the CD-SR, all payments for Supplies, Services and Works (but subject to the requirements of the Construction Industry Scheme), will be made by way of the BAFS account.

- 9.2 The Governing Body must formally designate those Officers who shall be responsible for raising orders, authorising invoices for payment and signing cheques. In formulating these arrangements the Governing Body should ensure, wherever possible, that neither the Person who signed the order nor the Person who checked the receipt of Supplies or Services, certifies the invoice for payment. The nature of the arrangements that a Governing Body must establish shall be the subject of detailed guidance from the CD-SR as set out in Chapter 8 of the School Finance Manual.

- 9.3 The member of staff responsible for certifying invoices shall do so in manuscript after having ensured that the invoice, or other payment voucher, has been thoroughly checked, accurately coded and that the transaction has been recorded on the copy order and in the School's accounting records.

- 9.4 Duly authorised invoices shall be paid by standing order, direct debit, BACS transfer or cheque drawn on the BAFS account or by the CD-SR in accordance with the terms of trade specified by the supplier. It will be the responsibility of the School to ensure that any guidance issued by the CD-SR regarding Value Added Tax or the Construction Industry Scheme is adhered to when making such payments (see also Rule 14.18).

- 9.5 Any amendment to an account shall be made in ink and initialled by the Officer making it, stating briefly the reasons where they are not self-evident.

## **10.0 PETTY CASH ARRANGEMENTS**

- 10.1 A Governing Body may arrange a petty cash imprest to enable the School to make small payments in cash within financial limits which the CD-SR will, from time to time, prescribe.

- 10.2 VAT receipts should be obtained, wherever possible, to support purchases made from the petty cash imprest and to enable the recovery of VAT.

- 10.3 Further details can be found in Chapter 16 of the School Finance Manual (Section 16.5)

## **11.0 INVENTORIES AND STORES**

- 11.1 The Governing Body of a School shall be responsible for the safe custody and control of all vehicles, furniture, equipment, stocks and stores and other Council Property and shall maintain an inventory (in a form approved by the CD-SR) of all assets used in the School which belong to the School whose individual cost or value exceeds £1,000. However in the case of a school the £1,000 limit should be reduced to £200 to include appropriate items that the Governing Body feel should be recorded and should always

include small portable items that are particularly vulnerable to theft such as laptops, tablet computers and digital cameras.

This Rule also applies to any Asset acquired under a Leasing Agreement (see LMS Contract Procedure Rule 6).

- 11.2 Checks of such inventories shall be carried out at least annually and any losses or shortages exceeding £1,000 in value shall be reported promptly to the CD-SR. The procedure for the disposal of surplus, obsolete or unserviceable items shall be agreed with the CD-SR.
- 11.3 The Governing Body shall also be responsible for the custody of all cash and financial documents used in the School. Cash held on the School premises should not exceed any sums for which the School is insured.

### **12.0 PAYROLL, PENSIONS AND OTHER EMOLUMENTS**

- 12.1 The calculation and payment of all salaries, wages, pensions, gratuities, compensation and other emoluments payable by the School to its current employees or a former employee shall be performed in accordance with arrangements approved by the CD-SR.
- 12.2 Each Headteacher shall be responsible for the certification of all amounts properly payable for pay and pensions in accordance with the arrangements approved by the CD-SR.
- 12.3 The CD-SR shall be authorised to implement national and provincial pay awards with effect from their implementation dates.
- 12.4 All time records or other pay documents shall be in a form prescribed or approved by the CD-SR. The Governing Body shall ensure that these records or documents are accurately and fully completed, in accordance with the appropriate timetable, and checked and certified in manuscript on behalf of the said Governing Body. The names of Persons authorised to certify such records shall be sent to the CD-SR by the Headteacher together with specimen signatures.
- 12.5 Where a School makes its own payroll processing arrangements, it must supply all returns required by the Council to comply with statutory requirements and, in particular, the requirements of Her Majesty's Revenue and Customs, DWP, Teachers Pensions Agency, Local Government Pension Scheme and the National Fraud Initiative, in a timely fashion.
- 12.6 Schools shall take account of the advice on Human Resources matters issued by NYES Human Resources. The Council may charge a School's delegated budget in respect of items detailed in Rule 17.5 below where such advice has not been taken.

### **13.0 TRAVELLING AND SUBSISTENCE ALLOWANCES**

- 13.1 The calculation and payment of all travelling and subsistence allowances payable by the School to its employees shall be performed in accordance with arrangements approved by the CD-SR. Full details can be found in Chapter 8, appendix 4.
- 13.2 Each School shall maintain a record of Officers authorised to certify claims on its behalf. Certification of a claim shall signify that the Headteacher is satisfied that the allowance or expenses are properly payable by the School in respect of duties performed by the claimant.

**14.0 SCHOOL BANK ACCOUNTS**

- 14.1 Budget shares will be made available to Governing Bodies monthly by the Council.
- 14.2 Budget share instalments will be remitted on a predefined date in each month to each School by BACS, or its equivalent, by means of a credit into the School's bank account. Before the beginning of the financial year, the Council will issue an annual timetable of dates on which BACS payments will be credited to the School account and arrangements for the first payment in each financial year.
- 14.3 The manner in which monthly advances are calculated is summarised in Section 3 of the LMS Scheme.
- 14.4 Schools may have an external bank account known as the BAFS account into which their budget share instalments (as determined by other provisions) are paid. Where Schools have such accounts, they shall be allowed to retain all interest receivable on the account.
- 14.5 The CD-SR shall determine, and review periodically, the minimum criteria for School bank accounts. The CD-SR will also maintain a list of "approved institutions" which provide accounts that meet these criteria. Details of the minimum criteria and the list of approved institutions are included in Chapter 5 of the School Finance Manual.
- 14.6 A Governing Body shall only operate a BAFS account provided by an approved institution which meets the minimum criteria. The CD-SR retains the right to refuse approved status for a particular account and/or institution if the minimum criteria are not met. Similarly the terms and conditions of the account provided by financial institutions already on the 'Approved List' may change if the account now fails to meet the minimum criteria. In these circumstances, the CD-SR will remove the account from the 'Approved List' and require any Schools using that particular account, subject to three months' notice in writing, to make alternative banking arrangements.
- 14.7 When a Governing Body initially opens, or subsequently wishes to change its BAFS account, it shall submit to the CD-SR, not less than 25 working days before commencing to operate the said account, details of the name and address of the financial institution (and/or branch if appropriate), the title of the account(s), the account(s) number plus relevant sort code, together with the name and title of proposed cheque signatories.
- 14.8 Schools are allowed to have accounts for budget share purposes which are in the name of the School rather than the Council. However, the Council will continue with arrangements negotiated with Virgin Money (was Yorkshire), Lloyds Banking Group (was Lloyds TSB) and Barclays Bank, whereby the accounts are in the name of the Council and the School.
- 14.9 The BAFS account shall be entitled "*North Yorkshire CC (or NYCC) ..... School*" and this narrative must appear on all cheques drawn on the BAFS account.
- 14.10 Except for small cash payments made from a petty cash imprest, all non-employee related transactions must be processed via the School's BAFS account. The BAFS account can only be used to process transactions in line with the requirements of the LMS Scheme.
- 14.11 A School bank account must not be overdrawn.
- 14.12 Payments from the BAFS account can be made by crossed cheque, however North Yorkshire LA strongly recommend that schools set up BACS payment



arrangements with their preferred Bank / Building Society as this is the most efficient and secure method used to pay suppliers (and endorsed by Veritau) The use of cheque cards, including credit and debit cards, with the exception of Purchasing Cards (Company Barclaycard) operated within a scheme organised by the CD-SR, is not permitted. Once prepared, all cheque payments shall be signed in manuscript by at least two Officers designated by the Governing Body. One cheque signatory shall also authorise the invoice for payment. Blank cheques shall not be pre-signed and must be kept in a secure location. Any cheques which require cancellation must be clearly marked “cancelled” and retained by the School. BACS transfers shall only be processed by means of a system approved by the CD-SR and be input and authorised by different Officers designated by the Governing Body (see Chapter 5 – Appendix 4)

- 14.13 Cheque Stationery – (see Chapter 5 – Section 5.5)
- 14.14 Schools shall receive bank statements at least monthly. The CD-SR will require Schools to provide copies of the statements showing balances on the account at 31 March of each financial year and to submit electronic bank reconciliations on a monthly basis.
- 14.15 Schools shall submit monthly VAT returns, including the related statistical information, in a form prescribed by the CD-SR. VAT will be reimbursed to the School in accordance with Chapter 16 of the School Finance Manual.
- 14.16 The Governing Body shall arrange for a reconciliation to be made at the end of each month of the balance shown on the bank statement with the School's accounting records of income and expenditure. The CD-SR will require copies of the reconciliation statement each month.
- 14.17 A detailed return of the School's annual income and expenditure shall be provided to the CD-SR as soon as possible after the end of each financial year. The form of the return will be determined by the CD-SR but will follow any Department for Education requirements for Consistent Financial Reporting.
- 14.18 As the Council has a number of statutory obligations that are not waived by the operation of BAFS, the Council will provide detailed guidance to Schools regarding such matters as Income Tax, National Insurance, Value Added Tax and the Construction Industry Scheme. Any penalties and other liabilities subsequently suffered by the Council but arising from the School's failure to follow the relevant guidance on such matters will be regarded as the responsibility of the School and will, therefore, be a charge against the School's delegated budget
- 14.19 Where a Governing Body operates private bank accounts for School funds, local trusts or endowments, these must not be used for any payments or receipts relating to the resources allocated to the School in accordance with the Council's LMS Scheme (see Rule 15.1 below).
- 14.20 Balances held by the Council on behalf of Schools will attract no interest.

## **15.0 BORROWING AND INVESTMENTS**

- 15.1 A Governing Body cannot transfer any Council funds, including balances held in its BAFS account(s), into a private fund or other deposit account without the written approval of the CD-SR.
- 15.2 A Governing Body is permitted to transfer funds between its BAFS “current” account and an “investment” account operated by the same or another approved financial institution without CD-SR approval provided the terms or conditions of the “investment” account involve no risk to the principal sum involved. Any such

transfers should be made only on the written instruction of two approved cheque signatories and must not involve any intermediary.

- 15.3 A Governing Body may not raise money by securing any legal charge upon Property.
- 15.4 A Governing Body is not permitted to arrange any form of loan or equivalent borrowing, bank overdraft or credit facility, except with the express permission of the Secretary of State for Education other than in accordance with the LMS Scheme (see also Rule 16.13).

### **16.0 LMS LICENSED DEFICITS**

- 16.1 Deficit balances will be carried forward by the deduction of relevant amounts from the following year's budget share.
- 16.2 Schools may only plan for a deficit budget in accordance with the terms for licensed deficits.
- 16.3 The Council has no power to write off the deficit balance of any School.
- 16.4 The general provision forbidding Schools to borrow money shall not apply to any schemes run by the Council for licensed deficits and loans.
- 16.5 The Council may permit Schools to plan for a deficit budget in particular circumstances.
- 16.6 Schools are permitted only to enter into a cumulative deficit with the prior approval of the CD-SR and the CD-CYPS. Deficits, when approved, are referred to as **licensed deficits**.
- 16.7 Approval to have a licensed deficit will be given only in exceptional circumstances where it assists in maintaining the viability of the School. Circumstances where approval is given may include a temporary reduction in pupil numbers or a large and unforeseen loss in income.
- 16.8 The licensed deficit will be approved for a limited period with conditions. It will be based upon a medium term financial plan covering the whole period of the approved deficit and for at least one financial year beyond that.
- 16.9 The conditions for an approved licensed deficit will include the following:
- maximum length over which schools may repay the deficit (reach at least a zero balance) is not greater than three years,
  - copies of the relevant minutes of the Governing Body evidencing the actions taken to address the budget deficit are sent to the LA
  - regular updated budget monitoring statements for the school (frequency may vary and will be advised in the Licensed Deficit Agreement) are sent to the LA
  - the LA is notified of any changes to the school's financial position should the Licensed Deficit be exceeded.

Once approved, an agreement is issued to the school to be signed by the Chair of Governors and the Assistant Director – Strategic Resources.

- 16.10 The period of the licensed deficit will be as short as possible given the circumstances of the individual School and, in most cases, will cover a period of less than two financial years. The maximum permitted period for a licensed deficit is three years. Whilst plans will be reviewed to reflect developments during the period of the licensed deficit, any extensions to the period of a licensed deficit will be approved only in exceptional circumstances. If a School fails to take agreed action necessary to clear the deficit, the Council will consider withdrawal of delegation.



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- 16.11 The School will keep the size of any approved deficit to a minimum and, in any event, the deficit must not exceed 10% of the School's annual budget share in any financial year. The percentage will be determined by CD-SR by reference to the budget share in the year concerned.
- 16.12 A licensed deficit will not **normally** be approved to enable a School to bring forward a major purchase(s). In the absence of a County LMS loan scheme, any request from a School for an approved licensed deficit in order to make a purchase that would in the past have been undertaken by means of a LMS loan application will be considered upon full presentation of the facts relating to both the planned purchase and the School's budget forecasts. Approval is by no means guaranteed.

### 17.0 CHARGING OF SCHOOL BUDGET SHARES

- 17.1 The Council must charge salaries of School-based staff to School budget shares at actual cost. The budget share of a School may be charged by the Council without the consent of the Governing Body but only in the circumstances set out in Rule 17.5 below.
- 17.2 The Council shall consult a School as to the intention to so charge, and shall notify a School when it has been done.
- 17.3 Schools are reminded that the Council cannot act unreasonably in the exercise of any power given by this scheme, or it may be the subject of a direction under s.496 of the Education Act 1996.
- 17.4 The Council shall refer any dispute procedures for such charges to the Executive Member for Children and Young People's Services.
- 17.5 The circumstances under which charges may be made are taken from the LMS Scheme for the Financing of Schools (Section 6) and are listed below:
- a) Where premature retirement costs have been incurred without the prior written agreement of the Council to bear such costs (the amount chargeable being only the excess over any amount agreed by the Council).
  - b) Other expenditure incurred to secure resignations where there is good reason to charge this to the school (See Annex A).
  - c) Awards by courts and industrial tribunals against the Council or out of court settlements, arising from action or inaction by the Governing Body contrary to the Council's advice. Awards may sometimes be against the governing body directly and would fall to be met from the budget share. Where the authority is joined with the governing body in the action and has expenditure as a result of the governing body not taking authority advice, the charging of the budget share with the authority expenditure protects the authority's position.
  - d) Expenditure by the Council in carrying out health and safety work or capital expenditure for which the Council is liable where funds have been delegated to the Governing Body for such work, but the Governing Body has failed to carry out the required work.
  - e) Expenditure by the Council incurred in making good defects in building work funded by capital spending from budget shares or Devolved Capital allocations, where the premises are owned by the Council.
  - f) Expenditure incurred by the Council in insuring its own interests in a School where funding has been delegated but the School has failed to demonstrate that it has arranged insurance cover at least as good as that which would

have been arranged by the Council or cover offered by the Department for Education's Risk Protection Arrangement (RPA).

- g) Recovery of monies due from a School for Services provided to the School, where a dispute over the monies due has been referred to a disputes procedure set out in a service level agreement and the result is that monies are owed by the School to the Council.
- h) Recovery of penalties imposed on the Council by the Board of Inland Revenue, the Contributions Agency, Her Majesty's Revenue and Customs, Teachers Pensions, the Environment Agency or regulatory authorities as a result of the School's negligence.
- i) Correction of Council errors in calculating charges to a budget share (e.g. pension deductions).
- j) Additional transport costs incurred by the Council arising from decisions by the Governing Body on the length of the School day, and failure to notify the Council of non-pupil days resulting in unnecessary transport costs.
- k) Legal costs which are incurred by the Council because the Governing Body did not accept the advice of the Council. (see also section 11 of LMS Scheme)
- l) Costs of necessary health and safety training for staff employed by the School, where funding for training has been delegated but the necessary training has not been carried out.
- m) Compensation paid to a lender where a School enters into a Contract for borrowing beyond its legal powers, and the Contract is of no effect.
- n) Cost of work done in respect of teacher's pension remittance and records for Schools using non-Council payroll contractors, the charge to be the minimum needed to meet the cost of the Council's compliance with its statutory obligations.
- o) Costs incurred by the Council due to the submission by the School of incorrect data.
- p) Recovery of amounts spent from specific grants on ineligible purposes.
- q) Cost incurred by the LA as a result of the Governing Body being in breach of the terms of the Contract.
- r) Costs incurred by the authority or another School as a result of a School withdrawing from a cluster arrangement, for example where this has funded staff providing Services across a cluster.
- s) Costs incurred by the Authority in administering admissions appeals, where the local authority is the admissions authority and the funding for admission appeals has been delegated to all schools as part of their formula allocation.

- 17.5 Costs incurred by the Council in securing provision specified in an Education Health and Care Plan (EHCP) where the Governing Body of a School fails to secure such provision despite the delegation of funds in respect of low cost high incidence SEN and/or specific funding for a pupil with High Needs will be charged to the School's budget share..

- 17.6 Legal costs incurred by the Governing Body, although the responsibility of the Council as part of the cost of maintaining the School (unless they relate to the statutory responsibility of Voluntary Aided School Governors for buildings) may be charged to the School's budget share unless the Governing Body acts in accordance with the advice of the Council. Any disputes regarding whether or not the Governing Body has acted in accordance with advice given will be resolved either by further discussions with the School or, failing that, the Executive Member for Children and Young People's Services.

## **18.0 VOLUNTARY FUNDS**

- 18.1 The correct administration of School funds is the responsibility of the Governing Body but the Council has an overall responsibility to ensure that adequate financial stewardship is observed. A Governing Body should therefore ensure that:
- a) a Treasurer and an independent examiner are formally appointed;
  - b) there are at least two joint cheque signatories;
  - c) all individuals who are involved in the spending, collection or custody of private fund resources must observe satisfactory standards of financial probity and regularity as reflected in these Rules or by the detailed guidance issued by the CD-SR;
  - d) proper rules are operated to secure adequate standards and that satisfactory records and procedures are maintained;
  - e) regular reports on fund transactions and balances are received and checked against bank statements;
  - f) annual statements of expenditure and income and fund balances are prepared and audited and that the certified audited annual accounts are submitted to them for approval; and
  - g) a copy of the audited accounts is supplied annually to the CD-SR.
- 18.2 Governing Bodies are strongly recommended to consider registering their voluntary fund accounts with the Charity Commissioners. Voluntary funds registered with the Charity Commissioners must comply with all requirements set by the Commission in respect of the format of accounts and the need for audit or independent examination by a competent Person, and must meet the timescales set out for such reports. Although there is no requirement from the Charity Commission, it is a requirement of the LMS Scheme that small registered charities with gross income (or total expenditure) of £10,000 or less will arrange for their accounts to be examined annually by a competent independent Person. A copy of the accounts and the appropriate audit or independent examiners report shall be supplied to the CD-SR immediately after the meeting of the body. The CD-SR shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he considers appropriate.
- 18.3 Voluntary funds not registered with the Charity Commissioners, shall have formal accounts prepared and examined annually by a competent Person independent of the fund. A copy of the accounts and Independent Examiner's Statement shall be supplied to the CD-SR immediately after the examination. The CD-SR shall be entitled to verify that the reports have been made and to carry out such checks on the accounts as he considers appropriate.
- 18.4 Voluntary Funds, and any related bank accounts, shall be operated in accordance with procedures set out in Chapter 14 of the School Finance Manual.

**19.0 INSURANCE AND RISK MANAGEMENT**

- 19.1 Please note from 1st April 2021 North Yorkshire County Council no longer offer the four Insurance Schemes to local authority maintained schools and recommend schools join the risk protection arrangement (RPA), a Central Government alternative to commercial insurance. For details, including what the RPA covers please see the following:

[The risk protection arrangement \(RPA\) for schools - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

Governing Bodies are free to make their own insurance arrangements. However, the Council may require the School to demonstrate that the cover relevant to the Council's insurable interests, under a policy arranged by the Governing Body, is at least as good as the relevant minimum cover arranged by the Council if the Council makes such arrangements or offered by the RPA, either paid for from central funds or from contributions from Schools' delegated budgets. A list of policies that are required to be maintained by Schools is shown in Chapter 23 of the School Finance Manual.

- 19.2 A School shall notify the CD-SR as soon as it becomes aware of:
- a) any event which may result in a claim against the Council and/or its insurers, rather than against the School or its insurers;
  - b) the terms of any indemnity which the Council is required to give; and
  - c) any new risks which might require to be insured, together with changed circumstances affecting existing risks.
- 19.3 The Council does not accept any liability for private Property, such as employees' cash and possessions brought onto School premises. In exceptional circumstances, a Governing Body (whilst not admitting any legal liability) may nevertheless wish to consider making an ex gratia payment. The reasons for the ex gratia payment should be recorded in the minutes of the Governing Body.

**20.0 INTERNAL AUDIT**

- 20.1 Every School is responsible for the implementation and maintenance of all internal control procedures relating to financial systems and for achieving the economic, effective and efficient use of resources within the School.
- 20.2 The Council has determined that the CD-SR shall be responsible for maintaining an adequate and effective Internal Audit of the activities of the County Council. The CD-SR will set out the purpose, authority and responsibility of Internal Audit in the Terms of Reference for Internal Audit. The Terms of Reference will be reviewed annually and any amendments will be submitted to the Audit Committee for approval. Every Governing Body shall make arrangements for the CD-SR or the Head of Internal Audit, or their authorised representative, to:
- a) enter at all reasonable times on any premises or land used by the School;
  - b) have access to all correspondence, documents, books or other records relating to any financial or other transactions of the School;
  - c) require and receive such explanation(s) as he/she considers necessary to establish the correctness of any matter under examination; and
  - d) require any Officer of the School to produce cash, stores, or other School Property under his/her control for inspection.
- 20.3 The Head of Internal Audit shall have regard to all relevant International Auditing Standards, professional guidelines and codes of practice including the Public Sector Internal Audit Standards (PSIAS).

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- 20.4 The CD-SR shall maintain a continuous Internal Audit of the arrangements for delegated management and the operation of the BAFS accounts including regular School audits. It shall be the responsibility of the Head of Internal Audit to review, appraise and report upon:
- a) the soundness, adequacy and application of internal controls;
  - b) the extent to which the Council's Assets and interests are accounted for and safeguarded from losses of all kinds arising from:
    - i. fraud and other offences
    - ii. waste, extravagance, inefficient administration, poor value for money or other cause
  - c) the suitability, reliability and effectiveness of financial and other management records maintained within a School.
- 20.5 Any Internal Audit report shall receive prompt consideration by the Governing Body of the School concerned.
- 20.6 The Head of Internal Audit shall be notified immediately by a Governor, Headteacher or Officer of any suspected fraud or financial irregularity, or any circumstances which may suggest the possibility of irregularity in the exercise of any of the School's functions or related to the delivery of any of the School's Services. Such communications may be oral, initially, but must be confirmed promptly in writing.
- 20.7 The CD-SR shall determine the scope of any internal enquiries or investigations, subject to consultation with the Chair of the Governing Body and/or Headteacher.
- 20.8 The CD-SR, in consultation with the Chair of the Governing Body and/or Headteacher shall decide whether any matter under investigation should be referred for police investigation and take recovery action as appropriate on such matters.
- 20.9 If a suspected irregularity involving staff that are the responsibility of the CD-SR occurs, the CD-SR shall inform the Council's Chief Executive.
- 20.10 The CD-SR or his/her representative, shall at all times preserve and respect the confidentiality of information received in discharging tasks under this Section of the Financial Procedure Rules with regard to any School.
- 20.11 The Head of Internal Audit shall have the right to communicate directly with the Leader of the Council, the Executive, the Chief Executive, the Chair of the Audit Committee, the ACE(LDS) or the CD-CYPS on any matter that he deems appropriate.
- 20.12 The Proceeds of Crime Act (2002), the Money Laundering Regulations (2007) and the Terrorism Act (2000) place certain responsibilities on public authorities and the staff working for them. In addition, any member of staff may commit specific offences under money laundering legislation, particularly if they suspect money laundering is taking place and either become involved with it in some way and/or do nothing about it. The Council has therefore established an internal Anti-Money Laundering Policy and supporting Guidance Note designed to prevent the risk of the Council being involved in money laundering and to enable staff to report suspicions to the Head of Internal Audit (as the Council's nominated Money Laundering Reporting Officer). All staff shall have regard to the Policy and supporting Guidance.
- 20.13 The Money Laundering legislation requires any individual member of staff to report any transaction which involves the receipt of £10,000 or more of cash to the Council's Money Laundering Reporting Officer; notwithstanding such financial limit, any member of staff who has reasonable grounds to believe that money laundering is taking place (or is being attempted) in respect of a smaller amount of cash

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should report the matter to the Council's Money Laundering Reporting Officer. See policy for further information.

[https://www.northyorks.gov.uk/sites/default/files/fileroot/About%20the%20council/Comments%20and%20complaints/Anti-money\\_laundering\\_policy.pdf](https://www.northyorks.gov.uk/sites/default/files/fileroot/About%20the%20council/Comments%20and%20complaints/Anti-money_laundering_policy.pdf)

### **21.0 BEST VALUE**

- 21.1 Schools must seek to achieve efficiencies and value for money, to optimise the use of their resources and to invest in teaching and learning, taking into account the Authority's purchasing, tendering and contracting requirements which are set out in these Rules. It is for Headteachers and Governors to determine at School level how to secure better value for money.

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{School Name}

### BUDGET MANAGEMENT POLICY

#### MISSION STATEMENT

{school to complete}

#### Document Status

Date of policy creation/review	Reasons for review	Date of adoption by the Governing Body	Date of next review
Responsible officer	Responsible officer	Responsible officer	Responsible officer
Signed and dated:			
Headteacher		Chair of Governors	

#### Links to Other Policies


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### AIMS:

It is the aim of the Governing Body to ensure that all financial resources made available to the school are used in an efficient and effective manner in order to ensure that Value for Money is achieved. The aim of this policy is to create a framework within which individual members of the school staff and the Governing Body can achieve this.

This policy conforms to the requirements of the LMS Scheme for the Financing of Schools (hereafter referred to as the LMS Scheme) as set out by the Department for Education (DfE) and the North Yorkshire County Council LMS Financial and Contract Procedure Rules (hereafter referred to as the LMS Procedure Rules). The framework within this policy should be operated in conjunction with both the LMS Scheme and the LMS Procedure Rules. It is based on the County Council's recommended model.

### GUIDELINES:

Financial decisions will be made after consideration of:

- a) the needs of the pupils/students and staff of the school;
- b) the conditions and requirements as laid down in the LMS scheme;
- c) the need to support and deliver the National Curriculum together with any additional elements as agreed by the Governing Body;
- d) the financial resources delegated to the school; and
- e) the priorities as identified in the costed school development plan.

## ORGANISATION OF RESPONSIBILITY AND ACCOUNTABILITY

### ROLES AND RESPONSIBILITIES

#### 1. The Governing Body

The Governing Body has a statutory responsibility to oversee the financial management of the school and to ensure adherence to the LMS Procedure Rules.

The Governing Body recognises the importance of clearly defining the roles and responsibilities of its committees, the Headteacher and other staff.

#### 2. Finance or Resources Committee

*Schools are increasingly establishing a “Resources” Committee which combines a number of individual committees such as Finance, Premises and Staffing under a single umbrella. This is reflected in this section and the Terms of Reference at Annex A. Schools should delete the terms that are applicable to other individual committees if a Resource Committee is not in place. Where a school has chosen not to operate any committees the terms of reference should be incorporated into those of the Full Governing Board*

*Delete as appropriate depending of structure of the Governing Board*

Consisting of members of the Governing Board and the Senior Team, the *Finance/Resources* Committee will work to the agreed Terms of Reference as set out at Annex A.

The *Finance/Resources* Committee will meet at least once a term to consider, as a minimum, the following:

- a) financial monitoring statements,
- b) the school’s budget and long term financial forecast,
- c) the end of financial year outturn statement, and
- d) the annual completion and submission of the Schools Financial Value Standard (SFVS).

The *Finance/Resources* Committee will submit a brief summary report to the full Governing Body at least once per term.

The Governing Board has chosen not to establish a resources/finance committee. There is a/are Link Governor(s) who will work with the head teacher and other school staff to consider the following;

- a) financial monitoring statements,
- b) the school’s budget and long term financial forecast,
- c) the end of financial year outturn statement, and

- d) the annual completion and submission of the Schools Financial Value Standard (SFVS).

The Link Governor(s) will report back to the Full Governing Board at least once per term on their findings. All decisions will be made at Full Governing Board level.

### **3. The Headteacher**

The Headteacher is responsible for:

- a) the detailed preparation of an annual school budget which addresses the strategic aims and targets established by the Governing Board;
- b) the day to day management of the school budget under the Scheme of Delegation as set out at Annex B and approved by the Governing Board; and
- c) ensuring the effective operation of the finance function within the school, to include:
  - i. the roles of each member of staff being clearly defined and the duties of staff with responsibility for financial transactions being, as far as is practicable, distributed to ensure that key tasks such as the processing of orders and invoices, are assigned to separate members of staff (segregation of duties) and that appropriate systems of internal check exist;
  - ii. the adherence to the LMS Procedure Rules;
  - iii. the establishment of systems to ensure that financial control is maintained at all times including procedures in the absence of key staff; and
  - iv. the maintenance of appropriate documentation and transactional records.

### **4. The Bursar/Business Manager**

*(Optional Paragraphs – tasks covered will be dependent on the level of service purchased from the FMS Team). Either:*

The Bursar/Business Manager is responsible for or The Governing Board has elected to employ the services of a **Financial Management Services (FMS) Team Support Officer** who is responsible for:

- a) the preparation of the school's annual budget and longer term spending plans;
- b) the maintenance of computerised records of income and expenditure in line with the DfE recommendations for Consistent Financial Reporting;
- c) the checking and reconciliation of the school's financial records to monthly tabulations provided by the Local Authority and to monthly bank statements; and
- d) the undertaking of monitoring procedures and the production of regular monitoring statements for the Headteacher and Governing Body (or Finance/Resources Committee).

## PROCEDURES

All documentation of accounts and finances will be kept in accordance with advice from the Local Authority.

Procedures for keeping accounts will be in accordance with the LMS Procedure Rules.

A copy of the school's most recent auditor's report will be available for inspection by Governors, OFSTED Inspectors and Officers of the Local Authority.

## PECUNIARY AND OTHER BUSINESS INTERESTS

### Register of Interests

Governing bodies are under a duty to publish on the school website their register of interests. The information to be published should, as a minimum, include for each governor:

- their full name;
- their category of governor;
- which body appoints them;
- their term of office;
- the names of any committees the governor serves on;
- details of any positions of responsibility such as chair or vice chair of the governing body or a committee of the governing body; and
- details of any relevant business interests, any other educational establishments they govern and any relationships with members of the school staff (spouses, partners or relatives).
- Their attendance record at governing body and committee meetings over the last academic year

This requirement also applies to associate members.

The rules are set out in the statutory guidance on the [constitution of governing bodies of maintained schools](#) (see page 12).

This register must include all business interests such as directorships, share holdings with a value in excess of £5,000 and other appointments of influence within a business or any other organisation that may have dealings with the school. The disclosures should also include business interests of partners or relatives who may have dealings with the school.

The Clerk to the Governing body should ensure that the register is kept up to date and complete and includes all governors, associate members and relevant staff. Where applicable, signed and dated nil returns should also be kept. It is good practice to review the register on an annual basis.

In addition, it is good practice for members of staff who can influence purchasing decisions to complete a register of their interests. This register should be maintained by the Headteacher.

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The school must ensure there are adequate arrangements in place to manage related party transactions, as detailed in the Schools Financial Value Standard (SFVS). A related party transaction is one where a contract is awarded to a person or body that has close links to the person awarding the contract. In these circumstances effective systems will be implemented to ensure that open and transparent procedures are followed, and any potential conflicts of interest are adequately and appropriately managed. *(Schools may wish to include details of the process which will be implemented including reporting arrangements).*

**BUDGET****1. Aims and Objectives**

The Finance/Resources Committee (Link Governor(s)) together with the Headteacher will consider and provide costing information both for maintaining the required level of educational provision as well as proposals to develop the short, medium and long term aims and objectives as identified in the School Development Plan.

Such consideration will include the determination of an appropriate level of general contingency and the formulation of a policy for the application of any balances in excess of the agreed target for general contingencies on the development proposals within the School Development Plan.

It is recognised that finite resources will lead to a need to prioritise proposals and to accelerate/delay spending plans as circumstances change.

**2. Budget Timetable**

The Headteacher (or their delegated representative) will prepare financial information for consideration by the Finance/Resources Committee (Full Governing Board) and submit it to the Local Authority, where applicable, in line with the following timetable:

<b>Date</b>	<b>Action / Response</b>
Mid-February	S251 budget resource allocation for the next financial year received from the Local Authority
Spring term	Prepare papers on issues to be <u>addressed</u> in preparation for the setting of the following year's budget
By March 31 <sup>st</sup>	Prepare and submit a Schools Financial Value Standard (SFVS) return, together with a copy of the relevant minute of the Governing Body or Committee at which it was approved
March / April	Prepare and present to the Governing Body the <b>proposed start budget</b> for the next financial year and the <b>long term financial forecast</b>
May	Prepare and present <b>outturn statements</b> to enable the Governing Body to consider the financial performance in the previous financial year
May (school finance team will confirm date on an annual basis)	Prepare and submit a Consistent Financial Report return detailing the income and expenditure from the previous financial year (to be used for future benchmarking purposes) to the Local Authority

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By May 20 <sup>th</sup>	Submit the <b>approved start budget</b> to the Local Authority
Autumn term	Prepare and present to the Governing Body the <b>revised budget</b> and <b>updated long term financial forecast</b> , reflecting any staffing changes or updated spending plans, or changes to pupil numbers
By December 31 <sup>st</sup>	Submit the <b>approved revised budget</b> to the Local Authority

The Governing Board will not submit a deficit budget unless there are exceptional circumstances and advice and written agreement have been received from representatives of the Local Authority bearing in mind that deficits require the prior approval of the Corporate Director – Strategic Resources and the Corporate Director – Children and Young People’s Service.

Budget monitoring reports will be considered by the Finance/Resources Committee (Link governor(s)) at least once a term with a brief report to the Full Governing Board. Reports will reflect both sums paid and sums committed but not yet paid and estimated expenditure and income for the remainder of the financial year against approved budget headings and will be reconciled to the Local Authority’s ORACLE statements and school bank statements. To meet the requirements of the Schools Financial Value Standard (SFVS) Governors will receive 6 budget monitoring reports per year, with the opportunity for the Governing Body to raise questions 3 times per year.

### 3. Efficiency & Value for Money

The School will seek to achieve efficiencies and value for money to optimise the use of its financial resources and to invest in teaching and learning. It is the responsibility of the Headteacher and Governing Board to determine at school level how to secure better value for money.

### 4. Financial Benchmarking

The Headteacher (or their representative) will prepare for consideration by the Finance/Resources Committee (Full Governing Board) financial benchmarking comparisons on an annual basis each Autumn Term. The benchmarking data will be extracted for similar schools from either the local financial benchmarking database for North Yorkshire schools or the national DfE financial benchmarking database. The school also has access to “View my financial insights” (VMFI) which is an online tool, which helps schools view and improve their financial performance. The conclusions and recommendations resulting from this process will be used to inform the financial planning and resource allocation process. The school must publish a link to the DfE schools financial benchmarking website.

### 5. Review of Contracts for Services

The Finance/Resources Committee (Link Governor(s)) will review the quality, cost and impacts of services purchased from external providers (including the Local Authority) on a regular basis **and** before contracts are renewed. To assist in this process the Headteacher or their representative will prepare a schedule of service contracts to include values and renewal dates in order that priorities for review can be determined. After each review the Finance/Resources Committee (Link Governor(s)) will make recommendations to the Governing Board.

## **6. Standards of Financial Management**

The Governing Body will have regard to any Standards of Financial Management endorsed by the DfE to self-evaluate the quality of financial management processes and to aid in training staff to become better financial managers.

## **7. Level of Balances**

The Finance/Resources Committee (Link Governor(s)) will annually review the balances situation of the school and make recommendations to the Governing Board. In making its recommendations, the Finance/Resources Committee (Link Governor(s)) will indicate an optimum level of balances which has regard to the specific issues facing the school whilst acknowledging that financial resources are allocated to schools annually on the number of pupils in the school at that time.

The Finance/Resources Committee (Full Governing Board) will have regard to any balance limits placed on schools by the Local Authority and DfE.

## **8. Virement Procedures**

Unless the level of change does not warrant it the budget will be revised each Autumn Term and the Finance/Resources Committee (Full Governing Board) will be able to vire funds between budget headings within the school's overall budget (with the exception of any earmarked funds) or from unallocated resources as appropriate.

Requests by the Headteacher for the further virement of funds outside the scope of the Scheme of Delegation to the Headteacher will also be considered by the Finance/Resources Committee (Full Governing Board) and be subject to their minuted approval.

## **9. Quality of Information**

Governors expect that the financial information they receive will be relevant, timely, reliable and understandable. Financial reports should be provided to governors an appropriate period in advance of the meeting.

## **10. Extended Activities**

The Governing Body will discuss, decide and minute their intention to use school budget funding to support the provision of extended school activities.

The following extended school activities are provided by the school:



*School to complete as appropriate.*

## **11. Capital Expenditure**

The Finance/Resources Committee (Full Governing Board) will give consideration to the use of the devolved capital allocations available to the school in the light of the priorities identified in the School Development Plan and then make recommendations to the Governing Body.

The School will submit a Project Proposal Form in order to seek the Local Authority's consent for any proposed building work, irrespective of the funding source, as per the LMS Procedure Rules.

## **12. Documentation and Retention of Records**

All financial systems and procedures carried out will be in accordance with the Local Authority's LMS Procedure Rules, Scheme of Delegation to the Headteacher and the School Finance Manual. A copy of these documents will be readily available and kept up to date.

All records will be retained in line with the Local Authority's Records Retention and Destruction Schedule for Schools.

## **13. Purchasing**

Before any purchase is made, consideration will be given to any potential economies of scale to be had through use of Local Authority negotiated corporate contracts.

Information available from the North Yorkshire Procurement Service for Schools will be given due consideration.

Where possible the school will consider a Department for Education approved framework when purchasing goods or services. The framework details quality-checked suppliers, encouraging value for money and complying with buying procedures and procurement law. This service replaces 'Deals for Schools.'

Consideration will be given to obtaining quotations for all purchases in order to ensure that Value for Money is achieved. Where bids are not invited a Best Value Form will be completed.

Where a single purchase of more than £25,000 for Goods and Services, Works or Social and other specific services is involved, further advice will be sought from procurement to ensure that LMS and UK Procedure is followed

The Governing Board requires that staff will follow official ordering procedures at all times and written pre-numbered orders will be used. Verbal orders will be followed up by a written confirmatory order. Individuals must not use official orders to obtain goods and services for their private use. All official orders will be recorded on the school's computerised financial system. Orders made on-line should also be followed by an official order.

When making purchases, staff **must** adhere to the LMS Procedure Rules.

#### **14. Purchasing Cards**

The Governing Body will follow the Local Authority policy and procedures for the use of purchasing cards. Cards must only be used to procure goods and services on behalf of the school. They must not be used to obtain cash or for personal transactions.

#### **15. Procedures and Security**

The school will make use of a computerised financial monitoring package approved and supported by the Local Authority.

Data will be input on a regular basis including financial commitments made by the school. Information will be input from and reconciled to the Local Authority's financial statements and school bank statements every month.

Appropriate use of the package and orderly filing procedures will ensure that all transactions are traceable.

Security passwords will be maintained on the computer and documentation will be kept in a secure location.

Regular backups will be made of the information held on the computer with the backups stored securely and separately from the computer.

#### **16. Security of Stocks and Equipment**

An inventory of stocks and equipment held in the school will be maintained and checked on an annual basis in accordance with the LMS Procedure Rules and the Local Authority's guidance.

The Governing Body will ensure appropriate and adequate insurance arrangements or cover with the RPA is in place to protect the school's assets and a copy of the policy document will be available for inspection.

A register will also be maintained of equipment removed from school for use off-site and when it was returned.

The Governing Body will authorise all write-offs and disposal of surplus stocks and equipment in accordance with LMS Procedure Rules.

When it is considered appropriate, the Governing Body will request and act upon the advice of a Crime Prevention Officer.

#### **17. Petty Cash**

The amount of cash in the school will be kept to a minimum and all monies and associated financial records kept in secure storage. Only staff authorised to do so will have access to petty cash.

There will be a limited use of petty cash. Gifts for employees, including the purchase of flowers, will be met from staff donations and not petty cash.

## 18. Income

The Governing Board will implement a charging and remissions policy for school activities which will be made publically available on the school website. Steps will be taken to ensure the early collection of income due and receipts issued and records will be kept in line with the LMS Procedure Rules.

The school will operate an online income collection system which has been approved for school use by the Local Authority and in line with the LMS Procedure Rules.

The writing off of debts will be undertaken in line with the LMS Procedure Rules; that is:

- a) For debts up to £250 in value, the school will seek the approval of the Governing Body; and
- b) For debts over £250, the approval of the Local Authority must be sought (further to the endorsement of the Governing Board to do so).

## 19. VAT Returns

VAT returns will be made promptly and accurately using the computerised system in line with the Local Authority's deadlines.

## 20. Staffing

The Personnel Committee (or equivalent) will be responsible for the Pay Policy annually within the provision of the Finance/Resources Committee (*delete where there is no committee*) and will consider appointments, terminations, promotions and performance management as necessary. The school must publish annually on their website the number of individuals (if any) earning over £100K in £10K bandings.

## 21. Insurance

The Finance/Resources Committee (Finance Link Governor(s)) will make recommendations annually to the Governing Board as to the insurance requirements of the school. The recommendations will have regard to the minimum cover requirements of the Local Authority or cover offered by the RPA and to the costs of insurance services offered by the Local Authority, RPA and other providers.

The school will consider the additional "voluntary" insurance arrangements offered by the Local Authority and RPA (i.e. staff absence insurance, contents insurance).

The Finance/Resources Committee (Full Governing Board) will have due regard to the terms of the insurance or RPA cover documents and these will be considered on an annual basis.

The Governing Board will notify the Insurance and Risk Management Service of any eventuality that could affect the Local Authority's insurance arrangements.

## 22. Computer Systems

The school will maintain approved software for the administration of financial records. The school has been registered with the Information Commissioner's Office (ICO) in accordance with the Data Protection Act 2018 and the General Data Protection Regulations (GDPR) 2018. All data handling procedures undertaken by the school are in accordance with the Local Authority's recommended practices for data security and information governance, and in line with the school's information policies and privacy notices.

### **23. Counter Fraud Arrangements**

The school will maintain a robust system of controls to safeguard itself against fraudulent or improper use of public money and assets. The Governing Board will ensure that it has adopted a whistle-blowing policy and, along with the Headteacher, must inform all staff of all 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 of new school staff and Governors.

### **24. Audit**

The systems for finance and administration will be subject to review from time to time by the Local Authority's Internal Audit Service provider and the County Council's external auditors. The Governors, Headteacher and staff will co-operate with auditors in accordance with the requirements of the LMS Procedure Rules and will consider and implement their requirements in a timely manner.

**ANNEX A****FINANCE/RESOURCES COMMITTEE****TERMS OF REFERENCE****FINANCE**

1. To ensure the sound management of the school's financial situation by the regular monitoring and evaluation of financial performance through the use of the Schools Financial Value Standard (SFVS).
2. To establish regular reporting procedures and make recommendations, where necessary (including virement proposals), to the Governing Board.
3. To oversee long term financial planning within the school in the context of the School Development Plan and the policies and objectives of the school.
4. To consider and approve the first formal Budget Plan of the Financial Year and longer term financial plans.
5. To ensure that the school complies with the principles of Value for Money and Efficiency (including the use of local and national financial benchmarking data) in using the resources available to the school.
6. To ensure that the annual self-evaluation of the school's financial management procedures is undertaken by means of the completion and submission to the Local Authority of the DfE's **Schools Financial Value Standard**; to identify any remedial actions required and the associated timescales for implementation. A summary report and recommendations will be presented to the Governing Board.
7. To regularly review the policy of and to consider appropriate levels of school balances with recommendations to be made, as appropriate, to the Governing Board.
8. To evaluate the quality, cost and impact of services purchased from all outside providers, including North Yorkshire County Council Children and Young People's Service, in good time before contracts are due for renewal.
9. To consider the priorities for the use of the school's allocation of Devolved Formula Capital funding and to make recommendations to the Governing Board.
10. To consider the annual insurance requirements and make recommendations to the Governing Board.
11. To receive the report of the Local Authority's auditors and to act upon any recommendations made therein. A summary report is to be presented to the Governing Board.
12. To determine the school's charging and remissions policy for adoption by the Governing Board and to annually review.

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13. To determine the school's lettings policy for adoption by the Governing Board and to annually review.
14. To carry out an annual review of the school's Budget Management Policy and to make recommendations to the Governing Board.

### **PREMISES**

15. To provide support and guidance to the Headteacher on all matters relating to the school premises.
16. To prepare and maintain, in conjunction with the Headteacher, an Asset Management plan for the school.
17. To inspect the school premises annually and to prepare a report of the conditions and a proposed order of priorities for maintenance, improvement and development.
18. To approve the costs and arrangements for maintenance, repairs and redecoration, within the allocated budget and to oversee the preparation and implementation of building contracts.
19. To formulate and implement proposals for the use of the Devolved Formula Capital funding.
20. To prepare, monitor and review an Accessibility Plan which will meet the requirements of the Equality Act 2010 and the Special Educational Needs and Disability Act 2001.
21. To agree procedures to be followed for carrying out emergency work and to make recommendations to the governing Body about delegation to the Headteacher for taking appropriate action on behalf of the Governing Board in the event of an emergency.
22. To be aware of the specific responsibilities of Governors and the Local Authority in relation to premises and ensure that the Local Authority is informed of any matters for which it has responsibility.
23. To report the findings of inspections and audits to the Headteacher and liaise with them to ensure that appropriate remedial action is taken.
24. To regularly monitor the school's security measures and implement appropriate action when necessary.
25. To liaise and consult with the Local Authority's Strategic Planning Team as appropriate.
26. To discharge the responsibilities of the Governing Board regarding litter and refuse under the Environmental Protection Act 1990.
27. To prepare, adopt, implement and review a plan for the reduction, re-use, refurbishment or recycling of waste.

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28. To assist the Governing Board and the Headteacher to discharge their duties under the Health and Safety at Work Act 1974, the Management of Health and Safety at Work Regulations 1999 and other associated legislation, in collaboration with the Local Authority.
29. To consider the Local Authority's health and safety policies and guidance, and to prepare and review a School Health and Safety Policy, for consideration by the Governing Board.
30. To ensure that the necessary school safety management system is in place to implement the health and safety policy.
31. To ensure that risk assessments are carried out and implemented.
32. To monitor the effectiveness of the school's health and safety arrangements and performance.
33. To review any health and safety reports from the Headteacher.
34. To make periodic recorded inspections of buildings, plant, materials and equipment; to report to the Governing Board at least annually; and to ensure that the premises are safe and do not put the health of persons at risk whilst they are on the premises.
35. To ensure access to competent persons to assist the school with their health and safety measures.
36. To attend or commission appropriate training for Governors.

### **STAFFING**

37. To prepare a strategy for the overall staffing structure of the school for approval by the Governing Board, after which, to ensure its implementation and review.
38. To approve requests to recruit and advertise vacant and new posts within the allocated budget and to make recommendations to the Governing Board.
39. To prepare job outlines, person specifications and shortlisting criteria for any recruitment exercise.
40. To liaise with the Local Authority for all senior staff appointments.
41. To be involved in the shortlisting and interviewing of shortlisted applicants in compliance with current employment law.
42. To undertake an annual assessment of staff salaries in accordance with the agreed pay policy.
43. To regularly review those policies affecting staffing and make any recommendations for change.

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44. To review job descriptions to ensure that they adequately reflect the current requirements of the role.



**ANNEX B****SCHEME OF DELEGATION TO THE HEADTEACHER**

The Headteacher shall have delegated power to undertake all functions delegated to the Governing Board relating to the LMS Scheme except that:

1. they shall comply with all policy directions given to them from time to time by the Governing board;
2. they shall have the authority to expend all monies allocated to individual or specific items in the approved budgets without further reference to the Governing Board.

Where no such specific item exists in the budget they shall not enter into any financial commitment without the consent of the Governing Board or, in the case of an urgent matter, the Chair thereof;

3. the above delegation shall not apply in respect of the appointment of staff. It shall be for the Governing Board to determine, from time to time, the extent of the power of the Headteacher to deal with staffing matters;
4. the Headteacher shall not vire from one budget head to another any sum exceeding 0.5%\* of the delegated budget or £5,000\* whichever is the lesser, without the consent of the Governing Board or, in the case of an urgent matter, the Chair thereof;
5. the Headteacher shall maximise school funds by the careful use of agreed investment opportunities; they shall not transfer funds between current and investment accounts established under the BAFS policy unless a policy to do so has been agreed by the Governing Body (terms should be stated);
6. the Headteacher shall submit to the Governing Board at least once each term, and on such further occasions as the Governing Board may specify, reports on all expenditure incurred and commitments entered into, together with details of any income generated, since the last such report to the Governing Board; this report to include a comparison of these latest figures with the budget for the year;
7. any proposal to incur expenditure on new or significantly different policies is to be the subject of a report by the Headteacher to the Governing Board; the report to include details of cost in both the current and future years;
8. the Headteacher shall have the power to nominate the Deputy Headteacher or another named (senior) member of staff to exercise the powers of this delegation during any periods of absence; and

the Headteacher and any other person nominated under Regulation (8) above shall ensure that, at all times, the LMS Procedure Rules relating to schools with delegated budgets are complied with.

\*the figure to be determined by the Governing Body