



Thringstone Primary School

Believe and Achieve Together

Financial Regulations 2021 - 22

THRINGSTONE PRIMARY SCHOOL ACADEMY TRUST

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November 2021

Signed:

Chair of Governors: Sarah Baxter

Date: 6.12.2021

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Date: 6.12.2021

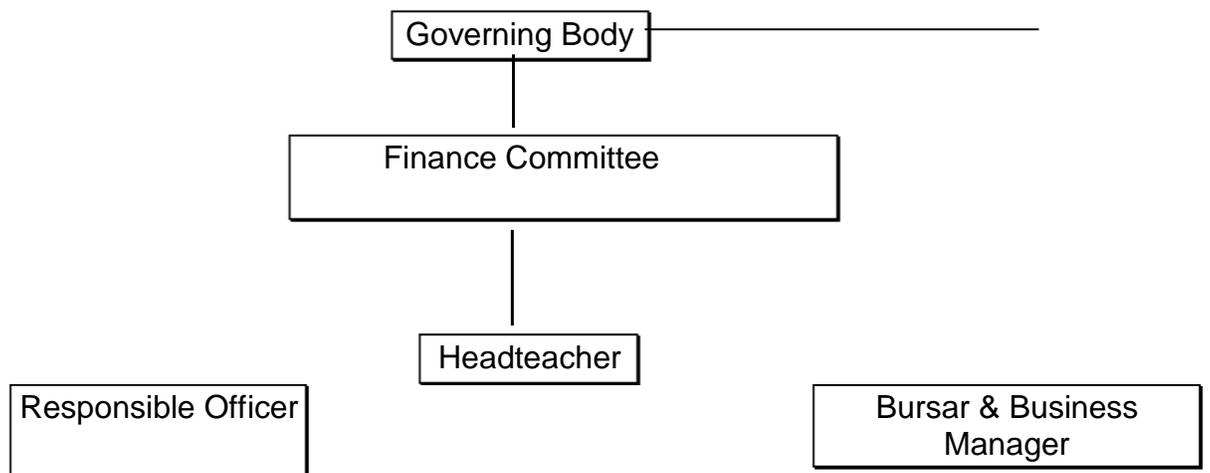
To be reviewed: Autumn Term 2022

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 academy's guidance published by the DfE. This manual expands on that and provides detailed information on the academy's accounting procedures and system manual 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 Business Manager, in conjunction with the Headteacher.

The Finance Committee

203 The Finance Committee is a committee of the governing body. The Finance Committee meets termly.

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

- the review and ratification 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 £6,000
- 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 Business Manager 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 £6,000 in conjunction with the Business Manager; (note all contracts over £6,000 to be reported to Finance Committee)
- Signing cheques/authorising BACs payments (panel of 2 from 5 signatories – Headteacher, Deputy Headteacher, Business Manager, Chair of Governors and Another named Governor.
- Authorising virements up to £5,000 or 2% of the budget in conjunction with the Business Manager and reporting to the Finance Committee.

The Business Manager

206 The Business Manager works in close collaboration with the Headteacher through whom he or she is responsible to the governors Finance Committee. The main responsibilities of the Business Manager 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.
- ensuring forms and returns are sent to the DFE in line with the timetable in the DFE guidance.

The Responsible Officer

207 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.

Other Staff

208 Other members of staff, primarily 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

209 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.

210 The register should include all business interests such as directorships, shareholdings 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.

211 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 not attend that part of any committee or other meeting.

3. Accounting system

301 All the financial transactions of the academy must be recorded on the FMS accounting system.

System Access

302 Entry to the FMS system is password restricted and the Business Manager is responsible for implementing a system which ensures that passwords are changed at least every 3 months. When passwords are changed the new password should be placed in a sealed envelope and passed to the Business Manager to keep in the safe.

303 Access to the component parts of the FMS system will also be restricted and the Business Manager is responsible for setting access levels for all members of staff using the system. Only 2 members of staff have access.

Back-up Procedures

The school administrator is responsible for ensuring that there are effective back up procedures for the system. Backups are now completed by LEAMIS, the SLA is reviewed annually.

- 304 The Headteacher prepares a disaster recovery plan. A section relating to the loss of accounting facilities or financial data should be produced. 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

- 305 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 and authorised by the Business Manager.
- 306 Detailed information on the operation of the FMS system can be found in the user manuals held in the Finance Office.

Transaction Reports

- 307 The Business Manager 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:
- Balancing control accounts for the payroll, bank, purchase ledger and sales ledger;
 - management accounts summarising expenditure and income against budget at budget holder level.

Reconciliations

- 308 The Business Manager is responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:
- procurement Card;
 - payroll control account;
 - all suspense accounts and
 - bank balance on bank account.
- 309 Any unusual or long outstanding reconciling items must be brought to the attention of the Business Manager. The Business Manager will review and sign all reconciliations as evidence of her 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 Each year the Headteacher will propose a planning cycle and timetable to the governing body which allows for:
- a review of past activities, aims and objectives - "did we get it right?"
 - definition or redefinition of aims and objectives – "are the aims still relevant?"
 - development of the plan and associated budgets – "how do we go forward?"
 - implementation, monitoring and review of the plan – "who needs to do what by when to make the plan work and keep it on course" and
 - feedback into the next planning cycle – "what worked successfully and how can we improve?"
- 408 The timetable will specify the deadlines for the completion of each of the key stages described above. Lead responsibility for the completion of each of the stages will be assigned by the Headteacher.
- 409 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.
- 410 For each objective the lead responsibility for ensuring progress is made towards the objective will be assigned to an academy manager. The responsible manager should monitor performance against the defined success criteria throughout the year and report to the senior management team on a quarterly basis. The senior management 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

- 411 The Business Manager is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Headteacher and Finance Committee and notified to the governing body.

- 412 The approved budget must be submitted to the DfE by 30 June each year and the Business Manager is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.
- 413 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.
- 414 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

- 415 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

- 416 Once the different options and scenarios have been considered, a draft budget should be prepared by the Business Manager for approval by the Headteacher and the Finance Committee and then notified to 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.
- 417 The budget should be accompanied by a statement of assumptions and hierarchy of priorities so that if circumstances change, it is easier for all concerned to take remedial action. The budget should be seen as a working document which may need revising throughout the year as circumstances change.

Monitoring and Review

- 418 Monthly reports will be prepared by the Business Manager. The reports will detail actual income and expenditure against budget both for budget holders and at a summary level for the Headteacher and the Finance Committee.
- 419 Any potential overspend against the budget must in the first instance be discussed with the Business Manager. The accounting system will not allow payments to be made against an overspent budget without the approval of the Headteacher.

- 420 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.
- 421 The Governing Body is responsible for authorisation of all virements in excess of £5,000 between budget headings. Details of all virements approved and authorised by the Finance Committee are to be formally notified to the 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 Headteacher and notified to the School Development 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 Business Manager whose appointments must follow consultation with the governors. The Business Manager maintains personnel files for all members of staff which include contracts of employment.

Payroll Administration

- 504 The academy payroll is administered through the Leicestershire County Council Payroll system
Access to the system is limited to relevant finance and H.R. staff. Password control procedures and back-up arrangements are described in section two of this manual.
- 505 New appointments are to be notified to LCC Payroll by means of SIMS. This form is to be completed by the Business Manager and only authorised by the Headteacher. A copy will be kept in the employee's personal file.
- 506 Amendments to an employee's terms of employment are to be notified to LCC Payroll using SIMS. Terminations of employments are to be notified to LCC Payroll using SIMS. Both of these forms are to be completed by the Business Manager and only authorised by the Headteacher.
- 507 Sickness absences during the month will be recorded by the Business Manager using SIMS.
- 508 Staff overtime must be approved by the Headteacher or Deputy Headteacher. Claims for additional duties/ variations of hours etc will be entered on the appropriate spreadsheet by the Business Manager. A hard copy of the claim form is to be checked by the Business Manager and signed by the Headteacher. It is then forwarded to payroll by the Business Manager. No overtime should be undertaken without the prior approval of the Headteacher.

Payments

- 509 All salary payments are made by BACS (cheque payments are made in exceptional circumstances –evidenced by memo/letter from Business Manager).
- 510 The Business Manager prepares a reconciliation between the FMS system and Payroll output and highlights any differences.
- 511 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. These payments are taken by direct debit from the Academy's bank account.
- 512 After the payroll has been processed the nominal ledger is updated by the Business Manager. Postings will be made both to the payroll control account and to individual cost centres. The Business Manager reviews the payroll control account each month to ensure the correct amount has been posted from the payroll system and the individual cost centres have been correctly updated.

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 Budget holders will be informed of the budget available to them at least one month before the start of the academic year. It is the responsibility of the budget holder to manage the budget and to ensure that the funds available are not overspent. A print detailing actual expenditure against budget will be supplied to each budget holder regularly (and on demand). Budget-holders (or their appropriate staff) will be responsible for making the first request for the purchase of items or services from their own budgets.
- 603 Any urgent order that is placed verbally should be notified to the Business Manager as soon as possible and entered onto the accounting system as soon as possible so that a purchase order can be setup to register the financial commitment.
- 604 Routine purchases can be ordered by budget holders (within budgets held only) and up to £100. Advice about suppliers and help in ordering/obtaining best value is available in the Finance Office. Budget holders should always be mindful of obtaining best value when ordering, however, purchases which minimise office time by the purchase of certain goods or services under £500 direct from known, reliable suppliers, such as ESPO. Business Manager will change supplier (in consultation with budget holder) if better value could be obtained by using alternative supplier.

- 605 All orders must be made, or confirmed, in writing using an official order form, stocks of which are held in the Finance Office. Orders must bear the signature of the budget holder. They must then be forwarded to the Finance Office. Orders for web suppliers will be accepted with appropriate links and input into system.
- 606 On receipt of the Order Form, the Business Manager will determine that the appropriate budget has sufficient funds to meet the order. Where sufficient budgeted funds are identified, the Business Manager will raise a Purchase Order in FMS and fax to the supplier/contractor (if fax not available, can scan and email or send). Internal Order Forms will be kept in a file with computer generated order in the Finance Office. Purchases made using the procurement card follow the same procedure.
- 607 The budget holder 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.
- 608 If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Business Manager should be notified and will arrange for their collection.
- 609 All invoices should be sent to the Finance Office. They will be checked against the original order for accuracy (and delivery notes where appropriate) and entered on FMS.
- 610 The Business Manager will input details of payments to be made to the purchase ledger and generates the cheques required. The invoices are authorised on the FMS system. The cheques/Bacs payment and associated paperwork must be authorised by two of the nominated signatories, who are any two of the following:
- Headteacher
 - Deputy Headteacher
 - Chair of Governors
 - Another named Governor
 - Business Manager
- Orders over £6,000 but less than £50,000**
- 611 At least three written quotations (to include web pricing information) should be obtained for all orders between £6,000 and £50,000 to identify the best source of the goods/services. Written details of quotations obtained should be prepared and retained by budget holders for audit purposes. Copies to be provided to Finance Department to keep with the relevant order. Telephone quotes are acceptable if these are evidenced and faxed confirmation of quotes has been received before a purchase decision is made.
- Orders over £50,000**
- 612 All goods/services ordered with a value over £50,000, or for a series of contracts which in total exceed £50,000 must be subject to formal tendering procedures. Purchases over £189,330 (threshold from 01/01/20) fall under EU procurement rules which requires advertising in the Official Journal of the European Union. Guidance on the OJEU thresholds is given in Annex 2e to the Academies Financial Handbook.

Forms of Tenders

613 There are three forms of tender procedure: open, restricted and negotiated and 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 Business Manager 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. However, if the EU threshold is likely to be breached, the tender must be carried out via OJEU.
- **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 is 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 (Note, EU regulations override necessity if value breaches thresholds.
 - additional deliveries by the existing supplier are justified.

Preparation for Tender

614 Full consideration should be given to:

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

615 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

616 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.

617 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

618 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 normally be accepted.

Tender Opening Procedures

- 619 All tenders submitted should be opened at the same time and the tender details should be recorded.
- Tenders over £50,000 but under £100,000 must be authorised by the Budget Holder, Business Manager, Headteacher and Finance & Committee
 - The Finance Committee is responsible for the authorisation of the advertising of tenders above £100,000 and authorising the award of such tenders. Details of the tender opening should be submitted to the Committee for decision.
- 620 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

- 621 The evaluation process should involve at least two 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.
- 622 Those involved in deciding must take care not to accept gifts or hospitality from potential suppliers that could compromise or be seen to compromise their independence.
- 623 Full records should be kept of all criteria used for evaluation and for contracts over £50,000 a report should be prepared for the Finance Committee highlighting the relevant issues and recommending a decision.
- 624 Where required by the conditions attached to a specific grant from the DfE, the department's approval must be obtained before the acceptance of a tender.
- 625 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 DfE. The receipt of these sums is monitored directly by the Business Manager who is responsible for ensuring that all grants due to the academy are collected.
- 702 The academy also obtains income from:
- Pupils, mainly for trips and uniform
 - the public, mainly for lettings.

Trips

- 703 Parents can make payments via the ParentPay system alternatively payments can be made to the Office. 704 The Business Manager uses ParentPay to log each amount paid to the office for each trip. This is to be banked promptly in the school's bank account.

Lettings

- 706 The Business Manager is responsible for maintaining records of bookings of facilities and for identifying the sums due from each organisation. Payments must be made within 1 month of beginning of term for the use of facilities – invoices are usually produced in the week at the end of the previous term

- 707 Details of organisations using the facilities should be entered by the Business Manager on the FMS system. She produces and sends out sales invoices together with chasing outstanding debts and ensuring no use is made of the facilities unless payment has been made. The Business Manager reviews from Aged Debtor report monthly.
- 708 Debts to be written off are to be notified to the Finance Committee (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). The Governing body has delegated powers to write off debts up to £250.
- 709 Organisations using the facilities should be instructed to send all payments to the Finance Office.

Custody

- 710 Receipts are issued for cash and cheques on request. All cash and cheques must be kept in the Office safe prior to banking. Banking takes place monthly, by cash collection by Kings.
- 711 Monies collected must be banked in their entirety in the appropriate bank account. The Business Manager 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 are reviewed by the Business Manager.

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.

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
Deputy Headteacher
Chair of Governors
Another Governor (named on mandate)
Business Manager

If the amount of the cheque exceeds £5,000 one of the signatories must be that of The Chair or another named Governor.
If payment is via Bacs and exceeds £5000 a governor will be e-mailed to authorise the transaction.

Administration

804 The Business Manager 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 carried out by the Business Manager;
- Adjustments arising are dealt with promptly.

Petty Cash Accounts

806 The academy maintains a maximum cash balance of £50. The cash is administered by the Business Manager and is kept in the Office safe.

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 £10 normally. Higher value payments should be made by cheque directly from the main bank account as a cash book payment.

Administration

809 The Business Manager 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 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 kept in the safe.

Cash Flow Forecasts

811 The Business Manager 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.

Investments

812 Investments must be made only in accordance with written procedures approved by the governing body.

813 All investments must be recorded in sufficient detail to identify the investment and to enable the current market value to be calculated. The information required will normally be the date of purchase, the cost and a description of the investment. Additional procedures may be required to ensure any income receivable from the investment is received.

Hospitality

- 814 Ordinarily such gifts should be rejected, unless they are of negligible value (e.g. diaries, calendars). However, any gifts or hospitality in excess of £25 should be reported to the Headteacher in order to protect the individual receiving the gift. This is particularly important where the person receiving the gift is a budget holder, has the ability to influence purchasing decisions or regularly receives reimbursement from the school for items other than travel expenses.

9 Fixed assets

Tangible Fixed Assets

901 Land and buildings

Freehold buildings are depreciated over their useful lives of between 50 years from the date of the valuation. No depreciation is provided on buildings until they are brought into use. Freehold land is not depreciated.

Where land and buildings are acquired with the aid of specific grants they are capitalised and the buildings are depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciated policy.

A review of impairment of a fixed asset is carried out if events or changes in circumstances indicate that the book value of the fixed asset may not be recoverable.

Buildings under construction are accounted for at cost, based on the value certified and other direct costs incurred to 31 August. They are not depreciated until they are brought into use.

902 Equipment

Equipment costing less than £5000 per individual item is written off to the income and expenditure account in the period of acquisition. All other equipment is capitalised at cost. Equipment inherited from the local education authority is included in the balance sheet at valuation.

Second hand equipment is depreciated on a straight-line basis over its remaining useful economic life. Other equipment is depreciated over 5 years.

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related equipment.

- 903 All items purchased with a value over £5000 must be entered in the fixed asset register. The asset register should include the following information:

- asset description
- quantity

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

904 The Asset Registers help:

- 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.

905 **Depreciation**

Depreciation shall be calculated on a monthly basis for inclusion in the management accounts.

Depreciation rates (all straight line) to be normally used are as follows:

| | |
|----------------------|---------|
| Equipment | 5 Years |
| Computers | 4 Years |
| Furniture & Fittings | 5 Years |

Security of assets

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

907 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

908 Items which are to be disposed of by sale or destruction must be authorised for disposal by the Headteacher and, where significant, should be sold following competitive tender. The academy must seek the approval of the DfE in writing if it proposes to dispose of

an asset for which capital grant in excess of £20,000 was paid.

- 909 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.
- 910 The Finance Committee is to be notified of the disposal of individual items with an original purchase price of up to £5,000.
- 911 The Finance Committee is responsible for authorising the disposal of individual items with an original purchase price of between £5,001 and £20,000.
- 912 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 DfE a proportion of the sale proceeds.
- 913 All disposals of land must be agreed in advance with the Secretary of State.

Loan of Assets

- 914 Items of academy property must not be removed from academy premises without the authority of the Head of Department. A record of the loan must be recorded in a loan book and booked back in academy when it is returned.
- 915 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.

Small Asset Inventories

- 916 All assets with an individual cost of £5,000 inclusive of VAT, or higher, will be recorded in the Fixed Asset Register. All Heads of Department (or their delegates) must also keep an inventory of items with values greater than £5,000 and items that have a value less than this but are deemed "attractive and portable". As stated above, these inventories must be checked on an annual basis to verify the existence of the assets.
- 917 Inventories may be in the form of a book, sheets or computer record and must include the following minimum detail:
- The item and the model
 - Date of purchase and the supplier
 - A serial number and any other identifying marks
 - The normal storage location
 - Quantity (small items may be batched)

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 (e.g. governing body, Headteacher, Business Manager, other senior managers);
 - **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 (e.g. 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 (e.g. 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 DfE 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” (i.e. 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** (e.g. 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.

