

London Borough of Southwark Council

Financial Procedures Manual

Schools Finance 2017



Introduction

This guidance manual has been written to help all those involved with schools finance to understand and manage their financial responsibilities.

There are a number of statutory instruments that regulate the key requirements of school financial management as well as best practice from national organisations such as OFSTED. In particular these are:

- Schemes for Financing Schools (DfE December 2015)
- Southwark Financial Regulations and Contract Standing Orders
- The Southwark Scheme for Financing Schools

This manual takes the requirements and principles set out in the above documents and applies them to the various financial management activities which schools will engage in. It also sets out the correct controls and procedures for the running of schools so that financial processes are implemented accurately and consistently.

This manual is available electronically on Southwark's website and will be updated as and when necessary. You are strongly advised to use the electronic version, printing off sections or model proformas as and when necessary.

General enquiries on the contents of the manual should be addressed to Schools Finance on 0207 525 3888 or by e-mail at schoolsfinance@southwark.gov.uk.

Schools Finance Team
September 2017

Governance

1.1 Governing Body and Finance Committee

The Governing Body is collectively responsible for the overall direction of the school and its strategic management. This involves determining the guiding principles within which the school operates and then making decisions about, for example, how to spend the school's budget. Effective governance results in clear public accountability for the performance of the school.

It is also responsible for ensuring the school meets all its statutory obligations, and, through the Headteacher, complies with the Authority's Financial Regulations.

1.2 Scheme of Delegation

The governing bodies of schools with fully delegated powers under the local management scheme are responsible for ensuring that the London Borough of Southwark Financial Regulations and the Standing Orders relating to contracts are adhered to. In practice many of the governing bodies' responsibilities will need to be delegated to a committee of the governing body and/or to the Headteacher. To ensure that sound financial control is maintained, it is essential that the extent of the delegation be clearly specified in writing.

The Education (School Government) Regulations 1989 require that the meeting of the governing body deciding upon a scheme of delegation must have a quorum of three quarters of the total number of governors entitled to vote. The Scheme of Delegation and the Terms of Reference of the Governing Body and its Committees must be reviewed annually.

It should be noted that the scheme of delegation complements the Council's Financial Regulations and Standing Orders and should be operated in conjunction with those documents.

Schools are referred to the model scheme of delegation, an accompanying document containing an outline of the authority and responsibilities for Governing Bodies, Finance Committee, Headteacher, and Bursar.

1.3 Terms of reference

To delegate authority to a committee, the Governing body must establish 'terms of reference' for that Committee. This should also be documented and approved by governors and reviewed annually.

Phase	Delegated Authority	Budget Transfer	Enter into contract	Write off debt
Primary/Other	Governing body	£40,000+	£40,000+	£10,000

Primary/Other	Finance Committee	£10,000-£40,000	£10,000-£40,000	£500-£5,000
Primary/Other	Headteacher	Up to £10,000	Up to £10,000	Up to £500
Secondary	Governing body	£20,000+	£20,000+	£2,500+
Secondary	Finance Committee	£5,000-£10,000	£5,000-£10,000	£250-£2,500
Secondary	Headteacher	Up to £5,000	Up to £5,000	Up to £250

For **Debts above £5,000**, schools must first obtain approval to write off the debt from the Director of Education at Southwark

1.4 Minutes

Minutes should be taken of all meetings of the Governing Body and its committees and should include all decisions and by whom action is to be taken. The minutes should be signed and dated as a true record of the meeting by the chair of the respective committee.

The minutes of the Governing Body meetings and committees must be retained indefinitely; they are to be kept within the school for a minimum of six years and subsequently transferred to the local history unit.

Efficiency and Value for Money

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 LA's purchasing, tendering and contracting requirements. It is for heads and governors to determine, at school level, how to secure better value for money.

The role of Governors is set out in the DFE's Governance Handbook 2015, which is available on the DFE website.

Business Ethics

In May 1996 the Nolan Committee published a report on standards in public life as applicable to local public spending bodies. The report identified seven principles, which should be applied in public life. These are:

Selflessness Integrity Objectivity Accountability Openness Honesty Leadership

It is important that governors and school staff not only act impartially, but are also seen to act impartially when dealing with the school's business affairs.

The School's Scheme of Delegation is an important starting point in establishing good ethics by providing a clear framework of responsibilities and accountabilities for action. It is also important for Governors to recognize that they hold the ultimate responsibility and first opportunity to promote good decision making and ethical practice.

By promoting good practice Governors and Staff protect the resources and reputation of the School and themselves.

2.1 Whistleblowing

All schools and academy trusts should have appropriate procedures in place for whistleblowing. The board need to ensure that staff and governors alike are aware of to whom they can report their concerns, and the way in which such concerns will be managed. This policy should cover:

- Respect for staff confidentiality
- Opportunity to raise concerns outside of the management line structure
- A proper way of raising concerns outside of the organisation if necessary

The whistleblowing charity, Public Concern at Work (PCAW), provides support for organisations and confidential independent advice to employees about wrongdoing in the workplace. You can contact PCAW at:

Tel: 020 7404 6609 Email: services@pcaw.co.uk UK advice line: whistle@pcaw.org.uk

See **Chapter 14** for a model whistleblowing policy.

2.2 Investigation by Local Authority

Where the irregularity, or suspected irregularity affects income, expenditure, cash, stores or other resources then the Headteacher and Governing Body must make a report to the Director of Children's Services or the Southwark Finance Director, who will determine the arrangements for investigating the irregularity (or suspected irregularity). The Director of Children's Services will maintain a register of reported irregularities and will report cases to the Finance Director.

If you are unsure of what to do, contact Schools Finance team.

It is the responsibility of the Finance Director to determine whether the matter requires investigation by the Police and/or notification to the External Auditor.

Throughout the investigation, contact will be maintained with the Governors or Headteacher to agree steps to be taken to mitigate any loss and prevent a recurrence.

At the conclusion of the investigation Southwark's Financial Governance Unit will issue a report to the Governing Body.

2.4 Register of business interests (pecuniary and non-pecuniary)

Both the Governing Body and school staff have a responsibility to avoid any conflict between their business and personal interests and affairs and the interests of the school.

From 31 December 1999, every Governing Body has been required to establish a register of governors' business interests (Financial Scheme 2.9 - from Schools Standards and Framework Act 1998). This means that governors and Headteachers must register and declare any business interests that they or any member of their immediate family have.

The register ensures that a system exists for governors to declare and register interests to ensure that decisions are always taken in the best interests of the school and the public funds that finance it.

Both members of the Governing Body and Headteachers are required to declare all business interests and any significant personal interests. In addition, members of staff who become aware of any such existing or potential interest, whether direct or indirect, should notify the Headteacher in writing in order for them to be included in the register.

An interest (both business and personal) is anything that might influence a governor/member of staff to take into account some factor other than the interests of the schools and can be divided into pecuniary and non-pecuniary.

Pecuniary interests are those where an item under discussion may have a financial benefit to the individual governor/staff member or their spouse, partner or close family member.

Non-pecuniary interests can be defined as any factor that would cause an intelligent observer to think that the judgement of a governor/member of staff is biased.

A business interest would exist if the governor/member of staff, or his/her partner or close friend is employed by, owns (including ownership by means of shares or partnership), or is a major supplier or sub contractor of a potential supplier to the school. However, it would not be necessary to declare interests where the business interest is remote; for example, if the school spent small amounts at a supermarket chain and a governor's spouse was a part time employee for that supermarket.

New governors/staff are required to complete the registers on joining the school; existing governors/staff should be asked to complete the registers annually, or when a new business interest arose. The registers must be freely available for inspection by governors, staff, parents and Local Authority officers and shall be circulated at all meetings of the Governing Body and Finance Committee to enable any interest to be declared.

The clerk to the governing body should keep the register up to date with a system for governors to notify changes and through an annual review of entries.

2.5 Register of gifts and hospitality

The school must maintain a Register of Gifts and Hospitality.

It is an offence for any Governor, Headteacher, or school staff to solicit or accept any gift, loan, fee reward or advantage as an inducement for doing or withholding any act, or showing favour in any way in relation to the school's business.

Governors, Headteachers and school staff should avoid accepting excessive hospitality, gifts, entertainment, or other services from existing or prospective suppliers since it could compromise or be seen to compromise impartiality. Minor gifts such as calendars and stationery will normally be acceptable.

Minor items of stationery such as calendars, pens and the like do not need to be recorded on the register.

2.6 Goods and Services for Private Use

The Governing Body, Headteacher and school staff should not obtain the supply of goods and services, which may include an element of private use for Governors or school staff.

Audit Procedures

3.1 Internal and External Audit

All internal audit visits to Southwark schools are contracted out to BDO. The purpose of these audit visits is to provide assurance to Southwark Council, the Headteacher and the school's governing body that there are sufficient financial controls within the school to ensure that all statutory procedures are complied with, and also to make recommendations for improvements to any potential risks identified.

Southwark makes an assessment of risk factors associated with a school and ranks schools as a low, medium or high risk. A high-risk school could be scheduled for an internal audit each year. A low risk school will probably be scheduled for an internal audit once every three years.

The audit will cover the following areas:

Governance

- Declaration of business interest forms for governors
- Governors are given opportunities to declare interests at each meeting
- Meetings are quorate and held at least termly
- An independent clerk is used

Banking

- With whom the school banks
- The school has not been overdrawn
- Bank Mandate and cheque signatories conform to the school's scheme of delegation
- Check the last three bank reconciliations and re-perform the latest one
- Determine controls on the security over cheque stationery, confirm their storage location and review the stationery to ensure no cheques are pre-signed.

Budgeting

- Agreement of the budget
- Three months of budget monitoring
- Reporting of budgeting monitoring to governors
- Commitment of expenditure to individual budget areas

Payroll and Pensions

Payroll

- The contract in place with payroll provider is signed and covers the current financial year
- Review entire payroll process to determine that there is adequate separation of duties
- Review the last 12 months payroll and highlight any major differences and investigate why
- Sample test overtime claims
- Test for a sample of payments that they are for correct amount
- Sample test amendments to pay and process
- Sample test process for leavers and starters
- Check evidence of current DBS checks

Pensions

- Pension opt-out forms
- Payroll provider is responsible for payments regarding pensions
- Process for informing LBS pensions team of changes to payroll data

Procurement

- The full purchasing process from the use of purchase order forms to invoice authorisation
- Process for payments made over thresholds set in the school's financial procedures
- Direct debits and control over payments
- Purchasing, or Procurement, cards, and controls over payment
- Bankline

Data Security

- Access to the finance system
- Password security
- Back ups of data
- DBS checks

Cash Handling

- Receipting of cash and cheques received
- Records of monies due and received
- Banking records
- Reconciliation processes of monies collected to those banked
- Whether the cash in the safe agrees with records
- Physical security over cash held on the premises / access to keys

Please note: Inventory and asset checks are no longer conducted as part of the internal audit reviews

Before, during and after the school visit

Before the site visit, we will:

- Inform you in advance of when we will attend
- Arrange times that suit you
- Send a schedule of information that we will require whilst on site

- Send a copy of the council's internal audit charter

During the site visit, we will:

- Two days on site
- Meetings at start of day one and debrief at end of day two
- Keep out of the way as much as possible
- Discuss issues arising at the end of day one
- Hold a debrief meeting on our findings and recommendations

After the site visit, we will:

- Write a draft report and cross reference all our work to evidence obtained throughout the audit
- This report and evidence is then sent for quality review
- A draft report is issued to the Headteacher with 3 weeks to respond with management comments
- Once management comments are returned the report is once more reviewed by audit management, queries or areas of disagreement are resolved through discussion and then the final report is issued.

How to make the audit process easier:

- Be accessible: key documents are readily accessible
- Be available: necessary officers available to talk to, head teacher available on the afternoon of day two for the debrief
- Samples: have lists and transactions from which we can select our samples ready at the start of day one
- Draft Report: respond promptly
- Be open: we aren't there to catch you out, if there is an issue you are aware of, tell us!

The auditors will need access to each school, its records, cash, stores, other property and information, necessary for the purposes of audit. All care will be taken to ensure that the confidentiality of information obtained in the course of the audit is properly maintained.

3.2 Voluntary funds

In addition to the normal internal and external audits, schools must provide audit certificates in respect of any voluntary and private funds they hold and of the accounts of any trading organisations controlled by the school. The Consistent Financial Reporting (CFR) framework requires that private funds under the control of the governing body are included in the school's assets.

Where fund turn-over (income or expenditure) is under £10,000 for the twelve month period, a statement is needed from the governing body to explain that they have chosen not to seek an independent examination or audit of the fund and to assert that the financial statement for the fund is supported by the records of the fund and all necessary disclosures have been made.

Where fund turn-over (income or expenditure) is between £10,000 and £250,000 for the twelve

month period, the governing body must provide the report of an independent examination or audit certificate of the fund. Where fund turn-over (income or expenditure) is over £250,000 for the twelve month period, the Governing Body must provide an audit certificate of the fund.

An independent examination can only be performed by someone independent of the school and an audit certificate can only be provided by a registered company auditor following CIPFA guidelines.

Schools funding

4.1 Dedicated Schools Grant

The schools budget is funded by the government through the Dedicated Schools Grant (DSG), which is a ring-fenced grant that can only be used to fund the schools budget.

The DSG is the core funding given to local authorities and is then distributed on to schools and early years providers in the local area by the local authority or the Education Funding Agency (ESFA).

The DSG paid to the council is based on a separate unit of funding derived by the DfE for a primary and secondary pupil. These are then multiplied by the numbers on roll from the October schools census.

Schools maintained by Southwark receive funding from the council and academies receive funding from the Education Funding Agency (see below). Both academies and maintained schools are funded by the local funding formula.

The total DSG funding is split into three separate blocks:

- Schools block: funds individual school budgets for 5- to 16-year-olds
- Early years block: funds pre-school education in all settings
- High needs block: funds:
 - Special schools
 - All non-mainstream education functions
 - Additional funding for high needs pupils in a mainstream setting.

4.2 Local Authority funding for schools

The current local funding formula distributes funding using a list of approved factors set down by the government in regulations. Each maintained school receives their budget electronically broken down over four sections as follows:-

Section A: Pupil Led Factors

- Basic Per Pupil Entitlement -Age Weighted Pupil Unit (AWPU)
- Deprivation based on
 - Free school meal eligibility over the last 6 years
 - 6 IDACI bands
- Looked After Children (LAC)
- English as an Additional Language (EAL)
- Mobility
- Prior Attainment

Section B: Other Factors

- Lump Sums
- Split Site
- PFI Funding
- Business Rates (NNDR)
- Minimum Funding Guarantee
- De-delegation
- Notional SEN

Section C: Funding and Comparison to Previous Financial Year

Section D: De-delegation Table

4.3 Centrally retained and de-delegated

The DfE set out in regulations items of expenditure that can be centrally retained with the approval of the schools forum, for example, a growth fund to support schools required to provide extra places.

Also with the agreement of the schools forum local authorities can hold back, or 'de-delegate', schools block funding for approved activities provided to maintained mainstream primary and secondary schools. For example free school meals eligibility checking and behavioural services.

Similarly to de-delegated items schools forum can approve certain services to be funded centrally.

4.4 High needs block funding

Schools are required to contribute the first £6,000 of the cost of additional SEN support arrangements, as identified in a pupil's Education Health and Care Plan (EHCP), from their delegated budget share. Additional 'Top-up' funding from the High Needs block is available if a child's assessed need in the EHCP costs more than £6,000. From April 2017 the current two top up bands will be increased to four to offer a more equitable basis of funding.

Special Schools and Pupil Referral Units receive all their Schools Budget Share funding from the High Needs Block.

4.5 Early years block funding

Nursery Schools, schools with nursery classes and private sector nurseries receive funding from the early years block to support nursery age and pre-school children. Funding is calculated through the Early Years Single Funding Formula (EYSFF) which is made up of two elements namely a base rate and deprivation supplement.

Nursery Schools get an additional lump sum to cover the unavoidable additional costs maintained nurseries must meet.

The new Early Years National Funding Formula (EYNFF) has replaced the EYSFF from April 2017. It still has the same structure but it introduces minimum requirements that must be in place for April 2019 as follows:

- Universal base rate for all EY providers
- Minimum central retention of 7% in 2017-18 reducing to 5% in 2018-19

Maintained nursery schools will receive supplementary funding till the end of 2019-20 to help them implement the EYNFF and become more financially sustainable.

4.6 Education and Skills Funding Agency (ESFA)

The ESFA manages all annual funding to support state-provided education for children aged 3 to 16, and young people aged 16 to 19. The ESFA is responsible for distributing funding to academies through top-slicing the DSG payable to local authorities.

Funding for Post 16 is calculated by the ESFA. The ESFA notifies each school of their allocation but the funding is passported through the Local Authority. Schools need to be aware that the ESFA works on an academic year basis August to July and therefore the amount a school will be notified at the start of the financial year will be different and correspond to the local authority financial year i.e. April to March.

4.7 Pupil Premium

The Pupil Premium is additional funding for schools and EY providers to support disadvantaged pupils. Pupils from age 3 to Year 11 are included within the Pupil Premium calculations. Eligibility is based upon Ever6 criteria, which is those who have met the free school meal eligibility criteria within the past 6 years. Looked after children, previously looked after children and children of forces personnel are also eligible for this funding, but at different rates.

The amount of Early Years pupil premium allocated for each school is calculated by looking at the number of pupils entitled to the EYPP funding according to the census and the hours of state funded education that these children take up. EYPP is no longer calculated by looking at FSM and there is a separate column in the census which needs to be filled in to show whether each child has EYPP entitlement. As the amount of funding which Southwark council receives from central government to pass onto schools is based on the census, it is essential that it is filled in correctly.

Although the funding is not specifically ring-fenced, schools are expected to report to parents annually on the use of the pupil premium in raising the attainment of disadvantaged children on their website.

4.8 Capital Funding

Capital funding is also additional funding from that which is allocated through the DSG. The funding is called devolved capital and is calculated based on a lump sum and an additional per pupil amount. This funding is ring-fenced to spend on items of a capital nature only and therefore any spend should be coded to the designated ring-fenced codes. Community and foundation schools will receive their devolved formula capital funding from the LA, voluntary aided schools from the Diocese.

4.9 Role of the Schools Forum

Schools forums were established to give schools greater involvement in the distribution of funding

within their local authority and to provide a consultative and advisory role in relation to schools' funding. There are clear regulations that set out the functions of schools forums. Schools forums are composed mainly of Headteachers and governors from different types of schools and educational establishments within the local authority area.

Local authorities must consult and seek the agreement of the schools forum on the local funding formula that distributes the annual individual school budget shares. The timetable for the budget process is shown in the table below.

Date	Action
October	Schools complete census and enter into DfE portal
December	DfE issue initial DSG allocation for following financial year
	Schools forum approve centrally retained budgets
January	Schools forum consulted and approve local funding formula for school budgets
	Council submits school budget to DfE
End of February	Schools notified of budget share

Financial Planning

5.1 Financial planning is an essential part of good financial management. It provides a school with a clear view of how it intends to use its resources. It has two interlaced elements: the School Development Plan and the school budget.

5.2 The School's Development Plan

The School's Development Plan (SDP) forms a major building block for constructing the budget. It identifies the school's educational priorities and usually has a strong focus on raising standards (or maintaining high standards). It is important, therefore, that the School's Development Plan indicates the resource implications of each priority to guide decisions on the school's budget. The school's development plan should also show the cost-effectiveness of each initiative considered and should contain an evaluation framework to assess its progress and success. A summary of the school's ongoing spending should be included within the SDP to ensure that the school's priorities and expenditure are in sync.

5.3 The Budget

The budget is equally important in effective financial management. It sets out how resources are allocated and provides a mechanism for monitoring expenditure through the year. It provides a clear and concrete framework, setting out exactly how the school is going to spend its money in order to achieve the objectives of its development plan.

Schools will spend their funds on revenue type activities, e.g. staffing, materials, utilities etc as well as occasionally on capital projects, e.g. major building works. It should be remembered that schools must ensure that revenue and capital, funds and expenditure, are accounted for separately. This is easily done using the school's local accounting system that must be based on the government's

Consistent Financial Reporting (CFR) coding structure.

5.4 Setting a Budget

In budgeting, the governing body should bear in mind that

- final income and expenditure figures may be either higher or lower than earlier figures
- appropriate action may need to be taken during the year to deal with variations between actual and budgeted income and expenditure.

The budget should therefore be based on a hierarchy of assumptions and priorities, to facilitate changes of plan in reaction to changes of circumstances.

Due to the uncertainty of financial projections and the likelihood that changes to the budget will be necessary throughout the year, it is good practice to include a contingency in the budget. The contingency can more readily be controlled where it is shown as a single explicit figure, usually in the form of an estimated surplus carry forward balance, rather than being spread across a number of budgets. The level of this contingency should be kept to a minimum and can be determined by reference to known possible elements, such as teachers' pay awards, and by experience gained over previous years. This experience will be gained from the process of reviewing actual expenditure against budgets on a regular basis.

The process of setting the school budget will involve the balancing of expenditure against income. The initial estimates may require re-allocation of income or alterations in expenditure in order to obtain a budget which is either balanced or has a surplus carry forward balance which is not excessive.

Within this context the principal steps involved in budgeting are

- to ensure everyone involved in the process is aware of the assumptions, constraints and targets which have been determined by reference to the school's financial objectives
- to estimate the costs of each element in the overall plan, preferably over at least a three year period. The second and third year costs need not be in as much detail as the first year. However costings over this number of years can be helpful to identify core commitments and areas of discretionary expenditure where contingencies can be included.
- to estimate future delegated budgets. Uncertainty about future pupil numbers is inevitable and assumptions need to be made about the future level of funding the school will receive based on the various factors which could influence it
- comparison of net expenditure and funding to identify the potential surplus or shortfall in funding required to meet the financial objectives in the strategic plan (Section 5 provides further guidance on strategic planning)

- identification of savings in expenditure in order to prepare a budget which delivers the strategic plan if a shortfall is identified
- revision of the strategic plan once priorities have been identified to enable the preparation of a budget with reduced expenditure to match the expected budget
- allocation of any surplus identified to areas of need highlighted in the strategic plan
- to present the budget to the governing body for approval
- to inform those members of staff with financial responsibilities what their budgets are, together with any constraints imposed
- to inform all school staff of the financial aims of the school.

The steps involved in arriving at an approved budget may require a number of draft budgets for review before a final position is arrived at.

5.5 Income and Expenditure

The different categories of income and expenditure are recorded separately under specific ledger (detail) codes. For a complete guide to the ledger codes and what income and expenditure to include and exclude under each code, please refer to the Consistent financial reporting framework: 2017 to 2018 on the gov.uk website.

5.6 Income

Income received by schools does not increase the School Budget Share. It must be shown as a credit against an income line. It cannot be coded to an expenditure code to offset expenditure unless it is a direct refund for an overpayment i.e electricity. If this income was not anticipated when completing your budget plan, it is necessary to create a virement in order to increase the income budget line and increase the relevant expenditure line(s). These increases in income and expenditure must balance. If no decision has been made on the use of the income, the increase in expenditure should go in the reserves line (B02).

5.7 Expenditure

A record must be made and kept of all spending and commitments, as they occur. Most schools have a financial system which can be used to record commitments, net expenditure and budgets. Expenditure should be broken down into categories using best estimates for pay rises and other known incremental increases. The impact of inflation also need to be carefully considered when estimating income and expenditure. The budget share from the LA will be based upon certain assumptions e.g regarding inclusion of funding for staff pay awards to be implemented during the year. The expenditure budget should be calculated on the same assumptions in order to consistency.

Comparison of income and expenditure will identify any potential in-year surplus or shortfall. If shortfalls are identified, opportunities to increase income should be explored and expenditure

headings will need to be reviewed for areas where savings can be made. This may entail prioritizing tasks and deferring payment until more funding is available.

5.8 Reconciliation

Schools must reconcile their own school records to the ledger on a monthly basis. Transaction prints must be checked to ensure that all transactions charged to the school are correct and match school records. Any incorrect entries should be queried. The Headteacher, or a senior manager who has not undertaken the reconciliation exercise, should sign the reconciliation.

5.9 Monitoring

Every month schools should prepare a Budget Monitoring Report Summary. The current position on spending compared to that anticipated must be examined on a monthly basis. Large variances will need to be investigated and discussed with governors. Corrective action should be taken if necessary.

It is good practice to send the Chair of the Finance Committee or another nominated governor a copy of the Budget Monitoring Report on a monthly basis. Budget monitoring should be a regular item on the Governors Finance Committee agenda and the minutes of the meeting should demonstrate that the Budget Monitoring Report has been discussed and what action needs to be taken if any.

The monthly summary print shows the level of funding and spending in each of the CFR categories. If a budget appears to be over or underspent a management decision is required as to decide how this is to be corrected. The options are to:

- a) reduce spending for the remainder of the year
- b) transfer funds from one part of the budget to another
- c) do nothing, and carry forward an over or underspend to the next financial year.

The monitoring process using reports should effectively and promptly highlight variances from the budget so that failures to deliver can be investigated and action taken where appropriate. Procedures for authorising budget virements should be stated together with delegated authority to transfer funding.

The Quarterly return should be considered a minimum level of reporting and schools should consider providing additional information to the finance committee and governing body which includes commitments to date, anticipated further commitments and explanations of the reasons for variances between the budget and forecasted outturn.

5.10 Virements

A virement is the transfer of budget between budget headings. Therefore, if the furniture heading is underspent, and repairs overspent, budget can be vired from the furniture heading to repairs. This will better match the budget to actual expenditure. Governors are responsible for virements in the budget as detailed within the schools 'Scheme of delegation'. This freedom for schools to vire is sometimes restricted if it relates to a devolved fund. The extent of possible virement will be made

clear for each devolved fund.

5.11 Year End Closing

Year-end procedures are required:

- a) to ensure that spending is recorded in the financial year in which it was incurred. This allows proper comparisons of spending between financial years
- b) to avoid any misinterpretation between under and overspending. Failure to adhere to year-end procedures could result in apparent under/overspending
- c) to report accurately and consistently to Budget Holders, Governors, Council Tax payers, elected Members, central government, etc.

All payments made after 1 April will be shown in the new financial year, other than items accrued for. Payments for goods and services received before 1 April should be charged to the old year.

During March of each year, guidance notes will be issued by the Directorate of Corporate Resources to each school. The full details of the procedures required and deadlines to be met will be specified.

The areas covered will include:

- Purchase order
- External invoices
- Goods and services received but where the invoice has not yet been issued
- Payments made in advance
- Interdepartmental Accounts
- Supplies invoices
- Arvato transactions
- Customer Services transactions
- Cash income
- Debtors' accounts
- Outstanding income
- Creditor & Debtor Accruals.
- Income received in advance

Accrual forms can be completed for:

- Goods and services received prior to 31st March where invoices have not yet been received
- overtime and lettings claims for March.
- income due but not received
- income received in advance

5.12 Surplus Balances

Governors must be informed about the intended use of all monies held as balances (often termed as Reserves). Balances should be clearly linked to the School Development Plan and broken down into items such as redecoration, repairs and replacements, large purchases, capital projects, provisions for roll fluctuations etc. It is advised that Non-specific surpluses (contingency) should not exceed the relevant percentage of the gross school budget share.

The Authority will contact schools each year to seek the reasons for balances that exceed the 5% for secondary and 8% for nursery, primary and special schools. Schools Forum have the authority to seek part of that balance for redistribution to other schools.

Banking

6.1 Selection of Banking Arrangements

The facility to open a local bank account is available to all Southwark LA schools. They are, however, restricted to the list provided in section 3.5.1 of the Southwark Scheme for Financing Schools.

Schools should consider aspects such as cost (bank charges), type of accounts available, interest, information provided to the school and the cost of this provision when selecting their bank or building society. Schools may wish to consider services such as on-line computer banking including balance updates and automatic transfer of funds to high interest accounts.

6.2 Administration and use of the account

Cheques must be signed by two authorised signatories, as approved by the governing body. Authorised signatories must see all supporting documentation before signing the cheque.

Schools must nominate at least 3 and at most 5 people to be authorised signatories, of which two will be the Headteacher and Deputy Headteacher.

A monthly bank statement must be obtained detailing transactions up to and including the last working day of each month.

Schools must reconcile their local cheque account records and other local records to the bank statement each month.

VAT paid by schools will be repaid by the LA into the schools' bank accounts by BACS. The repayment of VAT will be based on the net amount of VAT shown on the schools system generated monthly claim. Payment will be made to the school the following month.

All income generated from LA activities must be deposited in the account.

All documentation relating to payments from the account(s) must be retained in school. HMRC require that invoices be retained for the current financial year and six previous financial years.

Schools may authorise standing orders and direct debits to be made from these accounts.

The use of cash dispensers and debit cards is not permitted. However schools may use charge cards where the balance must be paid in full each month.

Any cheque which requires cancellation must be clearly marked "cancelled" and retained for inspection by audit.

The school will be responsible for any penalties or amounts payable to HMRC that are incurred by the Council as a result of the school failing to comply with the statutory requirements.

6.3 Bank Interest and Charges

Schools will be liable for all charges relating to their bank and building society accounts. Schools may keep any interest credited to their accounts by their banks or building societies and use it to enhance their formula funded allocation. This interest should be accounted for in the account and not placed in any non-public fund account such as school funds etc. Schools with Natwest accounts will receive interest to their accounts each quarter.

6.4 Security of Cheques

Cheque books must be kept in a safe or locked cabinet when not in use. Access to cheques should be strictly controlled. No more than two keys should be held independently by staff, and these must be taken away from the premises when closed.

Under exceptional circumstances a Headteacher may authorise an employee to take cheque books home overnight or at weekend if it is considered necessary for security. This practice should be discouraged, however, and every effort made to hold cheques securely on the premises.

Cheques must never be pre-signed. All cheques should be crossed "account payee only". Authorised signatories should not have access to blank cheques or prepare cheques for signature.

A control record should be maintained detailing the cheque number sequence of all cheque books received and the date the cheque book was received.

6.5 Cheque preparation and signature

When an invoice is received it should be checked against the order and the record of goods received to ensure the invoice is correct. The calculations on the invoice must also be checked to ensure they are accurate.

Cheques for payment should be written out and presented to the signatories along with the supporting documentation. There is a need to separate as far as possible the duties of ordering, receiving goods, checking invoices and signing cheques.

Please note that this control does not prevent a school representative on the panel of cheque signatories from also being an authorising officer. The key point is that he or she should not sign a cheque relating to goods or services for which he or she has also authorised the expenditure. It does not affect the ability to sign cheques for expenditure authorised by others or to authorise expenditure where others sign the related cheque. When cheques are signed the signatories should write "Paid" on the invoice and initial it to avoid duplicate payment.

6.6 Charge Card Withdrawals

Many banks, financial institutions and retail stores produce cards which can be used for purchasing. The use of these cards is not considered to infringe the borrowing restrictions imposed on schools as long as the balance on the account is cleared in full at the end of each month. It should be possible to arrange for payment by direct debit which would satisfy this condition.

The governing body should authorise any cards to be used having considered the potential risk over and above that of the purchase order system and appropriate controls over usage. They should approve the written instructions on the scope and use of the cards. The following procedures should be helpful when considering the use of these cards.

- The card should not be used for any form of personal transaction
- A list of authorised users and any restrictions on the use of the card (spending limits, types of purchase etc) should be maintained.
- Documentary proof of any goods purchased with the charge or credit card including details of the nature and cost of those goods, should be returned to the person responsible for recording charge card transactions as soon after each purchase as is reasonably practical
- Transactions should be reconciled to statements by someone other than a card signatory and the statement signed as evidence of the checks performed.
- All expenditure should be recorded in the Enabling account when the statement is paid, including any VAT , on the appropriate codes.

6.7 Direct Debt Mandates

There should be robust controls over all ways in which funds may be drawn from accounts, including such operations as standing orders, direct debit mandates, BACS payments and salary payments.

Direct debit payments must be checked and certified by nominated staff as with any other form of payment. It is recommended that a control sheet be maintained, for each supplier, which lists and certifies each individual payment identified and recorded on the bank statement.

6.8 Income procedures

School income, either cash or cheque, should be kept in a secure place until it is deposited into the school bank account as soon as practicably possible. It is recommended that income is not held for more than a week before banking and that large sums are banked on the day of receipt if possible. The level of insurance cover for individual and locked cabinets will be a key factor as to how much is held.

A receipt must be issued for all income over the specified limit. Copies of receipts must be retained for audit and accounting purposes.

It is essential that non-public money (e.g. school funds, PTA funds) is kept separate from authority money. Schools must devise systems to ensure that this happens.

Income should be recorded, in receipt number sequence, in the school's local record of income and expenditure immediately on receipt

The local record of income must be checked against the bank statement each month as part of the

reconciliation process.

6.9 Income from Delegated Budget Share

Funds will be transferred into a nominated account by credit transfer through the BACS system.

Details of frequency of instalments, proportions of budget share payable at each instalment, instalment dates are provided by the end of February.

The total amount to be advanced to the school in the year will be based on the following allocation:

April – 1/12 plus 1/36 of annual budget share

May to February – 1/12 of annual budget share

March – 2/36 of annual budget share.

Petty Cash

7.1 Introduction

The main elements of a cash system are

- Deposits
- Payments and Withdrawals
- Administration
- Physical Security.

A maximum cash balance of £250 is suggested. In smaller schools or schools preferring to restrict petty cash transactions the cash balance should be lower and a limit set in relation to the expected expenditure (4 to 6 times the average weekly payments).

7.2 Deposits

The only deposits to petty cash should be from cheques cashed specifically for the purpose. The receipt should be recorded in the petty cash system with the date, amount and a reference, normally the cheque number, relating to the payment. All other cash receipts for whatever reason should be paid directly into the bank.

7.3 Payments and Withdrawals

Petty cash should be held on an imprest system with reimbursement against properly authorised vouchers in accordance with the system of delegated authority approved by the governors.

In the interests of security, petty cash payments should be under £25 in value. The precise limit

should be approved by the governors. Higher value payments should be made via payroll.

7.4 Administration

All transactions should be entered into the petty cash records on a regular basis and monthly reconciliations undertaken to ensure that the imprest system remains in balance.

There should be independent checks on petty cash holdings and records. This should be carried out without notice with reconciliations reviewed by an independent person who is not involved in recording petty cash transactions.

7.5 Physical Security

Petty cash should normally be held in a lockable cash box. Schools should ensure that their insurance cover is compatible with the amounts of cash held in the school on a regular basis and secure the cash in a safe where required under the policy.

Access to cash, cash records and forms should be restricted to authorised personnel. Secure safes and containers should be provided for cash, records and valuables. Where, for example, school meal income is secured on behalf of a catering company, the liability for loss should be agreed in writing. Cash passed between people must be signed for.

Cash Flow Management

8.1 Introduction

Schools should prepare cash flow forecasts to ensure that they will have sufficient funds available to pay for their operations from day to day, month to month, and year to year.

8.2 Cash Flow Forecasts

Schools should make use of all the information available to them to profile their cash requirements in order to maximise the investment potential of any cash surplus. The governing body should regularly monitor actual results against forecasts and receive updated future forecasts with any new information as it becomes available.

8.3 Standard Profile

The profiling of delegated budgets is a valuable tool in the management of cash flows. The LA provides advances to schools on the basis of a standard profile:-

1 payment of 11.1% in April (1/12 plus 1/36 of annual budget share)

10 payments of 8.33% monthly from May to February (1/12 of annual budget share)
1 payment of 5.57% in March (2/36 of annual budget share)

The profile of SEN top-ups and early years payments is 12 equal payments paid on the same date as the budget share.

8.4 Monthly Profile

As delegated budgets and spending plans become clear, it should be possible to profile budgeted income on a month on month basis for the year.

A useful forecasting technique in identifying spending patterns is to make use of previous years' financial information. By measuring one year against another, schools can determine spending patterns, this can be done on an annual basis to determine total spending or on a month by month basis to ascertain more accurately the spending pattern within the year (eg weighting the fuel bills to the winter months).

8.5 Other Income

Schools should attempt to determine the nature of any other income and the possible patterns of its receipt by the school. Identification of income sources may assist in determining the profiling of receipts. The nature of expected income will also assist in the formulation of budget forecasts.

8.6 Other Expenditure

When considering the month by month cash profiles schools should consider the effects of periodic peaks and troughs in spending in areas other than salaries and wages, in particular the effects of utilities, educational supplies and services, and other supplies and services.

- Utilities are normally paid on a quarterly basis, (although this can be changed to a monthly basis by contacting the supplier if the school considers it more appropriate) and costs for heating and lighting will be weighted more to the winter months
- Educational supplies and services are often required earlier in the academic year and therefore arrangements should be made to cater for this profile
- Similarly other supplies and services, such as catering, do not accrue evenly throughout the year (eg there will be no requirement for catering whilst the school is closed through the summer and reduced costs during other holiday periods), and therefore cash requirements will not flow evenly.

8.7 Code of Payment

Schools should make use of normal credit terms offered by the supplier. Often 30 days are allowed before payment is required. Making use of this normal credit period is considered good practice, and is not regarded as borrowing. It may be possible for schools to negotiate longer credit terms with some suppliers. However deferred payment terms, particularly if there is a finance charge

implicit in the agreement, may constitute borrowing. If in doubt, schools should contact School Finance. Discounts may be offered for prompt payment. Schools should be aware of the possible benefits of early payment discount and take advantage should this provide better value for money.

Late payments to creditors may be an indicator of solvency problems and/or poor cash management. In keeping with the Nolan principles of openness and accountability, schools should aim to comply with the *CBI Better Payment Practice Code*, see www.payontime.co.uk. In most schools this seeks to formalise existing good practice. Schools are recommended to introduce a payment code and disclose their payment policies in their Annual Report.

The Late Payment of Commercial Debts (Interest) Act 1998 applies to contracts between a local authority (including schools) and a small business supplier (one with 50 or fewer employees). The Act provides for interest to be chargeable by the small business supplier in the event of late payment. Any interest cost incurred will normally be met by the school.

Leases

9.1 Leasing and Hire Purchase

The LA adopts the definition of leases, in accordance with best accounting practice, as described in the *Statement of Standard Accounting Practice (SSAP) number 21*. This defines two main categories of leases - finance leases (including hire purchase) and operating leases.

* Finance Lease

A finance lease transfers substantially all the risks and rewards of ownership to the school. It is a form of borrowing and must not be entered into by schools. Although strictly the leased asset remains the property of the leasing company, in substance the school may be considered to have acquired the asset and financed the acquisition by obtaining a loan from the company.

A finance lease usually involves payment by the school of the full cost of the asset together with a return on the finance provided by the company. It should be presumed that the risks and rewards of ownership transfer if, at the start of the lease, the present value of the minimum lease payments (including any initial payments) amounts to substantially all (normally 90% or more) of the fair value of the asset. The fair value is the price at which the asset could be exchanged with an independent third party less any grant receivable towards the purchase or use of the asset.

• Operating Lease

An operating lease is any lease which is not a finance lease. This will have the character of a rental agreement, with the leasing company usually being responsible for the repairs and maintenance of the asset. Normally the period of the lease will be for substantially less than the useful economic life of the asset. An operating lease is the only type of lease available to schools.

A hire purchase agreement is similar in substance to a finance lease and must not be entered into by schools. The difference in law is that under a hire purchase agreement the school eventually become entitled to exercise an option to purchase the asset (under a leasing agreement the asset

remains the property of the lease company).

Schools must obtain approval from the Director of Education before entering into any lease agreement. This should be done irrespective of any advice given by the leasing company on the nature of the lease. Please send a request for approval along with the details of the proposed lease to Debbie.walsh@southwark.gov.uk where it will be assessed by the council's internal lawyers who will advise the Director of Education as to whether to give approval to the lease.

Ordering

10.1 Orders

The Headteacher is responsible for all orders. Official orders should be accessible only to those members of staff authorised by the Head to issue orders. Official orders should be issued for all work, goods and services. One copy should be sent to the supplier and a second copy retained at the school. Verbal orders should only be used in extremely urgent circumstances and must be confirmed immediately by the issue of an official order clearly marked "Confirmation of verbal order placed --".

10.2 Receipt of goods

Upon receipt of goods or services, the relevant copy order(s) must be marked off, initialled and the date of receipt noted. Any variation from the order must be noted on the copy order at the time. Copies of delivery notes should be kept as reference for the order.

10.3 Checking and Certification

The following checks should be made against the copy order:

- The goods being charged for have been received
- That a previous invoice has not been passed for payment

10.4 Payment

Payment will only be made against certified invoices. Invoices must:

- Be on the suppliers own bill heads
- Give details of the item(s) for which payment is being made
- Be obvious that the school is responsible for making payment for the goods as supplied on the invoice

It is important to check each invoice carefully before certifying for payment. If the goods on the invoice have not been received or were returned for any reason, a credit note should be requested from the supplier. In these circumstances the invoice must not be altered but should be retained until the credit note is received. Once this happens, both the invoice and credit note can be passed for payment at the same time. Both the credit note and the invoice must have a coding slip attached. Coding for credit notes should be completed in red with a minus sign to indicate the negative value.

The copy order must be initialled, marked as passed for payment and the date noted to avoid duplicate payment.

There is now legislation in place that means interest may be charged for invoices paid after the expiry of the agreed credit period. The charge will be made to the school budget and it is advisable to pass invoices for payment as quickly as possible to avoid these extra charges.

School Improvement Plan (SIP)

11.1 Timetable

A formal timetable and procedure should be drawn up for constructing the SIP and associated budget to ensure that governors have time to consider all relevant factors. This timetable should cover the whole planning process, including the SIP, Asset Management Plan, ICT Plan and the budget. The timetable should ensure that the governors are provided with timely information needed to evaluate the options and agree initially on a draft budget leading to a final budget being approved and signed by 31 May.

Draft budgets are typically considered during the spring term when funding levels are announced for the coming year, although schools may start this process as early as the autumn term once staffing and pupil numbers are established for the new academic year. Typically Indicative Budget Shares are issued to schools at the end of February once the APT has been agreed by the ESFA.

11.2 Setting a balanced budget

The major items of the annual budget are set out below:

Over 80% of the budget of a school is usually spent on staffing. Therefore decisions on the required levels of staff needed to deliver the curriculum in accordance with class sizes are the most important. Under or over costing in this area may significantly distort the budget plan

In addition to the school budget share allocation, the school will receive other funding, for example SEN top-up funding, early years funding for nursery classes, pupil premium, Universal Infant Free School Meal funding.

Rather than simply carrying forward a budget from one year to the next, the major budget headings should be periodically reviewed to ensure that historic spending patterns are not unhelpfully perpetuated. Building up a budget from a zero base challenges existing patterns of expenditure, which may have become obsolete over time. This will help the school to show it is complying with the 'challenge' aspect of best value.

Considerable caution is needed where under-spends are used to meet a budget shortfall. These can only be used once and must be regarded as giving the school a breathing space to plan reduced expenditure in future years.

11.3 Deficit Budgets

The Governing Body is not allowed to set a deficit budget unless the school has applied for and has been granted a licensed deficit. Unless approved by Southwark, schools should ensure that the total planned expenditure for the financial year should not exceed the budget share, adjusted by the

amounts brought forward from the previous financial year. A licensed deficit, granted in exceptional circumstances, will only be given in respect of the following:

- Significant fallings rolls
- Financial mismanagement
- School in special measures or serious weaknesses
- other circumstances agreed by the LA as reasonable.

As soon as a potential deficit budget is identified, either at the start of the year when setting the budget or during the year through monitoring, immediate contact should be made with the school's finance team.

Southwark council will not write off any deficit balance of a school, however it may provide a cash advance and guidance in how to remove the deficit.

11.4 Budgetary Control

Regular monitoring of income and expenditure against the agreed budget is central to effective financial management. It allows governors, the head teacher and staff to maintain financial control by reviewing the current position and taking any remedial action necessary. Budgets are not set in stone. The original budget may need regular updating, following consultation with governors, to take account of in-year developments.

11.5 Budget Monitoring

To maintain good budget management and control, the school budget should be reviewed at regular intervals throughout the financial year in order to identify variations to budget provision, and to establish the underlying factors which have caused the variation.

Quarterly returns must be provided to the Finance Committee and/or the Governing Body at the end of each quarter. These must detail any significant variances against the budget with explanatory notes, and where necessary, remedial action plans including virements.

Budget monitoring needs to be reinforced with plans of action to tackle any significant budget variance as early as possible. The plan should specify how any overspend is to be addressed, within what timeframe and who is responsible.

Governors should also be consulted on how best to deploy any budget surplus.

Reports to the Governing Body should, at a minimum, be based on the headings used for Consistent Financial Reporting. However, the Governing Body may request additional information to also be provided such as pupil premium, departmental budgets etc.

11.6 Departmental Budgets

Where budget elements have been devolved within the school, such budget holders should receive and review regular reports comparing the amount spent or committed to date against their budgets. The Headteacher should monitor these reports and take action where necessary, in

consultation with the budget holders

11.7 Profiled Budget and Cash Flow

The Headteacher should profile the budget and forecast cash flow to take account of likely spending patterns. For example, it is likely that the energy budget would be profiled to account for higher energy consumption in the winter months.

Profiling allows more effective budget monitoring: a budget deficit in a particular month may be the product of a one-off expenditure item. Conversely a surplus may merely reflect a clustering of expenditure in future months.

A cash flow forecast will assist the school to identify whether the budget as currently profiled is likely to be covered by funds available in any given month.

11.8 Virements

A virement is deemed as any change of budget allocation where the budget will be used for a different purpose. In order to maintain budget control between Governing Body meetings, the Headteacher will need delegated power to authorise virements of budgets up to a set limit as determined by the Governing Body. Such virements should be presented to the Governing Body with their reason as part of the next financial report.

Where an expenditure budget is likely to overspend, or income is unlikely to be achieved by the end of the financial year, the appropriate course of action will be:

Where the overspend is within the levels delegated to the Headteacher, the Headteacher or Finance Committee may approve financing of the excess expenditure, or income shortfall, by virement of an equivalent sum from an identified revenue budget saving or unallocated reserves.

Where the amount is over the delegation limit, the Governing Body must agree the virement before spending takes place. A written record of agreed virements must be kept. The local accounting system should be updated to show the latest approved budget.

11.9 Budget Reporting - Reports for Authority

The Scheme for Financing Schools requires that the school provide the Local Authority with financial reports throughout the year in a format predetermined by the Local Authority.

In order to keep an overview of schools finances, the Schools Finance team will request local accounting system monitoring reports from schools reflecting the spend as at 30th June, 30th September, 31st December and 31st March.

A school that is identified as having financial difficulties will also be requested to provide additional financial information, often at a monthly interval, in order for the Schools Finance team to oversee and support the financial recovery of the school.

Petty Cash/Imprest & Purchase Cards

12.1 Use of Imprest/Petty Cash Accounts

Imprest/petty cash accounts are, in general, intended for purchasing low value, urgent items. Payments can also be made when a supplier requires immediate payment although this should be discouraged. In no circumstances should the imprest account be used to replace the official ordering and payments system.

Cash, chequebooks and receipts held in relation to the account should be kept separate from all other cash such as school funds, amenity funds, income from telephones or other sales.

The Imprest monies should never become mixed with personal monies or be used to cash personal cheques or fund I.O.U's. The account should never be used to pay salaries/wages or travel and subsistence of persons employed by the Council. Payments by Direct Debit/Standing Orders are not permitted.

12.2 Security

All cash, stamps and cheque books should be kept in a safe or strong room. If there is no safe or strong room available they must be kept in a locked drawer or cabinet in accordance with insurance requirements.

If the officer responsible for the imprest account changes, the Payments Section should be informed. The new responsible officer should ensure they are fully conversant with the requirements of maintaining imprest account records and for submitting reimbursement claims.

If any of the signatories change on the bank account mandate (all banks) the Payments Section must be informed. A new bank mandate for The Royal Bank of Scotland (NatWest)Accounts will be sent to an existing signatory on the account for completion.

12.3 Purchases

A receipt should support all purchases. If the expenditure is subject to VAT, a VAT receipt, such as a till receipt, must be obtained. The VAT receipt must show the following details:

- name, address and VAT registration number of the supplier;
- date of supply;
- amount payable including VAT;
- the rate of VAT;
- the description of goods and services.

This will enable the VAT to be reclaimed.

All expenditure should be coded to a valid expenditure code from, which there must be authorisation to spend.

12.4 Cheque Payments

At least three employees should be authorised to sign cheques and any cheque will require two of those signatories. Cheques should only be signed when they are ready for issue and in no

circumstances should blank cheques be pre-signed.

Bank accounts must not be allowed to become overdrawn and payment should not be made unless there are sufficient funds in the account.

A bank statement should be obtained monthly. The bank statement should be checked and the balance detailed on the bank statement should be reconciled to the amount detailed on the reimbursement claim.

If a cheque is more than 6 months old and has not been cashed by the payee, it is out of date (is no longer valid and could not be cashed). The cheque should be written back in to the imprest account. If a cheque is drawn in error, and is not issued, it should be marked as 'cancelled' and kept in the cheque book.

12.5 Purchase Cards - to use instead of Petty Cash

A Purchase or Procurement Card is a corporate charge card that allows cardholders to purchase goods and services from suppliers with card terminals. Natwest, the Council's bank, can supply the Purchase Cards to the school.

The cards are issued in the individual officer's name in order for the officer to undertake financial transactions on behalf of the Council.

Each card when applied for has the following safeguards: -

- A single transaction limit is set
- A monthly credit limit is set
- The cards are blocked via the supplier Merchant Categories, to prevent purchasing from inappropriate supplier categories e.g. Cash or Travel.

Each Cardholder will sign an Employee Agreement and is issued with a Purchase Card User Manual.

The Natwest also provides indemnity insurance to cover against lost and stolen cards and supplier fraud.

The use of Purchase Cards for the Petty Cash facility should not be used for the following:

- IOUs.
- Payment of Direct Debits/Standing Orders.
- Payment of salaries or wages of persons employed by the Council.
- Payment of travel and subsistence of persons employed by the Council.

12.6 Reconciliation / Reports

Details of the transactions on the card are accessed on-line via the Natwest website. Details of the registration/enrolment process are given in the user guide, which is sent via e-mail once the card is issued.

It is an audit requirement that the Head/Line Manager approves and checks the transactions on the bank statement on a monthly basis.

Natwest recommends that cardholders complete a daily transaction log (and a sample is included in the User Manual). This can then be used to reconcile the transactions with the monthly bank statements.

Where amounts of cash are withdrawn, then individual transaction details will need to be recorded to give details of what the cash has been spent on. These details including receipts should be included on the supplement daily transaction log/spreadsheet, along with any carry forward amount to the next month.

VAT

Claiming VAT : Overview of the process

The document from which the VAT is extracted must be a valid VAT invoice which contains the following details:

- invoice number
- date of supply and invoice issue date
- the type of supply and description with VAT rate applicable
- Details such as the quantity of goods, the rate of VAT, and the total amount of VAT charged, shown in sterling (£)
- Suppliers name
- Suppliers address
- Supplier's registration number

Make sure that:

- The invoice is raised on the supplier's letter headed paper.
- VAT systems reports are prepared detailing supplier's name, reference, description, net amount, VAT charged and gross amount for each transaction.
- Systems reports are prepared for both VAT claims on expenditure and income.
- A VAT claim front sheet is prepared showing the total amount to be claimed – VAT on Expenditure less VAT on income.
- The VAT claim figure on the front sheet matches the system report total.
- The VAT claim has been approved by the school head teacher and also signed by the SBM bursar before it is sent to schools finance for reimbursement. The accuracy of a VAT claim is the sole responsibility of the school head teacher who approves the claim.
- Where possible, approved VAT claims are scanned, made into a pdf and sent electronically to schools finance for processing.
- VAT claims reach schools finance by the 10th day of each month at the latest.

All VAT claims received which have not got any queries will be paid before the end of the same month.

Schools finance will send reminders to schools which are more than 3 months behind with their VAT claims

For VA schools

SBM/Bursars are to refer to schools finance on any issues that may arise in relation to the recovery of VAT on capital items.

13.1 Introduction

Even though the responsibility for the day to day management of a school's financial affairs has been essentially devolved to the school itself, it remains a part of the Council from a VAT

point of view. Each school is not required to register for VAT in its own right and there is no requirement to account for VAT on any transactions between schools and the Council.

However, what each school will have to do is record its own VAT. It will have to decide when to charge VAT on income, it will record that VAT and issue VAT invoices if necessary; it will have to decide what VAT can be recovered on its expenditure, record it and ensure that proper invoices are retained to support that recovery.

VAT is a complex area, and subject to constant legislative and case law changes. This guide will hopefully help you to understand VAT and give you guidance on the treatment of common activities within schools.

Where further clarification is required, schools should seek day-to-day advice from the School Funding Team, and refer more complex queries to the authority's VAT Accountant.

Schools must comply with Financial Regulation 11, and liaise with the authority's VAT Accountant on any capital proposals (including bids for external funding), thereby ensuring the VAT implications for the authority and the school are fully appraised before the project goes ahead.

Schools may also get visits from the local VAT inspector to check that the VAT declared on the Council's VAT return is correct. Schools are reminded that failure to comply with the requirements of H.M. Revenue & Customs can lead to significant financial penalties, and these will normally be met from the school's delegated budget.

13.2 What is VAT?

VAT is administered by H.M. Revenue & Customs and is a tax on the supply of goods and services. VAT can only be charged by organisations that are registered with Revenue & Customs. Every organisation that is registered for VAT has a distinctive registration number, the registration number for all Southwark council maintained schools is 235 8294 44.

VAT is paid on purchases (goods/services in – input tax) and received on sales/services supplied (goods/ services out - output tax). At the end of each month a return is completed showing the totals of the input tax paid and the output tax received. The balance of these totals is then either paid over to Revenue & Customs or a refund is received.

13.3 Monthly Return

Each school must fill in a monthly or quarterly return and attach to it a VAT analysis report produced by the school's management information system. The income and expenditure on this report should reconcile with the entries on the monthly return. The monthly return should be signed by the Bursar / Administrative Officer and one of the schools' authorised officers.

Once the return is completed it should be submitted to the School Funding Team, as soon as possible but not later than 10 days after the end of each monthly accounting period.

On receipt, all of the school returns are collated by the School Funding Team, and the total VAT collected and paid by schools is incorporated within Southwark Council's monthly VAT return to H.M. Revenue & Customs, showing the totals of the input tax paid (VAT on goods/services in) and the output tax received (VAT on goods/services out). The balance of these totals is then either paid over to H.M. Revenue & Customs or a refund is received. Any refunds of VAT due to the school are then paid via BACS transfer after the income has been received from H.M. Revenue & Customs.

13.4 Rates of VAT

Business and Non Business Activities

Where VAT is incurred its recovery from H.M. Revenue & Customs is determined according to the use to which it is attributed i.e. it is necessary to question what the VAT will be used in doing.

As a first step it is therefore important to establish whether the VAT has been incurred for the purposes of a business or a non business activity.

(a) Business Activities

There are essentially four categories into which business transactions can fall:

Standard rated	Subject to VAT at 20%
Lower rated	Subject to VAT at 5%
Zero rated	Subject to VAT at 0%
Exempt	Not subject to VAT

The system works on the basic premise that everything is **standard rated** unless it is specifically excluded. Typical exclusions are as follows:

<u>Zero Rated Supplies</u>	<u>Exempt Supplies</u>
Food	Lettings
Domestic water and sewerage	Rents
Books and newspapers	Adult & Community Education
Public transport	Childcare
Children's Clothing	Sports tuition/coaching
Exports of goods	Block bookings of sports facilities
etc	etc

(b) VAT Treatment of Business Transactions

If a transaction is standard rated then VAT has to be charged, but if it is zero rated, or exempt, then no VAT has to be charged. The VAT treatment of each transaction also determines whether the VAT paid out on purchases can be recovered. Consequently, the difference between the various categories is important. Essentially VAT can only be reclaimed on purchases which are used in making taxable (i.e. standard rated and zero rated) supplies; VAT incurred in making exempt transactions is in principle not recoverable. However, Local authorities are in a special position and can, in most instances, recover VAT paid on exempt services (see section on Partial Exemption for details).

(c) VAT Treatment of Non -Business Transactions

Transactions which are essentially not carried on ‘in the course or furtherance of a business’ are outside the scope of VAT.

Registered traders cannot recover VAT paid on supplies to them, which are not used for business activities.

However, in order to prevent VAT being a burden on local authority funding, local authorities have been given a special status (often referred to as ‘Section 33 Status’ because the provision is contained in S33 of the VAT Act) which allows them to reclaim VAT incurred in carrying on activities which are non-business and outside the scope of VAT.

A non-business activity is essentially situations where only the local authority can undertake such activities. Revenue & Customs stipulate that to satisfy such a test, the local authority must have a ‘statutory monopoly’ over such supplies i.e. they must have a statutory obligation to undertake the transactions and also a monopoly over the activity.

Examples of non-business activities are:-

- Primary and Secondary Education
- Most of the sales and services supplied by schools are non-business activities as they are provided under statute and **for no charge**

SUMMARY OF THE VAT TREATMENT OF BUSINESS AND NON BUSINESS TRANSACTIONS FOR LOCAL AUTHORITIES

	VAT Chargeable on Income?	VAT Recoverable on Related Expenditure
<u>Business Activities</u>		

Standard Rated	Yes – 20%	Yes
Lower Rated	Yes – 5%	Yes
Zero Rated	No	Yes
Exempt	No	Yes, but subject to 5% partial exemption limit
<u>Non Business Activities</u>	No	Yes

13.5 Rates of VAT

(a) CHARGES WITHIN SOUTHWARK COUNCIL

Local authorities can only have one registration i.e. each school or directorate or sports centre cannot register separately. This means that where one department of the Council is charging another department, VAT is not charged.

(b) VOLUNTARY AIDED SCHOOLS

Voluntary Aided Schools are treated in the same way as community schools with regard to the treatment of VAT. The only difference is that the governing bodies of VA Schools are responsible for maintaining the structure of school buildings. In practice, the cost of the works is 90% funded from the ESFA. The governors are then required to meet the remaining 10% from their own resources. Usually, but not always, when the governors contract for building work for which they are responsible they incur irrecoverable VAT. There are, however, occasions where building work can be zero-rated for two reasons:-

- Because under the Schools Standards and Framework Act they are classed as charities, and
- Customs regard the education they provide as a non-business activity for VAT purposes.

13.6 VAT Invoices

VAT cannot be reclaimed from H.M. Customs & Excise without a proper VAT invoice. It is important to ensure that all VAT invoices paid and VAT invoices raised comply with the regulations.

(a) A VAT invoice must include the following information:-

- An identifying number

- The date of the supply (tax point)
- The issue date of the invoice
- Name, address, and VAT registration number of the supplier
- Name and address of the person to whom the supply is made
- A description to identify the goods or services being supplied
- For each description, the quantity of goods or services, and the rate of tax and the net amount
- The total tax chargeable
- The unit price e.g. an hourly rate; or a price for standard services
- The total value of the supply, excluding tax; and
- The rate of any discount.

Other things to look out for on an invoice:-

- Where a tax invoice also includes zero-rated and exempt items, they must be shown separately with an indication that they bear no VAT.
- No VAT should be charged on an invoice if a supplier is not registered for VAT.
- The invoice should be addressed to Bradford Metropolitan District Council or the name of the school. VAT cannot be reclaimed if the invoice is addressed to school governors or other separate legal entities.

(b) Less detailed invoices

There are less stringent rules in respect of invoices for purchases made from retailers where the total value of the supply is less than £250. In these situations VAT may be recovered on the strength of a '**less detailed tax invoice**' which should show the following key items:-

- Name, address and VAT registration number of the retailer
- Date of supply (tax point)
- Description sufficient to identify the supply
- Total amount including tax, and
- The rate of tax

It is quite common for less detailed tax invoices to show the total amount of the supply without separately identifying the VAT element. In these situations it is acceptable to apply the VAT fraction (currently **1/6**) to the amount shown to calculate the VAT which can be recovered. **Please note that it is not correct for the gross cost to be multiplied by 20% to determine the VAT element.** Take care not to

extract VAT from zero rated items; it cannot be assumed that an invoice includes VAT merely because a VAT registration number is quoted on the invoice.

(c) Claiming VAT without a VAT invoice

The following types of supply do not require a tax invoice if the total expenditure (including VAT) is £25 or less. The supplier must be VAT registered.

- Telephone calls from public or private telephones;
- Purchases through coin-operated machines(e.g. identity card photographs);
- Off street car parking charges (but not on-street parking meter charges, which are classed as non-business).
- Road and bridge tolls

(d) Photocopied Invoices

A photocopied invoice can only be used if the supplier has signed it to confirm that the invoice is a true and authentic copy of the original.

(e) Faxed / E-mailed Invoices

Invoices sent by fax or e-mail are acceptable (the normal rules regarding VAT invoices apply).

(f) Pro-forma invoices / Authenticated Receipts (Contract payments)

Invoices which are marked Pro-forma¹ or “This is not a tax invoice” cannot be used as evidence for reclaiming input VAT. In these cases a proper document should be received before any amount is coded to the VAT codes.

A tax invoice is not required in order to reclaim VAT in respect of interim payments for building and civil engineering contract works. The contractor will submit a request for payment, which may take the form of a pro-forma invoice or a document stamped ‘This is not a tax invoice’.

This concession is permitted subject to the contractor submitting to the client an ‘authenticated receipt’ for each staged payment, provided it shows all the necessary details required to be shown on a tax invoice. After the final account has been agreed, the contractor is required to provide the client with a proper tax invoice. Failure to obtain the appropriate documents will result in input tax being incorrectly recovered from H.M. Revenue & Customs and expose the school to VAT assessments, penalties and interest.

(g) Discounts

Where trade and prompt payment discounts are received, VAT should be calculated on the discounted sum. If a discount is offered on the condition that something happens at a later date (such as placing of future orders), then VAT is calculated on the full amount on the initial transaction. Any future discounts received would have to be made by the issue of a credit note.

(h) Errors on invoices

You must charge to the Council's VAT code the precise amount of VAT as shown on the invoice. If you dispute the value of the invoice and/or the VAT element, you must ask your supplier to give you a credit note and a revised invoice.

13.7 Time of Supply

VAT must be accounted for in the period when the supplies are made. There are rules for working out the time of supply:-

The '**basic**' tax points are deemed to occur at the following times:

- **A supply of goods** - is when they are sent to the customer or collected, or when they became generally available to the customer;
- **A supply of services** - is the date on which the performance of the service is complete.

An **actual tax point** will be created if, before the basic tax point:

- A tax invoice is issued, or
- A payment is received in respect of the supply

or

- **An actual tax point** can also be created if, within 14 days (a longer period of 60 days has been agreed with H.M. Revenue & Customs for Local Authorities) after the basic tax point, a tax invoice is issued. The date the invoice is issued then becomes the tax point of the supply and the date at which the output tax becomes due.

13.8 Payment not wholly in money

If the amount paid for some goods or services is not wholly in money, then the tax value of the supply is calculated on the price which the customer would have had to pay for the supply in cash.

e.g.: Council provides facilities to Company A for which they would normally pay £600 + VAT. Company A provides Council with free Daimler for 12 months. Despite the value of the car being greater than £600, Council has to account for, and pay over to, the Revenue & Customs 20% of £600 = £105.

13.9 Sponsorship

Sponsorship is the term commonly used for financial or other support given by businesses or members of the public to sport, the arts, the educational sector etc.

If you supply something to a sponsor in return for their sponsorship, then you are involved in a business transaction and are making a taxable supply. It makes no difference how the sponsorship is described; what counts is the reality of the terms under which it is provided. If the sponsorship is provided on condition that you supply clearly identifiable benefits in return (such as publicising the sponsor's business or products, or making facilities available to the sponsor) you must account for VAT. The publicity may be, for example:

- an event, concert or display named after the sponsor;
- the sponsor's name being incorporated in the name of a team or of a team's horses etc or displayed on a team's vehicles, shirts etc.

In such cases you must account for VAT on everything you receive under the sponsorship agreement.

13.10 Donations

If you do not give or do anything in return for the sponsor's support you are not making a taxable supply; and the sponsorship (whether of money, goods or services) can be treated as outside the scope of VAT.

To be treated as outside the scope of VAT the sponsor's support must be entirely voluntary and must secure them nothing whatever in return. This can apply even though you and the sponsor may have a general understanding as to how their contribution is to be used. If your only acknowledgement of the sponsor's contribution is a simple mention in a programme or annual report, and nothing else is required of you, it is still outside the scope of VAT. But if the contribution is made on condition that the sponsor receives some form of benefit, such as "free" tickets or preferential booking rights or a "free" advertising slot in the programme, then it is consideration for a taxable supply, i.e. sponsorship, and you must account for VAT on the contribution.

13.11 Education, Training & Research

Education and vocational training courses that local authorities provide for **any form of charge or payment** are generally exempt business supplies, irrespective of any subsidy they may receive. However, education for which authorities make no charge or which they provide under a statutory obligation is a non-business activity.

Education means a course, class or lesson of instruction or study in any subject, whether or not that subject is normally taught in schools, colleges or universities and regardless of where and when it takes place. Education includes lectures, educational seminars, conferences and symposia, together with holiday, sporting and recreational courses.

In the sports sector, education includes classes that are led and directed, rather than merely supervised. For example, initial instruction in the use of equipment in multi-gym, together with any assessment, which forms part of the instruction, is classed as education. However, if a charge is made for a person to use the multi-gym in a separate session where no instruction takes place, the supply is not one of education.

Where local authorities make supplies in connection with education, they are treated as exempt if the goods and services are closely related to education. The term “closely related” refers to goods and services that are:-

- for the direct use of the pupil, student or trainee; and
- necessary for delivering the education to that person.

This includes accommodation, catering, transport and school trips.

Where courses however are exempt, the VAT position is a little more complicated. There will be no requirement to charge and account for any VAT on the fees received, but the VAT incurred on any related expenditure – and this may include a proportion of the overhead costs relating to the building from where the course is run – will be ‘exempt VAT’, and will count towards the authority’s 5% partial exemption limit. It will therefore, be necessary to identify and quantify any such exempt VAT and ensure that the authority’s VAT Accountant, who is responsible for monitoring the partial exemption position, is aware of it. Providing the council remains below its limit, this exempt VAT will remain recoverable and will not represent an additional cost. But should the limit be exceeded, this VAT can no longer be claimed back from H.M. Revenue & Customs.

13.12 School Lettings

If school buildings or facilities are let to groups, clubs or members of the public, for example the letting of a school hall to a keep fit club or for a wedding reception, this will not be considered as a non business activity and the supply will follow the normal VAT rules.

Generally, the hire of a room without the provision of any other facilities will be exempt from VAT. Examples of the VAT treatment of various types of room hire are set out in the table below; (NB some registered traders may opt to tax such facilities and therefore you may legitimately receive an invoice from a supplier for such a service that includes VAT)

VAT LIABILITY OF LETTINGS/ROOM HIRE

<i>Nature of letting</i>	<i>VAT Liability of charge</i>
Hire of a room or hall	
including tables and chairs	Exempt
including tables and chairs, with the	Exempt (except where a separately

provision of light refreshments (teas, coffees and biscuits)	identifiable charge is made)
including tables and chairs and hire of a kitchen which the hirer can use to prepare food and drink	Exempt
including tables and chairs and with kitchen attached and catering supplied by the local authority	Room hire: Standard rated Catering: Standard rated
together with access to a bar where the bar is operated by the local authority who account for VAT on the takings	Exempt
to caterer to use kitchen and restaurant areas, including the use of kitchen and catering equipment	Exempt
together with tables and chairs, flipchart, overhead projector, video and TV equipment.	Exempt (except where a separately identifiable charge is made for any additional items such as the flipchart and overhead projector)
providing space to erect advertising hoardings, display stands, etc, on specific sites	Exempt
to a theatre group to put on a play; theatre group accounts for VAT on takings. Local authority provides no staff.	Exempt

Letting space for sport or physical recreation

Law excludes from VAT exemption facilities used for sports facilities. Until now we have considered how a facility is designed or adapted to determine the VAT treatment. However, a VAT tribunal has ruled that it is not the facility, it is what it is used for – sport is sport no matter where played.

How do you decide if the letting of space is standard rated as a sports facility?

Both parts of a two part test have to be met to see if the letting of space is standard rated as a sports facility (20% VAT should be charged)

1. What is the nature of the facility
2. What is its intended use

This means that the hiring organisation must ascertain the purpose for which the hirer wants to use the space. Booking forms will need to distinguish between taxable lettings and exempt lettings.

a) **What is the nature of the facility?**

The nature of the facility is whether it contains equipment or permanent fixings that make it suitable for sport or physical recreation.

- The definition includes where there are permanently erected nets, gym bars/ropes (whether or not retractable) or such as special purpose flooring (as used, for example, by some basketball courts). For this purpose we ignore floor and wall markings (e.g. for badminton or five-a-side), unless the space is clearly a sports facility such as a squash court.
- Equipment provided to enable a let to function, such as the provision of badminton nets, or five-a-side football nets will cause a space to become a sports facility.
- General purpose halls, such as village or school halls, which merely have floor markings so that they may be used for playing badminton are not classed as 'sports facilities', **for these purposes lettings of such halls are exempt, in accordance with hire of a room, even when let for playing a sport (see below).**

b) **What is its intended use**

If the space is a sports facility, then we need to consider for what it is to be used.

- If it is for sport or physical recreation, the supply is standard rated, even if the user is not using the fixed equipment or facilities,
e.g:-
 - If a room equipped with mirrors on one wall and ballet bars on another is hired for a dance class, even if the dance class do not use the mirrors or they argue that the flooring is unsuitable for dancing, VAT should still be charged on the hire.
 - A Tae Kwon Do group meeting on a basketball court is standard rated. However, if the Tae Kwon Do group meet in a hall that has just floor markings, the hire charge will be exempt from VAT, because the first part of the test is not met.
 - If a stamp collecting club was to meet on the same basketball court, their use is exempt.
- A general purpose school hall that has markings only will not meet the first part of the test, so the basic liability of its hire is exempt. But it is likely that the hiring of the school gymnasium will meet the first part of the test, requiring the school or LEA to ascertain the purpose for which the hirer wants to use the space. In all probability a Tae Kwon Do group meeting in a school gym will oblige the let to be standard rated.

Exception to this rule

There is an exception to this rule concerning the letting of sports facilities. The letting of such facilities is exempt from VAT if:-

- the letting is a single continuous let of 24 hours or more; or
- the letting is for a series of ten or more periods (whether or not this exceeds 24 hours) and where all the following conditions are satisfied

Condition 1

The hirer is a school, club, association or an organisation representing affiliated clubs or constituent associations i.e. a local league. Standard rated VAT should be charged on bookings made by informal groups of persons or a commercial organisation.

Condition 2

Each session is in respect of the same activity carried on at the same place (although a different pitch, court or “lane”, at the same sports ground or premises are acceptable).

Condition 3

The interval between each session is not less than one day and not more than fourteen days (although the duration of each session can be varied). Letting for every other Saturday afternoon fulfils this condition, but there is no exception for longer intervals than 14 days, which arise through closure, e.g. for public holidays.

Condition 4

The series is to be paid for as a whole, whether or not the facility is actually used for each session, and there is written evidence to that effect. Provision for a refund in the event of the unforeseen non-availability of the facility, e.g. sports centre closed because of snow, would not break this condition, but provision for a refund in other circumstances would.

Condition 5

The hirer has the exclusive use of the facilities.

13.13 School Catering

Meals for students and pupils

NON-BUSINESS when supplied as catering incidental to the education being provided, at or below cost by an educational establishment or someone acting as its agent; **standard rated** in other cases.

Meals for staff and visitors

STANDARD RATED – if these cannot be separately identified from those provided to students and pupils, an apportionment must be made.

Supplies of catering can only be treated in this way when they are made by the local authority providing the education to the students.

Where catering is provided at educational establishments by catering contractors there are a number of different possibilities

- the caterer could provide the catering as principal to the students – in this case the normal VAT rules apply and the contractor must charge VAT to the students on all supplies
- the caterer could have a contract to provide meals to the local authority and perhaps to serve those meals to the students – in this case the caterer would charge VAT to the local authority in respect of the meals and any other services provided – this VAT would be recoverable by the local authority – the local authority would determine the liability of meals provided under the rules set out above.
- The caterer could run a canteen as managing agent of the local authority, with the authority itself being considered as principal – the caterer would charge a standard rate management fee to the authority but this VAT would be recoverable – again the local authority would determine the liability of the meals under the rules above.

13.14 Vending Machines Site Rentals

These supplies as standard rated and schools should account for VAT on the income that they receive from vending machine operators. Schools should ensure that contracts entered into allow for the charging of VAT to the vending machine owner.

13.15 VAT Queries

VAT is a complex area and the implications for schools and the LA of getting it wrong are potentially substantial. If you need any guidance on a VAT matter, please seek day-to-day advice from Gifty Quartey in schools finance (Tel: 020 7525 3888).

Whistle Blowing

14.1 Policy

Schools must have a whistle blowing policy. An example policy is listed below.

Whistleblowing Policy

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Introduction

1. Whistleblowing is a term used to describe disclosures made by workers which are in the public interest in relation to an alleged wrongdoing. This could include for example a criminal offence such as fraud, child abuse, a health and safety risk, an environmental risk, a miscarriage of justice, a breach of law, or a cover up of some wrongdoing. To be in the public interest, the wrongdoing disclosed must affect others, ie the general public.
2. The principles of whistleblowing and the protections offered to individuals that report such concerns are set out in the Employment Rights Act 1996, as amended by the Public Interest Disclosure Act 1998.
3. The governing body are committed to achieving the highest possible standards in the school and it is important that all staff are able to raise concerns and understand the appropriate way to do so.
4. Everyone working in the school is in a position to identify unsafe or inappropriate practice, to spot where things could be improved and identify if mistakes have been made. The leadership team and governing body cannot take action if they are not made aware of things that may be going wrong, inappropriate behaviour or even an honestly held belief that something does not feel right.
5. This policy is intended to encourage and enable staff to raise concerns within the school in order for the head teacher / governing body to respond, rather than ignoring a concern or raising concerns externally.
6. This policy sets out what workers should do if they have a concern relating to the school which they wish to report and how the governing body will respond. It was adopted by the governing body on (date).

Scope

7. All staff have a duty to report any concerns they may have about activities and/or incidents within the school. It is recognised however that in some circumstances staff may wish to report issues confidentially and/or may worry about how the school and/or other staff may respond. This policy applies to all staff in the school and provides a framework for reporting concerns in a professional manner with due protection from any reprisals or victimisation.
8. This policy does not cover personal grievances which are not in the public interest, for example

allegations of bullying or discrimination. Personal grievances should instead be resolved in accordance with the school's grievance procedure. Concerns about health and safety which do not affect the public should be reported in accordance with local procedures.

9. A concern may be about something that you sincerely believe in good faith:

- Is unlawful
- Is contrary to the school's agreed policies or procedures
- Falls below established standards or practice
- Constitutes improper conduct or misconduct
- Presents a health and safety risk to the public as well as other employees
- Involves damage to the environment
- Involves the unauthorised use of public funds
- Involves potential fraud, corruption or financial irregularity
- Involves actual or potential abuse of children

Or you may believe that information relating to the above has been or is likely to be deliberately concealed.

How to report a concern

10. You should make a note of your concerns with as much detail as possible, as soon as possible after the concern arises. Do not try to investigate your concerns personally and do not approach or accuse individuals directly. It is essential that appropriate reporting procedures are followed to maintain the integrity and confidentiality of any future investigation or proceedings.
11. When individuals report issues, they are making a vital contribution to the overall effectiveness of the school, the quality of education provided and the safety of the children in the school. Reporting issues allows for reflection and action to facilitate ongoing school improvement.
12. If you work in a maintained school and suspect fraud, corruption or financial irregularity, you should always inform the local authority head of anti-fraud and internal audit. S/he will then be responsible for notifying any other staff as needed.
13. For all other types of concern and in non-maintained schools, the first point of contact for any concern will normally be your line manager. If your concerns relate to your line manager, then you may instead wish to report these to the next line manager or head teacher. Concerns about the head teacher should be reported to the chair or another member of the governing body.
14. Where your concern is about the governing body, it may be raised with the local authority Head of 0-19 Standards (for maintained schools) or the Regional Commissioner (for academy and free

schools). You may wish to ask your trade union representative for advice on how best to raise your concern.

15. The earlier you report your concern, the easier it will be for the school to take action. You are not expected to prove the truth of any allegations but you will need to demonstrate to the person you report to that there are sufficient grounds for your concern.
16. Concerns may be raised verbally or in writing. It is easier for the school to investigate concerns if you raise these directly as they can then ask you questions to clarify the issues raised. If you raise your concerns anonymously, the school may not be able to investigate properly if you have not provided all the information needed and will not be able to tell you the outcome.
17. It is acknowledged that sometimes you may wish to raise concerns in confidence and if so we will take all reasonable steps to protect your identity. It may not be possible to resolve your concerns without revealing your identity; for example an investigation process may reveal the source of the information and a statement from you may be required as evidence. If this is the case the school will discuss with you how best to proceed.
18. If you do not wish to report your concern directly to the school, you may wish to approach your trade union, or a prescribed person or body that deals with the issue you are raising. For example, in a community school, you may wish to report your concern to the relevant local authority officer. If you choose to report your concerns to the media, then in most cases you will lose your rights under whistleblowing legislation.

How the school will respond

19. Once you have told us your concerns, the school will identify an appropriate individual or committee to discuss your concerns with you and identify what action, if any, is needed in response. Remember that testing your concerns is not the same as accepting or rejecting them. You may be asked to provide further information.
20. The allocated individual will write to you within 10 working days of receipt of your complaint to: acknowledge receipt, indicate how they propose to deal with the matter, provide an estimate of how long it may take to provide a final response, tell you whether initial enquiries have been made and tell you whether further investigations are needed or if not why not. The allocated individual will contact you using the contact details you provided when raising your concerns, unless you have specified otherwise.
21. Community schools, where the authority is the employer, must notify the local authority monitoring officer in writing of any concerns raised under this procedure for monitoring and reporting purposes. The Monitoring Officer may be contacted at Southwark Council, 2nd floor, PO Box 64529, London, SE1P 5LX.
22. Any meetings with you can be held off the school site if wished. You have the right to be accompanied at such meetings by your trade union representative or a work colleague (who is not involved in the area of concern) if you so wish.
23. The allocated individual will decide the most appropriate way to deal with your concern and will

keep you informed of the action they take but may not be able to provide you with detail if there is a need to keep the confidence of other people and/or proceedings. Action could include:

- An investigation under the school's internal procedures
- A referral to the police
- A referral to the child protection officer
- A referral to internal or external audit
- An independent inquiry

24. Any investigations will be conducted on a strictly confidential basis and the subject of your concerns will not be informed unless and until it is necessary.
25. The school will take steps to minimise any difficulty you may experience as a result of raising a concern. For example, if you are required to give evidence in formal proceedings, the school will advise you on procedure beforehand.

Escalating your concerns

26. If you are unsatisfied with the way the school has responded to your concern, or if you believe the wrongdoing is still ongoing, you may wish to escalate your concern to a more senior member of staff, the governing body or a prescribed person or body.
27. The governing body will not tolerate harassment or victimisation in response to whistleblowing and will take action to protect staff that have raised concerns in good faith. This does not mean that if you are already the subject of a disciplinary, redundancy or other procedure that those procedures will be halted as a result of your whistleblowing.
28. This policy is intended to provide you with a clear route to raise your concerns and for the school to respond to these concerns appropriately. If you feel this has not happened and you feel that it is appropriate to take the matter outside of the school then you may contact either the national audit office: enquiries@nao.gsi.gov.uk or 020 7798 7999, or the police (if the concern relates to a potential criminal matter). Complaints to other bodies may hamper a speedy investigation into your concern.

Unfounded, unsubstantiated or malicious allegations

29. If you make an allegation in good faith, but it is not upheld or confirmed by subsequent investigation, you will not suffer any detriment and no action will be taken against you. Victimisation and/or harassment of individuals who have raised or plan to raise concerns will not be tolerated.
30. If however it appears that you have acted frivolously, maliciously or in a vexatious manner, or for personal gain, then a disciplinary investigation will be undertaken into your conduct.
31. Information which is provided to you on a confidential basis must be treated as such and this

may only be overridden where there is a clear public interest in disclosing it and you act in good faith and reasonably. You would need to ensure that you could justify your disclosure because it would be a serious betrayal of trust to use confidential information for any personal advantage, or for malicious or other improper reasons.

Record keeping

32. The governing body has responsibility for the maintenance and operation of this policy. They will maintain a confidential record of any concerns raised and the outcomes (so as not to endanger your confidentiality).

Advice and guidance

33. Further advice and guidance on how a matter may be pursued under this policy is available from your human resources advisers.