



## Financial Regulations Manual

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## 1. Introduction

- 101 The purpose of this manual is to ensure that the academy maintains and develops systems of financial control which conform with the requirements both of propriety and of good financial management. It is essential that these systems operate properly to meet the requirements of our funding agreement with the Department for Education (DfE).
- 102 The academy must comply with the principles of financial control outlined in the academies financial handbook published by the DfE. This manual expands on that and provides detailed information on the academy's accounting procedures and systems and should be read by all staff involved with financial systems.

## 2. Organisation

- 201 The academy has defined the responsibilities of each person involved in the administration of academy finances to avoid the duplication or omission of functions and to provide a framework of accountability for governors and staff. The financial reporting structure is illustrated below:

### **The Governing Body**

- 202 The governing body has overall responsibility for the administration of the academy's finances. The main responsibilities of the governing body are prescribed in the Funding Agreement between the academy and the DfE and in the academy's scheme of government. The main responsibilities include:

- ensuring that grant from the DfE is used only for the purposes intended;
- approval of the annual budget;
- appointment of the Headteacher and
- appointment of the Finance and Business Director, in conjunction with the Headteacher.

### **The Policy, Finance and Operations Committee**

- 203 The Policy, Finance and Operations Committee is a committee of the governing body. The committee meets at least once a term but more frequent meetings can be arranged if necessary.

- 204 The main responsibilities of the Policy, Finance and Operations Committee are detailed in written terms of reference which have been authorised by the governing body. The main responsibilities include:

- the initial review and authorisation of the annual budget;
- the regular monitoring of actual expenditure and income against budget;
- ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 1985 and the DfE guidance issued to academies;
- authorising the award of contracts over £100,000;
- reviewing the reports of the Responsible Officer on the effectiveness of the financial procedures and controls. These reports must also be reported to the full governing body.

## **The Headteacher**

- 205 Within the framework of the academy development plan, as approved by the governing body, the Headteacher has overall executive responsibility for the academy's activities including financial activities. Much of the financial responsibility has been delegated to the Finance and Business Director but the Headteacher still retains responsibility for:
- approving new staff appointments within the authorised establishment, except for any senior staff posts which the governing body have agreed should be approved by them;
  - authorising contracts up to £100,000 in conjunction with the Finance and Business Director
  - signing cheques in conjunction with the Finance and Business Director or other authorised signatory.

## **Accounting Officer**

- 206 The Funding Agreement requires each academy to identify the Headteacher as the Accounting Officer. This post confers responsibility for financial and administrative matters. This is a vital role, as the Accounting Officer is personally responsible to the governing body for ensuring:
- regularity and propriety;
  - prudent and economical administration;
  - avoidance of waste and extravagance;
  - efficient and effective use of available resources and;
  - the day to day organisation, staffing and management of the academy.
- 207 Included in the responsibilities of the Accounting Officer is a duty to take appropriate action if the governing body, or the Chairman, is contemplating a course of action which he or she considers would infringe the requirements of propriety or regularity (including the provisions of the Funding Agreement, the academy's Development Plan, or other documents setting out the financial duties of the governing body or of any other rules governing the conduct of the body), or would not represent prudent or economical administration, or the efficient or effective discharge of the governing body's functions.
- 208 In such circumstances, the Accounting Officer would be required to put his or her objections in writing to the governing body and to advise them of the requirement to inform the DfE Accounting Officer (the Permanent Secretary) and the academy's external auditors, as well as the Controller and Auditor General.
- 209 Such notification should occur without undue delay, and the Departmental Accounting Officer will need to consider whether to intervene in such cases.
- 210 The Accounting Officer may delegate to the Finance and Business Director to assist in these responsibilities.

### **The Finance and Business Director (Principal Finance Officer)**

211 The Finance and Business Director works in close collaboration with the Headteacher through whom he or she is responsible to the governors. The Finance and Business Director also has direct access to the governors via the Policy, Finance and Operations Committee. The main responsibilities of the Finance and Business Director are:

- the day to day management of financial issues including the establishment and operation of a suitable accounting system;
- the management of the academy financial position at a strategic and operational level within the framework for financial control determined by the governing body;
- the maintenance of effective systems of internal control;
- ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the academy;
- the preparation of monthly management accounts;
- authorising orders below £25,000 in conjunction with budget holders;
- signing cheques in conjunction with the Headteacher or other authorised signatory and
- ensuring forms and returns are sent to the DfE in line with the timetable in the DfE guidance.

### **The Responsible Officer**

212 The Responsible Officer (RO) is appointed by the governing body and provides governors with an independent oversight of the academy's financial affairs. The main duties of the RO are to provide the governing body with independent assurance that:

- the financial responsibilities of the governing body are being properly discharged;
- resources are being managed in an efficient, economical and effective manner;
- sound systems of internal financial control are being maintained and
- financial considerations are fully taken into account in reaching decisions.

213 The RO will undertake a termly programme of reviews to ensure that financial transactions have been properly processed and that controls are operating as laid down by the governing body. A report of the findings from each visit will be presented to the Policy, Finance and Operations Committee. Detailed guidance on the transactions to be checked by the RO is given in Appendix A of the DfE Guidance.

### **Other Staff**

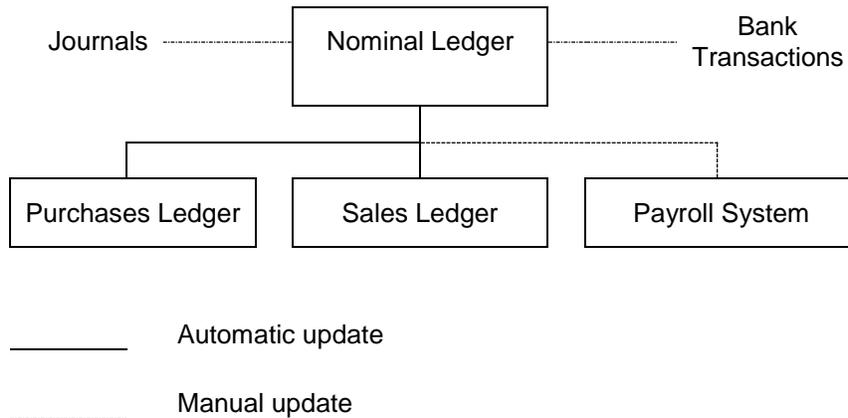
214 Other members of staff, primarily the Business Manager, the Finance Officer, the assistant Finance Officer and budget holders, will have some financial responsibilities and these are detailed in the following sections of this manual. All staff are responsible for the security of academy property, for avoiding loss or damage, for ensuring economy and efficiency in the use of resources and for conformity with the requirements of the academy's financial procedures.

### Register of Interests

- 215 It is important for anyone involved in spending public money to demonstrate that they do not benefit personally from the decisions they make. To avoid any misunderstanding that might arise all academy governors and staff with significant financial or spending powers are required to declare any financial interests they have in companies or individuals from which the academy may purchase goods or services. The register is open to public inspection.
- 216 The register should include all business interests such as directorships, share holdings or other appointments of influence within a business or organisation which may have dealings with the academy. The disclosures should also include business interests of relatives such as a parent or spouse or business partner where influence could be exerted over a governor or a member of staff by that person.
- 217 The existence of a register of business interests does not, of course, detract from the duties of governors and staff to declare interests whenever they are relevant to matters being discussed by the governing body or a committee. Where an interest has been declared, governors and staff should withdraw from that part of any committee or other meeting.

### 3. Accounting system

- 301 All the financial transactions of the academy must be recorded on the PS Financials accounting system. The system is operated by the Finance Department and consists of:



### System Access

- 302 Entry to the PS Financials system is password restricted and the Finance and Business Director is responsible for ensuring regular password changes are implemented. This will be done by the system being synchronised to the network logon for all users.
- 303 Access to the component parts of the PS Financials system can also be restricted and the Finance and Business Director is responsible for setting access levels for all members of staff using the system.

### **Back-up Procedures**

- 304 The Finance and Business Director is responsible for ensuring that there are effective back up procedures for the system. Data should be copied onto a removable medium and the copies stored in a secure place preferably in a fireproof container. Backup copies should be taken on at least a weekly basis.
- 305 The back-ups should not be recorded in a way which results in only one copy being available. In order to provide more protection from the loss of data at least three different files should be used in rotation and stored in different locations. At least one copy should be stored off-site.
- 306 A hard copy of the nominal ledger and audit trail should be printed each month and should be stored separately from the accounting system in a fireproof container.
- 307 The Finance and Business Director should also prepare a disaster recovery plan in the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by governors of the major risks to which the academy is exposed and the systems that have been put in place to mitigate those risks.

### **Transaction Processing**

- 308 All transactions input to the accounting system must be authorised in accordance with the procedures specified in this manual. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections of the manual. All journal entries must be documented on the appropriate journal form, and authorised by the Finance and Business Director prior to being input to the accounting system. Bank transactions should be input by the Business Manager, or in his or hers absence the Finance Officer, and the input should be checked, and signed to evidence this check, by the Finance and Business Director.
- 309 Detailed information on the operation of the PS Financial system can be found in the user manuals held in the Finance Office and the Finance and Business Directors' Office.

### **Transaction Reports**

- 310 The Finance and Business Director will obtain and review system reports to ensure that only regular transactions are posted to the accounting system. The report obtained and reviewed will include:
- the weekly audit trail reports;
  - master file amendment reports for the payroll, purchase ledger and sales ledger;
  - management accounts summarising expenditure and income against budget at budget holder level.

### **Reconciliations**

- 311 The Business Manager is responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:
- sales ledger control account;
  - purchase ledger control account;
  - payroll control account;
  - all suspense accounts and
  - bank balance per the nominal ledger to the bank statement.

- 312 Any unusual or long outstanding reconciling items must be brought to the attention of the Finance and Business Director. The Finance and Business Director will review and sign all reconciliations as evidence of this review.

## **4. Financial planning**

- 401 The academy prepares both medium term and short-term financial plans.
- 402 The medium term financial plan is prepared as part of the development planning process. The development plan indicates how the academy's educational and other objectives are going to be achieved within the expected level of resources over the next three years.
- 403 The development plan provides the framework for the annual budget. The budget is a detailed statement of the expected resources available to the academy and the planned use of those resources for the following year.
- 404 The development planning process and the budgetary process are described in more detail below.

### **Development Plan**

- 405 The development plan is concerned with the future aims and objectives of the academy and how they are to be achieved; that includes matching the academy's objectives and targets to the resources expected to be available. Plans should be kept relatively simple and flexible. They are the "big picture" within which more detailed plans may be integrated.
- 406 The form and content of the development plan are matters for the academy to decide but due regard should be given to the matters included within the guidance to academies and any annual guidance issued by the DfE.
- 407 The completed development plan will include detailed objectives for the coming academic year and outline objectives for the following two years. The plan should also include the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured.
- 408 For each objective the lead responsibility for ensuring progress is made towards the objective will be assigned. The responsible manager should monitor performance against the defined success criteria throughout the year and report to the Leadership Team on a regular basis. The Leadership Team will report to the governing body if there is a significant divergence from the agreed plan and will recommend an appropriate course of action.

### **Annual Budget**

- 409 The Finance and Business Director is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Headteacher, Policy, Finance and Operations Committee and the Full Governing Body.
- 410 The approved budget must be submitted to the Education Funding Agency (EFA) by 31<sup>st</sup> July each year and the Finance and Business Director is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.

411 The annual budget will reflect the best estimate of the resources available to the academy for the forthcoming year and will detail how those resources are to be utilised. There should be a clear link between the development plan objectives and the budgeted utilisation of resources.

412 The budgetary planning process will incorporate the following elements:

- forecasts of the likely number of pupils to estimate the amount of DfE grant receivable;
- review of other income sources available to the academy to assess likely level of receipts;
- review of past performance against budgets to promote an understanding of the academy cost base;
- identification of potential efficiency savings and
- review of the main expenditure headings in light of the development plan objectives and the expected variations in cost e.g. pay increases, inflation and other anticipated changes.

### **Balancing the Budget**

413 Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding. If shortfalls are identified, opportunities to increase income should be explored and expenditure headings will need to be reviewed for areas where cuts can be made. This may entail prioritising tasks and deferring projects until more funding is available. Plans and budgets will need to be revised until income and expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need.

### **Finalising the Budget**

414 Once the different options and scenarios have been considered, a draft budget should be prepared by the Finance and Business Director for approval by the Headteacher, the Policy, Finance and Operations Committee and the Governing Body. The budget should be communicated to all staff with responsibility for budget headings so that everyone is aware of the overall budgetary constraints.

415 The budget should be seen as a working document which may need revising throughout the year as circumstances change.

### **Monitoring and Review**

416 Monthly reports will be prepared by the Finance and Business Director. The reports will detail actual income and expenditure against budget both for budget holders and at a summary level for the Headteacher and the Policy, Finance and Operations Committee.

417 Any potential overspend against the budget must in the first instance be discussed with the Finance and Business Director. The accounting system will not allow payments to be made against an overspent budget without the approval of the Finance and Business Director.

418 The monitoring process should be effective and timely in highlighting variances in the budget so that differences can be investigated and action taken where appropriate. If a budget overspend is forecast it may be appropriate to vire money from another budget or from the contingency. All budget virements must be reported to the Policy, Finance and Operations Committee.

## **Budgetary Control**

**419** The Headteacher is responsible for regular, detailed control of the academy budget via the Finance and Business Director. To achieve this he/she will hold a monthly finance meeting with the Finance and Business Director and receive monthly reports from the academy's accounting software system. Such reports will show, for each budget heading:-

- Total budget for year
- Total commitment and expenditure to date
- Variance

The Headteacher is empowered to take remedial action to address variances, by effecting virement between individual budget headings. All virements are to be reported to the Policy, Finance and Operations Committee. Individual virements may be authorised as follows:-

- Up to £20,000 – Finance and Business Director
- £20,000-£50,000 – Headteacher
- Over £50,000 – Policy, Finance and Operations Committee

The Finance and Business Director presents detailed budget monitoring statements to the Policy, Finance and Operations Committee on a monthly basis, such statements shall show for each budget heading:-

- Total budget for year
- Total commitment and expenditure to date
- Variances
- A detailed list of budget amendments since previous meeting

The Headteacher / Finance and Business Director may assign budgetary control of individual budget headings to other members of staff. The Headteacher / Finance and Business Director remains ultimately accountable to the Governing Body for these budget headings.

Payroll expenditure data notified by the payroll provider must be entered promptly each month by the Business Manager onto the academy's accounting system.

When the accounts for each financial year are closed, a final statement from the academy's accounting system must be presented to the next meeting of the Policy, Finance and Operations Committee prior to presentation to the Full Governing Body.

## **5. Payroll**

501 The main elements of the payroll system are:

- staff appointments;
- payroll administration and
- payments.

## **Staff Appointments**

- 502 The Governing Body has approved a personnel establishment for the academy. Changes can only be made to this establishment with the express approval in the first instance of the Policy, Finance and Operations Committee who must ensure that adequate budgetary provision exists for any establishment changes.
- 503 The Headteacher has authority to appoint staff within the authorised establishment except for Deputy Headteachers and the Finance and Business Director whose appointments must follow consultation with the governors. The Headteacher ensures personnel files are maintained for all members of staff which include contracts of employment. All personnel changes must be notified, in writing, to the Finance and Business Director immediately.

## **Payroll Administration**

- 504 The academy payroll will be administered by Worcestershire County Council Payroll Service, or such other bureau, agency or internal system as may be approved by the Governing Body. Access to any system will be password controlled. Password control procedures and back-up arrangements are described in section two of this manual.
- 505 All staff are paid monthly through the approved payroll method. A master file is created for each employee which records:
- salary;
  - bank account details;
  - taxation status;
  - personal details and
  - any deductions or allowances payable.
- 506 New master files can only be created and advised to the Payroll Service by the Personnel Manager with the express approval of the Headteacher or Finance and Business Director. Any master file amendments made by the Personnel Manager must be printed out each month prior to the payroll run and must be authorised by the Headteacher or Finance and Business Director. Any master file amendments made by the Finance and Business Director must be authorised by the Headteacher.
- 507 A monthly staff return which provides details for all staff in the section of sickness and other absences during the month and any new appointments or terminations must be completed by the Cover Manager. The staff return must be authorised by the Headteacher or the Finance and Business Director. Authorised staff returns should be sent to Worcestershire County Council Payroll service who then files the documents for payroll processing.
- 508 Before the payroll is processed a print of all data input should be obtained and this should be checked against source documentation by Finance and Business Director or Business Manager.
- 509 **Payments**
- 510 After the payroll has been processed but before payments are dispatched a print of salary payments by individual and showing the amount payable in total should be obtained from the system. The print must be reviewed and authorised together with authority to release payment by the Finance and Business Director.

- 511 All salary payments are usually made by BACS, in exceptional circumstances cheques will be issued following confirmation of amount from the payroll provider.
- 512 The Finance and Business Director / Business Manager should prepare a reconciliation between the current month's and the previous month's gross salary payments showing adjustments made for new appointments, resignations, pay increases etc.
- 513 The payroll system automatically calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. The amounts payable are summarised on the gross to net pay print and authorised for payment by the Finance and Business Director by the due date.
- 514 The Finance and Business Director should select one employee at random each month and check the calculation of gross to net pay to ensure that the payroll system is operating correctly.
- 515 After the payroll entries have been posted to the finance system the nominal ledger will be automatically updated. Postings will be made both to the payroll control account and to individual cost centres. The Finance and Business Director should review the payroll control account each month to ensure the correct amount has been posted from the payroll system, individual cost centres have been correctly updated and to identify any amounts posted to the suspense account.
- 516 On an annual basis the Finance and Business Director must check for each member of staff that the gross pay per the payroll system agrees to the contract of employment held on the personnel file.

## 6. Purchasing

- 601 The academy wants to achieve the best value for money from all our purchases. This means they want to get what they need in the correct quality, quantity and time at the best price possible. A large proportion of their purchases will be paid for with public funds and they need to maintain the integrity of these funds by following the general principles of:
- **Probity**, it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the academy;
  - **Accountability**, the academy is publicly accountable for its expenditure and the conduct of its affairs;
  - **Fairness**, that all those dealt with by the academy are dealt with on a fair and equitable basis.

### Routine Purchasing

- 602 As a general principal Academy procedures for purchasing should ensure that purchases are as required and are for bone-fide purposes and value for money is obtained in respect of all goods and services.

- 603 So that the same person does not order, take delivery and then pay for goods which are ordered, orders should be processed on the finance system directly by the budget holder or staff authorised to requisition, the order is then to be scrutinised by the Finance and Business Director prior to he / she authorising it, once authorised the finance staff are to forward the order onto the vendor. If an order has been placed over the telephone an official confirmatory order must be sent.
- 604 Official orders must not be used to procure goods for private purposes.
- 605 Copies of all official orders placed must be retained at the academy by the Finance Officer.
- 606 When placing orders it is the responsibility of the initiator to ensure that Financial Regulations and Standing Orders are adhered to.
- 607 It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent.
- 608 For orders in respect of the supply of goods and services the following procedures shall be adopted unless the Headteacher or Finance and Business Director is satisfied that it would not be practicable to do so (in which case a record of each waiver to this instruction must be authorised by the Chair of Governors or Chair of the Policy, Finance and Operations Committee and retained on file):
- 609 (a) Up to £5,000 - At least 3 prices to be examined wherever possible, these prices may be taken from suppliers' written or verbal quotations or catalogues/price lists
- 610 (b) £5,001 - £10,000 – a minimum of three prices shall be obtained and the details retained for the financial year
- 611 (c) £10,001 – £25,000 – independent written evidence of at least 3 prices shall be retained for examination. Independent written evidence means quotations provided on suppliers' headed notepaper.
- 612 (d) Over £25,000 – Formal Tender
- 613 Tender opening, two people from the following list The Headteacher, Finance and Business Director, Business Manager, Chair of Governors, Chair of Policy, Finance and Operations Committee

### **European Rules**

- 614 All Public Sector contracts, no matter what their value within European Union, are covered by a treaty which incorporate the free movement of goods and services, which prevents discrimination against firms on the grounds of nationality.
- 615 The Directives and Regulations require organisations to follow detailed procedures for all procurement above a financial threshold. The thresholds are reviewed every year.
- 616 A specific tender notice must be placed in the supplement to the Official Journal of the European Union (OJEU) to give all suppliers in the EU an equal opportunity to tender.
- 617 Tenders must be invited in accordance with one of the prescribed procedures (open, restricted, negotiated – there are also two separate urgency procedures).

## **Standing Orders for contracts for goods and services over £156,442 or works over £3,927,260**

- 618 In the event that the academy wishes to place a contract worth over £156,442 (for the lifetime value – not just a single year), the purchasing rules are complicated and the Policy, Finance and Operations Committee and Finance and Business Director should review the purchase in accordance with the OJEU rule.

### **Contract agreement**

- 619 Contracts with a lifetime value of up to £50,000 may be signed by the Finance and Business Director.
- 620 Contracts with a lifetime value of up to £100,000 may be signed by the Headteacher.
- 621 All contracts with a lifetime value of over £100,000 must be signed by the Chair of Governors or in their absence by the Chair of Policy, Finance and Operations Committee.

### **Use of Preferred Suppliers**

- 622 The Governors have agreed that the suppliers detailed in Appendix 1 may be used without the need to obtain competitive quotes for all work up to a financial limit of £10,000. This list to remain valid until 31.8.2015. Periodic alternative quotes will be obtained to check suppliers remain competitive.

### **Governor involvement**

- 623 As well as ensuring that the above have been adhered to, it is the responsibility of the Finance and Business Director to ensure that the Policy, Finance and Operations Committee are consulted in the following circumstances:-
- On purchasing decisions when the estimated cost of one item exceeds £25,000
  - Review of quotations obtained where estimated costs exceed £25,000
  - Review of quotations when the lowest quote is not the most suitable

Agreement can be given by the Chair and Chair of the Policy, Finance and Operations Committee to place the order.

- 624 All orders must be made, or confirmed by the Finance Manager or Business Manager once processed on the finance system directly by the budget holder or staff authorised to requisition.
- 625 Authorised orders are recorded on the PS Financials accounting system, allocated a reference number and dispatched to the supplier by the Finance Staff.
- 626 The Finance Officer must make appropriate arrangements for the delivery of goods to the academy. On receipt the budget holder must undertake a detailed check of the goods received against the goods received note (GRN) and make a record of any discrepancies between the goods delivered and the GRN. Discrepancies should be discussed with the supplier of the goods without delay.
- 627 If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Finance Office should be notified. The Finance Officer will keep a central record of all goods returned to suppliers.

- 628 All invoices should be sent to the Finance Office. Invoice receipt will be recorded by the Finance Staff in the purchase ledger.
- 629 The invoice will then be sent to the budget holder, the budget holder must make a detailed check against the order, sign and return to the Finance Office. Budget holders must undertake these checks without undue delay and in any case within 7 days of invoice receipt.
- 630 If a budget holder is pursuing a query with a supplier the Finance Office must be informed of the query and periodically kept up to date with progress.
- 631 The Business Manager will then input details of payments to be made to the purchase ledger and generate the cheques/BACs required. The BACs must be authorised by the Finance and Business Director and countersigned by the Headteacher and cheques by two of the nominated signatories.
- 632 Cheques will be dispatched to suppliers by the Finance Officer who will ensure all invoices are scanned and filed.

### **Forms of Tenders**

- 633 There are three forms of tender procedure: open, restricted and negotiated. The circumstances in which each procedure should be used are described below.
- **Open Tender:** This is where all potential suppliers are invited to tender. The budget holder must discuss and agree with the Finance and Business Director how best to advertise for suppliers e.g. general press, trade journals or to identify all potential suppliers and contact directly if practical. This is the preferred method of tendering, as it is most conducive to competition and the propriety of public funds.
  - **Restricted Tender:** This is where suppliers are specifically invited to tender. Restricted tenders are appropriate where:
    - there is a need to maintain a balance between the contract value and administrative costs,
    - a large number of suppliers would come forward or because the nature of the goods are such that only specific suppliers can be expected to supply the academy's requirements,
    - the costs of publicity and advertising are likely to outweigh the potential benefits of open tendering.
  - **Negotiated Tender:** The terms of the contract may be negotiated with one or more chosen suppliers. This is appropriate in specific circumstances:
    - the above methods have resulted in either no or unacceptable tenders,
    - only one or very few suppliers are available,
    - extreme urgency exists,
    - additional deliveries by the existing supplier are justified.

## **Preparation for Tender**

634 Full consideration should be given to:

- objective of project
- overall requirements
- technical skills required
- after sales service requirements
- form of contract.

635 It may be useful after all requirements have been established to rank requirements (e.g. mandatory, desirable and additional) and award marks to suppliers on fulfilment of these requirements to help reach an overall decision.

## **Invitation to Tender**

636 If a restricted tender is to be used then an invitation to tender must be issued. If an open tender is used an invitation to tender may be issued in response to an initial enquiry.

637 An invitation to tender should include the following:

- introduction/background to the project;
- scope and objectives of the project;
- technical requirements;
- implementation of the project;
- terms and conditions of tender and
- form of response.

## **Aspects to Consider**

### ***Financial***

- Like should be compared with like and if a lower price means a reduced service or lower quality this must be borne in mind when reaching a decision.
- Care should be taken to ensure that the tender price is the total price and that there are no hidden or extra costs.
- Is there scope for negotiation?

### ***Technical/Suitability***

- Qualifications of the contractor
- Relevant experience of the contractor
- Descriptions of technical and service facilities
- Certificates of quality/conformity with standards
- Quality control procedures
- Details of previous sales and references from past customers.

### **Other Considerations**

- Pre sales demonstrations
- After sales service
- Financial status of supplier. Suppliers in financial difficulty may have problems completing contracts and in the provision of after sales service. It may be appropriate to have an accountant or similarly qualified person examine audited accounts etc.

### **Tender Acceptance Procedures**

- 638 The invitation to tender should state the date and time by which the completed tender document should be received by the academy. Tenders should be submitted in plain envelopes clearly marked to indicate they contain tender documents. The envelopes should be time and date stamped on receipt and stored in a secure place prior to tender opening. Tenders received after the submission deadline should not be accepted.

### **Tender Opening Procedures**

- 639 All tenders submitted should be opened at the same time and the tender details should be recorded. Two persons from the following list the Headteacher, Finance and Business Director, Business Manager, Chair of Governors, Chair of Policy, Finance and Operations should be present for the opening of tenders.
- 640 A separate record should be established to record the names of the firms submitting tenders and the amount tendered. This record must be signed by both people present at the tender opening.

### **Tendering Procedures**

- 641 The evaluation process should involve at least two appropriate people. Those involved should disclose all interests, business and otherwise, that might impact upon their objectivity. If there is a potential conflict of interest then that person must withdraw from the tendering process.
- 642 Those involved in making a decision must take care not to accept gifts or hospitality from potential suppliers that could compromise or be seen to compromise their independence.
- 643 Full records should be kept of all criteria used for evaluation and for contracts over £50,000 a report should be prepared for the Policy, Finance and Operations Committee highlighting the relevant issues and recommending a decision. For contracts under £50,000 the decision and criteria should be reported to the Policy, Finance and Operations Committee.
- 644 Where required by the conditions attached to a specific grant from the EFA, the department's approval must be obtained before the acceptance of a tender.
- 645 The accepted tender should be the one that is economically most advantageous to the academy. All parties should then be informed of the decision.

## **7 Income**

701 The main sources of income for the academy are the grants from the EFA. The receipt of these sums is monitored directly by the Finance and Business Director who is responsible for ensuring that all grants due to the academy are collected.

702 The academy also obtains income from:

- students, mainly for catering, trips and music tuition
- the public, mainly for lettings.

### **Catering**

703 See separate policy for catering provision.

### **Trips**

704 A lead teacher must be appointed for each trip to take responsibility for the collection of sums due. The lead teacher must prepare a record for each student intending to go on the trip showing the amount due.

705 Students should make payments to the member of staff responsible for the trip or via the online payment system. A payment card must be used for all monies collected.

706 The responsible member of staff must record the payments and hand all monies to the finance office at the earliest opportunity (monies are not insured unless done so). All monies are to be attached to and recorded on a 'pink slip'. The finance staff are to check and sign for receipt of all monies on the pink slip which is then to be returned to the responsible member of staff.

707 The responsible member of staff should maintain an up to date record for each student showing the amount paid and the amount outstanding.

### **Lettings**

708 The Business Manager is responsible for maintaining records of bookings of lettings and for identifying the sums due from each organisation. Payments should be made in advance for the use of facilities.

709 No debts should be written off without the express approval of :

- the Finance and Business Director up to a limit of £500
- Chair of Governors up to a limit of £1,000
- Policy, Finance and Operations Committee may authorise write-off of debts of £1,001 and over
- the DfE's prior approval is also required if debts to be written off are above the value set out in the annual funding letter.

710 Organisations using the facilities should be instructed to send all payments to the Finance Office.

## **Custody**

- 711 Official, pre-numbered academy receipts should be issued for all cash and cheques received where no other formal documentation exists. All cash and cheques must be kept in the Finance Office safe prior to banking. Banking should take place every week or more frequently if the sums collected exceed the £15,000, insurance limit on the Finance Office safe.
- 712 Monies collected must be banked in their entirety in the appropriate bank account. The Finance Officer is responsible for preparing reconciliations between the sums collected, the sums deposited at the bank and the sums posted to the accounting system. The reconciliations must be prepared promptly after each banking and must be reviewed and certified by the Finance and Business Director.

## **8 Cash Management**

### **Bank Accounts**

- 801 The opening of all accounts must be authorised by the Governing Body who must set out, in a formal memorandum, the arrangements covering the operation of accounts, including any transfers between accounts and cheque signing arrangements. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

### **Deposits**

- 802 Particulars of any deposit must be entered on a copy paying-in slip, counterfoil or listed in a supporting book. The details should include:
- the amount of the deposit and
  - a reference, such as the number of the receipt or the name of the debtor.

### **Payments and withdrawals**

- 803 All cheques and other instruments authorising withdrawal from academy bank accounts must bear the signatures of two of the following authorised signatories:
- Headteacher;
  - Finance and Business Director;
  - A Deputy Headteacher.
- 804 This provision applies to all accounts, public or private, operated by or on behalf of the Governing Body of the academy. Authorised signatories must not sign a cheque relating to goods or services for which they have also authorised the expenditure.

### **Administration**

- 805 The Finance and Business Director must ensure bank statements are received regularly and that reconciliations are performed at least on a monthly basis. Reconciliation procedures must ensure that:
- all bank accounts are reconciled to the academy's cash book;
  - reconciliations are prepared by the Business Manager or the Finance Officer;
  - reconciliations are subject to an independent monthly review carried out by the Finance and Business Director or in their absence the RO and
  - adjustments arising are dealt with promptly.

### **Petty Cash Accounts**

- 806 The academy maintains a maximum cash balance of £500. The cash is administered by the Finance Officer and is kept in the Finance Office safe. However, the preferred reimbursement for petty cash claims is via BACS.

### **Deposits**

- 807 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.

### **Payments and Withdrawals**

- 808 In the interests of security, petty cash payments will be limited to £50, however every effort should be made to make all petty cash payments via the BACS system. Higher value payments should be made by cheque or BACs directly from the main bank account as a cash book payment.

### **Administration**

- 809 The Finance Officer is responsible for entering all transactions into the petty cash records on a regular basis and regular as well as unannounced cash counts should be undertaken by the Business Manager to ensure that the cash balance reconciles to supporting documentation.

### **Physical Security**

- 810 Petty cash should be held in a locking cash box which is put in the safe overnight.

### **Cash Flow Forecasts**

- 811 The Finance and Business Director is responsible for preparing cash flow forecasts to ensure that the academy has sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds. Similarly plans should be made to transfer funds from another bank account or to re-profile annual spending plans to cover potential cash shortages.

### **Investments**

- 801 The Finance and Business Director can deposit up to £200,000 in a 'no risk' investment account for a period that is deemed suitable to satisfy the cash flow of the academy. All interest made is to be invested into the academy budget.
- 802 The Headteacher can authorise up to £250,000 to be invested as above.
- 803 The Full Governing body can authorise all investments above £250,000 on the recommendation of the Finance, Policy and Operations Committee.

## 9 Fixed assets

### Asset register

901 All items purchased with a value over the academy's capitalisation limit (individual value of £500) must be entered in an asset register. The asset register should include the following information:

- asset description
- asset number
- serial number
- date of acquisition
- asset cost
- source of funding (% of original cost funded from EFA grant and % funded from other sources)
- expected useful economic life
- depreciation
- current book value
- location
- name of member of staff responsible for the asset

902 The Asset Register helps:

- ensure that staff take responsibility for the safe custody of assets;
- enable independent checks on the safe custody of assets, as a deterrent against theft or misuse;
- to manage the effective utilisation of assets and to plan for their replacement;
- help the external auditors to draw conclusions on the annual accounts and the academy's financial system and
- support insurance claims in the event of fire, theft, vandalism or other disasters.

### Security of assets

903 Stores and equipment must be secured by means of physical and other security devices. Only authorised staff may access the stores.

904 All the items in the register should be permanently and visibly marked as the academy's property and there should be a regular (at least annual) count by someone other than the person maintaining the register. Discrepancies between the physical count and the amount recorded in the register should be investigated promptly and, where significant, reported to the Governing Body. Inventories of academy property should be kept up to date and reviewed regularly. Where items are used by the academy but do not belong to it this should be noted.

### Disposals

905 Items which are to be disposed of by sale or destruction must be authorised for disposal by the Finance and Business Director and, where significant, should be sold following competitive tender. The academy must seek the approval of the EFA in writing if it proposes to dispose of an asset for which capital grant in excess of £20,000 was paid.

- 906 Disposal of equipment to staff is not encouraged, as it may be more difficult to evidence the academy obtained value for money in any sale or scrapping of equipment. In addition, there are complications with the disposal of computer equipment, as the academy would need to ensure licences for software programmes have been legally transferred to a new owner.
- 907 The academy is expected to reinvest the proceeds from all asset sales for which capital grant was paid in other academy assets. If the sale proceeds are not reinvested then the academy must repay to the EFA a proportion of the sale proceeds.
- 908 All disposals of land must be agreed in advance with the Secretary of State.

#### **Loan of Assets**

- 909 Items of academy property must not be removed from academy premises without the authority of the Head of Department or Finance and Business Director. A record of the loan must be recorded in a loan book and booked back in academy when it is returned.
- 910 If assets are on loan for extended periods or to a single member of staff on a regular basis the situation may give rise to a 'benefit-in-kind' for taxation purposes. Loans should therefore be kept under review and any potential benefits discussed with the academy's auditors.

## Appendix 1 – Approved Suppliers

Electrical contractor:	Ford Electrical
Gas contractor:	EMS and AGS
Building contractor:	MJR Services
Flooring contractor	
Glass contractor	Howard Yarnold
Furniture	Dave Ball Furnishings

## Appendix 2 - Annex 2d: Procurement - Best Practice Checklist

1. **Policies and procedures for procurement should be documented and adhered to**, to ensure that the process is being carried out on a fair, open and best value basis. The documentation should describe:

- **roles and responsibilities** of those involved in procurement (eg Governing Body, Headteacher, Finance and Business Director, Business Manager, other senior managers and the central finance office);
- **delegated authority levels**, in particular setting out the procedures to be followed for purchases above specified values, to ensure sufficient levels of oversight by the Governing Body;
- **arrangements to ensure segregation of duties**;
- **how purchases are recorded** (papers records and computer records (eg accounting system arrangements)).

In all cases it is important to ensure that the procedures that are set out are followed, both for routine day to day procurement, and for periodic high value items.

2. Where appropriate, **individuals with relevant experience including the end-users (eg ICT managers, teachers) should be involved** when putting together invitations to tender, or making key decisions. This will not only aid selection of the best solutions for the academy, but may also help achieve buy-in by the end-users.
3. An officer should be nominated for coordinating the initial procurement of assets, and stocks of teaching and learning materials, during the academy's start-up period. This person should provide an assessment of the completeness and reasonableness of items procured, to ensure that all essential purchases are made prior to opening, and that they non-essential purchases are challenged.
4. **Procurement decisions should be clearly recorded** to ensure that the decision has been reached fairly and to provide a clear audit trail:
  - minutes should be taken of all relevant meetings;
  - the options available should be recorded;
  - the basis for scoring/ranking should be set out;
  - the individuals responsible for scoring/ranking should be identified;
  - the outcome of the scoring and the final decision should be recorded;
  - the reasons on which the decision was reached should be clearly documented.
5. **All key documents should be retained together by the Academy.** This includes:
  - invitations to tender;
  - tenders received from bidders;
  - quotes obtained for smaller purchases;
  - papers/minutes documenting the procurement decision;
  - signed copies of the contracts awarded;
  - invoices.

Where procurement is carried out with the assistance of an external project management company (for example the initial procurement of ICT, furniture and equipment prior to moving into a new building) key documents should be transferred to, and retained by, the academy prior to cessation of the contract with the project management company.

6. **An asset register of all capital items should be established in an appropriate format and should be updated on a continual basis as assets are purchased.** The register should include:

- asset description
- asset number
- serial number
- date of acquisition
- asset cost
- source of funding (% of original cost funded from EFA grant and % funded from other sources)
- expected useful economic life
- depreciation
- current book value
- location
- name of member of staff responsible for the asset

Updating of the register as assets are procured should ensure that it is always current and should ease the task of end of year asset verification. It should also simplify the setting of insurance levels and the handling of any claims.

A similar register should also be maintained of “attractive items” (ie items with a cost below the Academy’s capitalisation threshold) such as minor office equipment.

7. **Fitness for purpose should be a key consideration in any procurement decision** (eg ICT should be of the correct specification; fixtures and fittings should be of adequate durability).
8. Opportunities should be taken for **bulk purchase discounts**, for example by combining similar orders.
9. When ordering goods an assessment of likely **delivery timeframes** should be made, to ensure that appropriate staff are available on site to receive them (particularly during school holidays), and that adequate space is available to locate or store the delivery.

## Appendix 3 – Responsible Officer Checklist

The purpose of the Responsible Officer is to provide the Governing Body and Finance and Resources Committee with on-going independent assurance that:

1. The financial responsibilities of the governing body are being properly discharged
2. Resources are being managed in an efficient, economical and effective manner
3. Sound systems of internal control are being maintained
4. Financial considerations are fully taken into account in reaching decisions.

The Finance and Resources Committee needs to approve the programme that the Responsible Officer review will cover. The proposed programme is:

- a) Review of monthly bank reconciliations
- b) Review of monthly payroll
- c) Check of a sample of orders (5) to delivery notes and invoices
- d) Check of a sample of payments (5) to invoices, orders and delivery notes
- e) Review of a sample of expense claims
- f) Review income receipts
- g) Review invoices raised
- h) Review of returns to the YPLA
- i) Review VAT returns
- j) Spot checks of petty cash
- k) Review all major contracts and ensure formal tendering procedures exist and are being adhered to?
- l) Review the risk management processes.

# Appendix 4 – Best Value Strategy

## 1 Introduction

- 1.1 This document establishes the Academy's Best Value Strategy for purchasing. It sets out:
- Why a best value strategy is needed;
  - The benefits to the academy of having a best value strategy;
  - The key approaches to best value.
- 1.2 The strategy will, at this stage, concentrate on obtaining best value in purchasing. This can be extended to other key areas, such as the delivery of curriculum, at a later date should the Governing Body feel this would be beneficial.

## 2 Why the strategy is needed

- 2.1 Best Value is a statutory duty on local authorities to secure continuous improvement in the way that services and functions are exercised by the most economic, efficient and effective means possible. Whilst best value does not apply statutorily to Academy's governing bodies, academies are expected to demonstrate that they are following best value principles in their expenditure of public money, and as part of their evaluation of standards, the curriculum, partnership with parents and management.
- 2.2 In managing their budgets all academies should be striving to utilise available funding in the most efficient and effective manner for the school. Key to this is seeking to obtain best value for all purchases being made.
- 2.3 The principles of Best Value have received a significant level of exposure to the general public. This higher profile has resulted in a far greater level of awareness, understanding and expectation by parents and in many cases the students of the academy. The academy has a duty to be open in ensuring that all stakeholders are aware of how it intends to ensure best value is obtained.
- 2.4 The DfE's Fair Funding Scheme establishes a requirement on academies to consider best value. As part of the scheme there is a requirement on all academies to submit, along with their annual plan, a best value statement. This should set out the steps being taken in the course of the year to ensure that expenditure, particularly in respect of large service contracts, will reflect the principles of the Best Value regime. The formulation of a strategy will help the academy meet these requirements.
- 2.5 Finally, the development and introduction of a best value strategy, would give the academy the opportunity to be at the forefront, leading on an area other academies will have to become involved in over the next few years.

## 3. The benefits of a Best Value strategy

- 3.1 The introduction of a Best Value strategy will provide a number of key benefits to the academy.
- The strategy will formally establish, and help to highlight, the governors' commitment to creating a best value culture throughout the academy.
  - The strategy will raise awareness of the benefits the academy can obtain from working towards a best value culture.

- The strategy will help to clarify governor and staff responsibilities in relation to best value.
- The strategy will provide a framework within which the academy can work towards creating a best value culture.

#### **4. Approach to Best Value**

4.1 The aim of the Best Value strategy is to help the academy achieve continuous improvement in the way it carries out its purchasing function. The approach used to ensure such improvements are achieved is to carry out a regular programme of review by applying the four key principles of best value:

- Challenge - why, how and by whom the service is provided
- Compare - performance against others
- Consult - with key stakeholders
- Compete - the use of competitive measures, wherever practicable, to secure efficient and effective provision.

4.2 By applying these principles to all aspects of the purchasing procedures, the academy can ensure that it is working positively towards establishing a process that will deliver, monitor and improve the efficiency and effectiveness of the purchases being made.

## **Appendix 5 – Risk Management Policy**

### **Rationale**

The risk management policy is to be read in conjunction with the Risk Register.

### **Policy**

The governors shall appoint a suitable person to take overall control of the risk management process; this shall either be a Trustee, a Governor or a member of the Leadership Team, whose role gives a global view of the activities of the school.

A risk review panel or group shall be appointed from governors and senior leaders most qualified to contribute to the discussion.

The annual meeting may form part of a regular governors' meeting; the first meeting of the Finance, Policy and Operations Committee each academic year may be considered the most appropriate. The risk management meeting should take place before the budget setting process begins. Prior to the meeting, the strategic objectives of the academy (as stated in the academy development plan) will be circulated to the panel members, who shall be asked to submit what they consider to be risks to the achievement of those objectives.

Other governors and staff members may be consulted at this stage of the process. The Finance and Business Director shall consider the risks and compile a list of the main risks facing the academy.

The objectives of the risk meeting are as follows:

- discuss and agree that all involved are satisfied with the list of risks;
- determine the appropriate response to each risk;
- assess existing controls and determine appropriate action;
- allocate responsibility for action; and
- agree future reporting and review procedures.

The group shall use the model format from the Academies' Financial Handbook to classify the risks according to potential impact and decide whether to treat, terminate or tolerate each risk, according to impact and likelihood of each risk identified. Value for money shall be considered in formulating an appropriate response to each risk, to avoid the over control of minor risks and the under-control of major ones.

It is likely that the assessment of controls will produce a list of actions required to produce an acceptable internal control system. Clear responsibilities should be allocated to these actions along with a deadline for the action to be completed and a scheduled date for review.

A final version of the risk register may be circulated to all relevant members of the organisation (governors and leadership team) who shall be asked to confirm the accuracy of the register. A copy shall be placed on the academy's server so that all staff and governors are aware of the risks and the strategies in place to deal with them.

# Appendix 6 – Whistleblowing Policy

## Introduction

This policy is closely based on the LA (Human Resources) policy suggested for Schools.

People working within organisations are often the first to realise that there may be something seriously wrong in the place where they work. They may be wary of expressing concerns because they feel that it would be disloyal to their colleagues or to their school. They may fear harassment or victimisation. In these circumstances it may feel easier to ignore the concern rather than report a suspicion of malpractice.

This academy is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, we expect employees and others working at or for the academy who have serious concerns about any aspect of the work of the academy (described as ‘the organisation’ hereafter) to come forward and voice those concerns.

Anyone working for or on behalf of the organisation may raise a concern about malpractice.

## Aims of the Policy

This Policy is designed to encourage and enable you to be able to raise concerns you might have about the way the organisation conducts its business. It provides you with an opportunity to raise concerns which you reasonably believe point to serious malpractice in a confidential way, without fear of victimisation, subsequent discrimination or disadvantage. Your concerns may relate to the improper, unethical or illegal conduct of employees, governors or representatives of the organisation or others acting on their behalf. Some examples of serious malpractice include conduct which:

- is an offence or a failure to comply with a legal obligation;
- allows miscarriages of justice;
- endangers the health and safety of pupils, members of the public or other employees;
- damages the environment;
- involves the unauthorised use of public funds;
- could be possible fraud and corruption;
- involves sexual or physical abuse or harassment of students or other workers;
- raises any concern over the welfare of pupils or other workers;
- is deliberate concealment of malpractice.

Victimisation or harassment of anyone using this policy or discouraging others from coming forward will be deemed to be a disciplinary matter.

This Policy complements complaints and statutory reporting procedures already in place and reflects the legal protection afforded by the Public Interest Disclosure Act 1998. It is not a substitute for the academy’s grievance, disciplinary or harassment policies. If you have a personal concern unrelated to malpractice, please use the Academy Grievance Procedure Policy, copies of which are available from the Headteacher.

## **Who is responsible for the Policy?**

The Governing Body is responsible for the operation of this policy in matters relating to this academy.

### **Step 1 – Raising a concern within the academy**

If you have a concern about malpractice, the Governing Body hopes that you will be able to raise the matter with the Headteacher. If your concern is connected to a child protection issue, you must follow the academy's Child Protection Policy.

However, if you feel unable to raise the concern with your Headteacher, you should speak to the Chair of Governors or another governor.

Concerns may be raised verbally and/or in writing. If you wish to make a written report, include in your letter the background and history (giving relevant dates) and give the reason why you are particularly concerned about the matter. You may also wish to seek advice from your trade union at this stage.

If you are personally involved in the matter you raise, please tell us at the outset.

You may invite your trade union or a work colleague to be present during any meetings or interviews (which may be arranged away from your normal workplace if you so wish) in connection with the concerns you have raised.

### **Step 2 - Raising a Concern Externally**

We hope this policy gives you the confidence to raise your concern within the organisation. However, we would prefer you to raise your concern with the proper external regulator rather than remain silent.

If you act in good faith reasonably believing that both the malpractice falls within the remit of a regulator and that the information disclosed is substantially true, you may also contact the following:

- the Health and Safety Executive for health and safety dangers;
- the Environment Agency for environmental dangers;
- the EFA, the Audit Commission or External Auditor for concerns about conduct of business value for money, fraud and corruption;
- the Data Protection Registrar.

Finally, if you genuinely believe that the matter cannot or will not be dealt with internally because you believe your complaints have been ignored, or that information will be concealed or destroyed or you will be subjected to victimisation and have evidence to back up your belief, you may consider contacting a non-regulatory external body for example the police, OFSTED, or the DfE. You are strongly advised to seek independent advice before raising any issue outside the academy. Possible contacts are given below.

## **Confidentiality**

The organisation undertakes to protect your identity and will not disclose it without your consent. If it is not possible to pursue your concern without revealing your identity (e.g. the need to give evidence in court or at a disciplinary hearing), we will discuss with you how and if we can proceed.

## **Untrue Allegations**

If you make an allegation in good faith, but the evidence produced during the investigation does not substantiate it, no action will be taken against you. If, however, you make an allegation maliciously or for personal gain, this may result in disciplinary action being taken against you.

## **The Role of the Trade Unions and Further Advice**

The trade unions recognised by the academy are committed to the effective use of this policy. If you are considering raising concerns using this procedure you may wish to seek advice from your trade union representative before doing so, particularly if you believe that the only course of action open to you is to raise your concern with an external body.

If you want other independent advice at any time you may contact the independent charity, Public Concern at Work on 0207 404 6609 or email them on [whistle@pcaw.demon.co.uk](mailto:whistle@pcaw.demon.co.uk). Their lawyers will give you free confidential advice on how to raise a concern about serious malpractice at work.

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