



ORMISTON
SIX VILLAGES
ACADEMY



FINANCIAL REGULATIONS MANUAL

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Finance regulations manual

Ormiston Academies Trust

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Finance regulations manual

Ormiston Academies Trust – September 2015

1. Values and aims

Ormiston Trust (OT) aims to improve the life chances of children and young people so that they can fulfil their potential and lead happy and productive adult lives.

Linked to OT's aims, OAT's vision is that all young people acquire the academic, social and practical skills to lead a successful and fulfilling life.

OAT's values are:

- **Excellence:** that we support young people to fulfil their individual potential.
- **Inclusion:** that we respond to the individual needs of all students, whatever their background or ability.
- **Enjoyment:** that we stimulate curiosity and make learning fun.
- **Collaboration:** that we work in partnership to address local needs and build support for education.

OAT is independent of any political, religious or other affiliation and is a not for profit organisation.

2. Introduction

201. The purpose of this manual is to ensure that each OAT 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) and the guidance from the Education Funding Agency (EFA).

202. The academy must comply with the principles of financial control outlined in the latest edition of the Academies Financial Handbook published by the EFA. This manual expands on that and provides detailed information on the academy's accounting procedures. The manual should be read by all staff involved with financial systems.

203. What has changed in this edition.

1. Reserves policy
2. Life cycling
3. Scheme of financial delegation
4. Finance performance oversight
5. Removal of virements
6. Internal audit update

3. Organisation

301. The academy should define 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.

Each year the OAT trustees will carry out an assessment of the financial strength of each academy. This will result in a RAG rating being allocated to each academy. The oversight of each academy's financial performance will vary according to its RAG rating. The details of this oversight is set out in an appendix to this manual.

302. The board of Ormiston Academies Trust

The board shall be responsible for:

General

Approval of a written scheme of delegation of its financial powers and duties to its local governing body (LGB), finance and general purpose committee (F&GP), the principal and other staff of each academy. The scheme must satisfy the trust's ultimate responsibility for ensuring that there are adequate operational controls in place for all the financial processes within the academy. The scheme of delegation should be operated in conjunction with this Financial Regulations Manual. The scheme of delegation is set out in an appendix to this manual.

Accounts

Formal approval of the trust's annual accounts.

Audit

Appointment of external and internal auditors.

These responsibilities (other than the approval of the budgets and approval of the annual accounts) may be delegated by the board to the Financial Oversight and Risk Committee (FOR)

Budgets

Formal approval of academy budgets which will be submitted to the EFA by 31st July prior to the start of each year.

303. The local governing body

The local governing body shall be responsible for:

General

Adoption of the written scheme of delegation of its financial powers and duties to its finance and general purposes committee (F&GP), the principal and other staff. The scheme of delegation should be operated in conjunction with this Financial Regulations Manual.

Budgets/Budgetary Control

Formally approving the annual academy budget at least two months prior to the start of each financial year.

Considering budgetary control reports from the F&GP committee at every meeting, with relevant explanations and documentation where required.

Purchasing

Maintenance of a register of business interests for all governors and those academy staff with financial responsibilities.

Income

Authorisation of the write off of debts not collectable (The Secretary of State's prior approval is also required if debts to be written off are above the value set out in the Academies Financial Handbook).

Security of assets

Authorisation of the disposal of individual items of equipment and materials that have become surplus to requirements, unusable or obsolete.

Accounts and audit

Reviewing the draft financial statements prior to audit and inclusion in the audited financial statements prior to their submission to the Secretary of State by 31 December.

Receiving the reports of the external auditor.

Receiving the reports of the internal auditor on the use of resources, systems of internal financial control, and discharge of financial responsibilities.

Informing the EFA if it suspects any irregularity affecting resources.

304. The Finance and General Purpose Committee

The finance and general purpose committee shall be responsible for:

General

Exercising the powers and duties of the local governing body in respect of the financial administration of the academy, except for those items specifically reserved for the local governing body and those delegated to the principal and other staff.

Reporting on decisions taken under delegated powers to the next meeting of the local governing body.

Budgets/budgetary control

Reviewing the annual academy budget prior to the start of each financial year and recommending its acceptance, or otherwise to the local governing body.

Considering budgetary control reports on the academy's financial position at every meeting, taking appropriate action to contain expenditure within the budget and report to the local governing body.

Reporting to the local governing body all significant financial matters and any actual or potential overspending.

Purchasing

Authorising the award of orders and contracts over £250,000 and up to £100,000.

Insurances

Ensuring that arrangements for insurance cover are in place and adequate.

Security of assets

Ensuring that there are annual independent checks of assets and the asset register.

Authorising the disposal of individual items of equipment and materials that have become surplus to requirements, unusable or obsolete with an original purchase value of up to £5,000 and reporting such authorisations to the local governing body.

Personnel

Authorising permanent changes to the academy's establishment.

Accounts and audit

Reviewing the draft financial statements and highlighting any significant issues to the local governing body, prior to submission to the EFA by 31 December each year.

Reviewing the reports of the internal auditor on the effectiveness of the financial procedures and control. These reports must also be reported the local governing body.

305. The principal

The principal has delegated powers and functions in respect of internal organisation, management and control of the academy, the implementation of all policies approved by the local governing body and for the direction of teaching and the curriculum.

The principal shall be responsible for:

Budgetary control

Reviewing income and expenditure reports and highlighting actual or potential overspending to the F&GP committee.

Financial management

Ensuring the arrangements for collection of income, ordering of goods and services, payments and security of assets are in accordance with this Financial Regulations Manual.

Purchasing

Authorising orders and contracts over £15,000 and up to £25,000 in conjunction with the finance director.

Ensuring that all contracts and agreements conform to this Financial Regulations Manual.

Payroll and personnel

Approving new staff appointments within the authorised establishment.

Certifying the payment of salaries each month, in conjunction with the finance director.

Security of assets

Ensuring that proper security is maintained at all times for all buildings, furniture, equipment, vehicles, stocks, stores, cash, information and records etc under his/her control.

Accounts and audit

The operation of financial processes within the academy, ensuring that adequate operational controls are in place and that the principles of internal control are maintained.

Ensuring that full, accurate and up to date records are maintained in order to provide financial and statistical information.

Ensuring that all records and documents are available for audit by the appointed external auditors and by the internal auditor.

306. The finance director

The director of finance shall be responsible for:

Budgets/budgetary Control

Preparing an annual draft budget plan for consideration by the F&GP committee and local governing body at least two months before the start of the relevant financial year.

Monthly monitoring of expenditure and income against the approved budget and submitting reports on the academy's financial position to every meeting of the F&GP committee. Any actual or potential overspending shall be reported to the finance committee.

Purchasing

Authorising orders and contracts up to £10,000 in conjunction with budget holders (or up to £15,000 in conjunction with another member of the senior leadership team).

Maintaining a register of formal contracts entered into, amounts paid and certificates of completion.

Retention of quotes obtained for goods, works and services.

Ensuring that all correct invoices are duly certified by authorised staff before payments are made and that invoices, vouchers and other records are retained and stored in a secure way and are readily available for inspection by authorised persons.

Ensuring the appropriate division of duties between staff responsible for processing orders, receiving deliveries and processing payments.

Payroll and personnel

Notifying the payroll provider of any matters affecting payments to employees.

Ensuring that the monthly payroll is checked, and certifying it for payment in conjunction with the principal.

Income

Ensuring that all income is accurately accounted for and is promptly collected and banked intact.

Banking arrangements

Maintaining proper records of account and reviewing monthly bank reconciliations.

Insurances

Notifying the F&GP committee on any eventuality that could affect the academy's insurance arrangements.

Security of assets

Maintaining a permanent and continuous register of all items of furniture, equipment, vehicles and plant.

Information and communication systems

Maintaining the standards of control for such systems in operation within the academy to include the use of properly licensed software, and for the security and privacy of data in accordance with the Data Protection Act.

307. The internal auditor

The internal auditor is appointed by the trustees of Ormiston Academies Trust and provides governors with an independent oversight of the academy's financial affairs. The main duties of the internal auditor are to provide the local governing body with independent assurance that:

- the financial responsibilities of the local 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.

The internal auditor will undertake a programme of reviews to ensure that financial transactions have been properly processed and that controls are operating as laid down by the local governing body. The programme of work will be agreed in advance by the OAT FOR committee. Visits will be carried out using a risk based approach so not every academy will necessarily receive a visit every term. A report of the findings from each visit will be presented to the F&GP committee. A summary report will also be presented to the OAT FOR committee.

308. Other staff

Members of staff with delegated responsibilities should be aware that these must be exercised in accordance with these financial regulations.

The following responsibilities are delegated to other staff in addition to the principal and finance director:

Budgets/budgetary control

Holders are responsible for checking and certifying monthly statements of expenditure against their delegated budget and for reporting any errors or irregularities to the finance director. Any actual or potential overspending shall also be reported to the finance director.

Purchasing

Budget holders can authorise orders up to £1,000 provided it is within the scope and remaining balance of their delegated budget.

The following members of staff, in addition to the principal and director of finance, are authorised to open tenders in the presence of another authorised person:

- Vice principals

The following members of staff are authorised to receive and check goods:

- Budget holders
- Administrators nominated by the budget holder

Payroll

Budget holders can authorise time records and authorise overtime within their delegated budget.

309. Register of interests

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 and should be on the academy website in the format described in the Academies Financial Handbook

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.

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 local 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.

04. Accounting system

401. All the financial transactions of the academy must be recorded on the Hoge Access Dimensions financial accounting system.

402. System access

Entry to the Hoge system is password restricted and the director of finance is responsible for implementing a system which ensures that passwords are changed at least every three months. When passwords are changed the new password should be placed in a sealed envelope and passed to the finance director to keep in the safe.

Access to the component parts of the Hoge system can also be restricted and the finance director is responsible for setting access levels for all members of staff using the system.

403. Back-up procedures

The finance director is responsible for ensuring that there are effective back up procedures for the system. Back up may be delegated to the hosting company on behalf of the academy. Data should be copied onto suitable removable medium and the copies stored in a secure place preferably in a fireproof container. Back up copies should be taken on at least a weekly basis.

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.

The Finance Director should also prepare a business 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.

404. Transaction processing

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 sections 6, 7 and 8 respectively of the manual. All journal entries must be documented on the appropriate journal form, recorded in the journal book and authorised by the finance director prior to being input to the accounting system. Bank transactions should be input by the finance assistant and the input should be checked, and signed to evidence this check, by the finance officer.

Detailed information on the operation of the Hoge system can be found in the user manuals held in the finance office.

405. Transaction reports

The director of finance 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.

406. Reconciliations

The finance officer 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;
- all payroll control accounts; including net pay, PAYE, National Insurance and pensions
- all suspense accounts and
- bank balance per the nominal ledger to the bank statement.

Any unusual or long outstanding reconciling items must be brought to the attention of the finance director. The finance director will review and sign all reconciliations as evidence of his review.

5. Financial planning and reporting

501. The academy prepares both short-term and medium-term financial plans (the annual budget).

The medium term financial plan (the academy development 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.

The development plan provides the framework for the annual budget. The annual budget is a detailed statement of the expected resources available to the academy and the planned use of those resources for the following year.

The development planning process and the budgetary process are described in more detail below.

502. Academy development plan

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.

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 or EFA.

Each year the principal will propose a planning cycle and timetable to the local 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”
- feedback into the next planning cycle: “what worked successfully and how can we improve?”

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 principal.

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.

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 local governing body if there is a significant divergence from the agreed plan and will recommend an appropriate course of action.

503. Annual budget

The finance director is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the F&GP committee and the local governing body.

The approved budget must be submitted to the EFA by 31 July each year and the finance director is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.

The budget will be submitted to the EFA by OAT head office after it has been approved by the OAT trustees.

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.

The budgetary planning process will incorporate the following elements:

- forecasts of the likely number of students to estimate the amount of EFA grants 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.

504. Balancing the budget

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 added to reserves as a contingency or alternatively allocated to areas of need.

505. Finalising the budget

Once the different options and scenarios have been considered, a draft budget should be prepared by the finance director for approval by the F&GP committee and the local 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.

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 fixed document which should not be revised throughout the year.

506. Monitoring and review

Monthly reports will be prepared by the finance director. The reports will detail actual income and expenditure against budget both for budget holders and at a summary level for the principal and the F&GP committee.

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

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 must be authorised by the corporate finance director and the F&GP committee.

6. Payroll

601. The main elements of the payroll system are:

- staff appointments
- payroll administration
- payments.

602. Staff appointments

The local governing body has approved a personnel establishment for the academy. Changes can only be made to this establishment with the express prior approval of the F&GP committee who must ensure that adequate budgetary provision exists for any establishment changes.

The principal has authority to appoint staff within the authorised establishment except for vice and assistant principals and the finance director, whose appointments must follow consultation with the governors. The HR department shall maintain personnel files for all members of staff which include contracts of employment. All personnel changes must be notified, in writing, to the finance director immediately.

603. Payroll administration

The academy payroll is administered by arrangements specific to each academy. Access to the system is password controlled. Password control procedures and back-up arrangements are described in section two of this manual.

All staff are paid monthly through the payroll.

New master files can only be created by the finance officer with the express approval of the finance director. Any master file amendments made by the finance officer must be printed out each month prior to the payroll run and must be authorised by the finance director. Any master file amendments made by the finance director must be authorised by the principal.

Each section head must complete 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. The staff return must be authorised by the

nominated budget holder. Authorised staff returns should be sent to the finance officer who then files the documents for payroll processing.

By the 15th of each month the finance officer will prepare and distribute a timetable for payroll processing specifying key dates for the month in question. Data input to the payroll system should be undertaken by the finance officer in accordance with the timetable. Before the payroll is processed a print of all data input should be obtained and this should be checked against source documentation by the finance officer and then reviewed and initialled by the finance director.

604. Payments

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 payroll system. The print must be reviewed and authorised together with authority to release payment by the finance director and the principal.

All salary payments are made by BACS.

See [Appendix 2](#).

7. Purchasing

701. 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.

702. Routine purchasing

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.

Routine purchases up to £2,500 can be ordered by budget holders. In the first instance a supplier should be chosen from the list of approved suppliers maintained by the finance office. A quote or price must always be obtained before any order is placed. If the budget holder considers that better value for money can be obtained by ordering from a supplier not on the approved supplier list the reasons for this decision must be discussed and agreed with the finance director.

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 and must be forwarded to the finance office where the finance director will check to ensure adequate budgetary provision exists before countersigning the order.

Countersigned orders are recorded in the orders placed book, allocated a reference number and dispatched to the supplier by the finance assistant.

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.

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 assistant will keep a central record of all goods returned to suppliers.

Should monthly services, which have individual orders raised each month, exceed £2,500 then this should be treated as a total contract value and would be subject to the 3 quotes procedure.

703. Orders over £2,501 but less than £25,000

At least three written quotations should be obtained for all orders between £2,501 and £25,000 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. Telephone quotes are acceptable if these are evidenced and faxed confirmation of quotes has been received before a purchase decision is made.

Should monthly services, which have individual orders raised each month, exceed £25,000 (ie Coach travel) then this should be treated as a total contract value and would be subject to the tendering procedure.

704. Orders over £25,000

All goods/services ordered with a value over £25,000, or for a series of contracts which in total exceed £10,000 must be subject to formal tendering procedures. Purchases over a certain value may fall under EU procurement rules which requires advertising in the Official Journal of the European Union. Guidance on the OJEU thresholds is given in Appendix 2 to these regulations.

Detailed tendering procedures are set out in an appendix.

8. Income

801. The main sources of income for the academy are the grants from the EFA and from our sponsors. The receipt of these sums is monitored directly by the finance director who is responsible for ensuring that all grants due to the academy are collected.

The academy also obtains income from:

- students, mainly for trips
- the public, mainly for sports lettings.

802. Trips

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. A copy of the record must be given to the finance assistant.

Students should make payments at the finance office. A receipt must be issued for all monies collected and the value of the receipt and the number of the receipt recorded against the student making the payment.

The finance assistant should maintain an up to date record for each student showing the amount paid and the amount outstanding. This record should be sent to the lead teacher on a weekly basis and the lead teacher is responsible for chasing the outstanding amounts.

803. Sports lettings

The client services co-ordinator is responsible for maintaining records of bookings of sports facilities and for identifying the sums due from each organisation. Payments must be made in advance for the use of facilities.

Details of organisations using the sports facilities should be sent by the client services co-ordinator to the finance assistant who will establish a sales ledger account and produce a sales invoice from the Acme accounting system. Details of payments made and outstanding accounts will be forwarded to the client services co-ordinator at the beginning of each week and the client services co-ordinator is responsible for chasing outstanding debts and ensuring no use is made of the facilities unless payment has been made.

No debts should be written off without the express approval of the local governing body (the DfES's prior approval is also required if debts to be written off are above the value set out in the annual funding letter).

Organisations using the sports facilities should be instructed to send all payments to the finance office.

804. Custody

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 £2,000* insurance limit on the finance office safe.

Monies collected must be banked in their entirety in the appropriate bank account. The finance assistant 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 director.

9. Cash Management

901. Bank accounts

The opening of all accounts must be authorised by OAT which 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.

902. Deposits

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
- a reference, such as the number of the receipt or the name of the debtor.

903. Payments and withdrawals

All cheques and other instruments authorising withdrawal from academy bank accounts must bear the signatures of two authorised signatories:

This provision applies to all accounts, public or private, operated by or on behalf of the academy. Authorised signatories must not sign a cheque relating to goods or services for which they have also authorised the expenditure.

904. Administration

The finance 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 finance assistant or the finance officer;
- reconciliations are subject to an independent monthly review carried out by the finance director or in his absence the responsible officer (RO) and
- adjustments arising are dealt with promptly.

905. Petty cash accounts

The academy maintains a maximum cash balance of £250*. The cash is administered by the finance assistant and is kept in the finance office safe.

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.

In the interests of security, petty cash payments will be limited to £20*. Higher value payments should be made by cheque directly from the main bank account as a cash book payment.

The finance assistant 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 finance officer to ensure that the cash balance reconciles to supporting documentation.

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

906. Cash flow forecasts

The finance 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 APG to cover potential cash shortages.

907. Investments

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

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.

10. Fixed assets

1001. Asset register

All items purchased with a value over the academy's capitalisation limit must be entered in an asset register. The asset register should include the following information:

- asset description
- date of acquisition
- asset cost
- expected useful economic life
- depreciation
- current book value.

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.

1002. Security of assets

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 local 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.

1003. Disposals

Items which are to be disposed of by sale or destruction must be authorised for disposal by the finance director 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.

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.

The academy must ensure that disposal achieves the best price that can be reasonably achieved and maintains the principles of regularity, propriety and value for money.

All disposals of land must be discussed with the OAT executive and agreed in advance with the Secretary of State.

1004. Loan of assets

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 to the academy when it is returned.

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.

11. Life cycling fund

Each academy is required to maintain a life cycling fund to make appropriate provision for future planned capital maintenance. Academies will be advised of the level of provision which they should make each year. This will be driven by the building condition survey.

12. Reserves policy

The trust's policy on reserves is as follows:

The trustees have reviewed the financial statements of the trust. The review encompassed the nature of income and expenditure streams, the need to match them with commitments and the nature of reserves. Reserves are held to cover working capital requirements, as a contingency to meet unforeseeable expenditure and to fund planned and specific future capital expenditure. The level of reserves is kept under review by the trustees and they assess it in relation to these three purposes. However the level of actual reserves necessarily varies from one academy to another from time to time.

Additional voluntary disclosures are included in the financial statements to explain those reserves relating to the life cycling fund for planned maintenance and those for planned capital expenditure. In view of the restrictions contained in the academies' funding agreements, the trustees have decided not to publish a more formal policy regarding the level of reserves.

Each academy must comply with this policy and in particular the three categories of reserves.

Appendix I

Format of management accounts

Refer to format as advised from OAT finance team from time to time.

Appendix I

Schemes of financial delegation – August 2015

| Head office | |
|--|----------------|
| FOR committee | Unlimited |
| Chief executive officer | £100,000 |
| Two members of the executive | £25,000 |
| Any single member of the executive | £10,000 |
| Other managers (according to position) | £500 to £2,500 |

| Academies | |
|---|---------------|
| FOR committee | Unlimited |
| OAT chief executive officer | £250,000 |
| Local governing body - <i>No further powers in addition to F&GP</i> | |
| Finance and general purposes committee | £100,000 |
| Tender | Over £25,000 |
| Three written quotes | Up to £25,000 |
| List of preferred suppliers | Up to £2,500 |

| Tendering procedures | |
|-------------------------|-----------|
| Head office | |
| FOR committee | Unlimited |
| Chief executive officer | £100,000 |

Academy local governing bodies are able to adopt a scheme of delegation with lower limits than those recommended should they so wish.

Any academy spend in excess of £100,000 requires the authorisation of OAT or the FOR committee. In practice this will mainly be capital or other building work, the majority of which can be delegated to the group which allocates the capital maintenance allowance funds.

Appendix 2

Oversight of financial performance

| RAG rating of academies | Frequency of review | Review |
|-------------------------|---------------------|---|
| Red | Monthly | <p>The actual year to date surplus or deficit will be better than budget.</p> <p>The budget will be fixed and will not change.</p> <p>Income and expenditure (on a line by line basis) will be compared between actual and budget.</p> <p>Actual income will be expected to be within 1.5% of budget</p> <p>Actual staff costs will be expected to be within 1.5% of budget.</p> <p>Actual non-staff costs will be expected to be within 3% of budget.</p> <p>Subject to the permitted adjustments below, no expenditure line should be overspent.</p> <ul style="list-style-type: none"> ▪ The principal and FD will be permitted to make up to five compensating over and under spends between budget lines to a maximum of £5k each (maximum cumulative over and under spends £25k). ▪ The F&GP committee will be permitted to authorise up to 10 compensating over and under spends between budget lines to a maximum of £10k each (maximum cumulative over and under spends £100k). ▪ Any over and under spend in excess of £10k or cumulatively above £100k will need prior approval from the OAT Financial Oversight and Risk committee. |
| Amber | Quarterly | <p>The actual year to date surplus or deficit will be better than budget.</p> <p>The budget will be fixed and will</p> |

| | | |
|-------|-----------|---|
| | | <p>not change.</p> <p>Income, staff costs and non-staff costs will be compared between actual and budget.</p> <p>Actual income and staff costs will be expected to be within 1.5% of budget.</p> <p>Actual non-staff costs will be expected to be within 3% of budget.</p> <p>Subject to the permitted adjustments below, no individual expenditure line should be overspent.</p> <ul style="list-style-type: none"> ▪ The principal and FD will be permitted to make up to 20 compensating over and under spends between budget lines to a maximum of £5k each (maximum cumulative over and under spends £100k). ▪ Any over and under spend in excess of £5k or cumulatively above £100k will need prior approval from the OAT Financial Oversight and Risk committee. |
| Green | Quarterly | <p>The actual year to date surplus or deficit will be better than budget.</p> <p>The budget will be fixed and will not change.</p> <p>Income, staff costs and non-staff costs will be compared between actual and budget.</p> <p>Actual income and staff costs will be expected to be within 1.5% of budget.</p> <p>Actual non-staff costs will be expected to be within 3% of budget.</p> |

Appendix 3

Tendering procedures

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 finance 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

Full consideration should be given to:

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

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

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.

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
- 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

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

All tenders submitted should be opened at the same time and the tender details should be recorded. Two persons should be present for the opening of tenders as follows:

- **For contracts up to £25,000:** two of the budget holder, the finance director or the principal
- **For contracts over £25,000:** either the finance director or the principal plus a member of the F&GP committee.

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

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.

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.

Full records should be kept of all criteria used for evaluation and for contracts over £25,000 a report should be prepared for the F&GP committee highlighting the relevant issues and recommending a decision. For contracts under £25,000 the decision and criteria should be reported to the F&GP committee.

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.

The accepted tender should be the one that is economically most advantageous to the academy. All parties should then be informed of the decision.