



*Anchored in Christ*

# Financial Regulations Manual

**Approved by Governor Sub-committee:  
Finance & Audit Committee February 2018**

**Date to be reviewed:  
November 2019**

**Responsibility of:  
Principal & Director of Finance and Operations**

**Date ratified by Governing Board:  
TBC**

**Chair of the Finance Committee:  
Julian Simmonds**

## Contents

1. Introduction
2. Organisation
3. Accounting system
4. Internal Control
5. Financial constraints imposed by the ESFA
6. Expenses
7. Financial planning
8. Payroll Administration
9. Purchasing
10. Credit cards
11. Income
12. Cash Management
13. Fixed Assets

### 1. Introduction

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), through the Education and Skills Funding Agency (ESFA).

The Academy must comply with the principles of financial control outlined in the academies guidance published by the ESFA through its' Academies Financial Handbook. It must also take full account of all legal requirements, particularly with regard to it being a company limited by guarantee and an exempt charity.

The Governing Board will apply the principles of best value to all financial and Academy dealings, resulting in the most effective, economic and efficient use of resources.

This policy should be read in conjunction with the Chelsea Academy Scheme of Delegated Financial Authority.

### 2. Organisation

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 Board

The Governing Board has overall responsibility for the administration of the Academy's finances. The main responsibilities of the Governing Board are prescribed in the Funding Agreement between the Academy and the DfE, in the Academy's scheme of governance. They must also ensure that the Academy's funds are used in line with the ESFA's Academies Financial Handbook and in accordance with the law. The main responsibilities include:

- ensuring that grant from the ESFA is used only for the purposes intended;
- ensuring that funds from sponsors and other donors are received according to the Academy's Funding Agreement and scheme of governance, and are used only for the purposes intended;
- approval of the annual budget;
- appointment of the Principal:

- appointment of the Director of Finance and Operations, in conjunction with the Principal;
- 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 ESFA guidance issued to academies;
- authorising the award of contracts as per the scheme of delegation: and
- appointing the membership of the Finance and Audit Committee and the Remuneration Committee and approving the terms of reference for both.

### **The Finance and Audit Committee**

The Finance and Audit Committee is a sub-committee of the full Governing Board and has a range of delegated responsibilities:

- to approve, and monitor the implementation of the Academy's overall financial strategy;
- 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 ESFA guidance issued to academies;
- the initial review of the annual budget and the financial planning associated with the Academy's Development Plan;
- recommendation of the annual budget to the full Governing Board;
- authorising the award of contracts as per the scheme of delegation: and
- agreeing the annual scope of work of, and reviewing the reports of, the Internal Auditors on the effectiveness of the financial procedures and controls.

### **The Remuneration Committee**

The Remuneration Committee is a sub-committee of the full Governing Board and has a range of delegated responsibilities:

- to review the appropriateness of, approve, and monitor the implementation of, the Academy's pay policy and any changes to it; and
- to consider any exceptions to the agreed pay policy.

### **The Principal**

Within the framework of the Academy Development Plan as approved by the Governing Board, the Principal has overall executive responsibility for the Academy's activities including financial activities. The Principal is the Academy's Accounting Officer (AO) and as such is personally responsible to Parliament and the Accounting Officer of the ESFA. Much of the Principal's financial responsibility has been delegated to the Director of Finance and Operations, but the Principal retains direct responsibility for:

- approving new staff appointments in line with the Academy's Development Plan except for any leadership team posts (at VP level only) which the Governing Board have agreed should be approved by them;
- authorising contracts as per the scheme of delegation in conjunction with the Director of Finance and Operations; and
- signing cheques / releasing funds via BACS in conjunction with the Director of Finance and Operations or other authorised signatory.

The AO must advise the Governors if s/he believes any proposed action is incompatible with the Funding Agreement or the ESFA's Academies Financial Handbook. If the Board of Governors is minded to proceed in the face of such advice, then the AO must advise, in writing, the ESFA's Accounting Officer.

The AO, under the guidance of the Governing Board, must ensure that there is appropriate oversight of financial transactions. In doing so s/he must:

- ensure that bank accounts, financial systems and financial records are operated by more than one person;
- ensure that all of the Academy's property is under the control of the Governing Board, and that

- measures are in place to prevent loss or misuse;
- ensure that full and accurate accounting records are kept; and
- ensure that accrual accounts, giving a true and fair view of the Academy's financial position, are prepared annually in accordance with current accounting and legislative requirements.

### **The Director of Finance and Operations**

The Director of Finance and Operations works in close collaboration with the Principal through whom he or she is responsible to the Governing Board and will report directly to the Governing Board and through the Finance and Audit Committee. The main responsibilities of the Director of Finance and Operations are:

- the day-to-day management of financial issues including the establishment and operation of a suitable accounting system;
- the management of the Academy's financial position at a strategic and operational level within the framework for financial control determined by the Governing Board and Finance and Audit Committee;
- the maintenance of effective systems of internal control;
- ensuring that the annual accounts are properly presented and adequately supported by the underlying books and records of the Academy;
- the preparation of monthly management accounts;
- authorising orders as per the scheme of delegation in conjunction with budget holders
- signing cheques / releasing funds via BACS in conjunction with the Principal or other authorised signatory: and
- ensuring forms and returns are sent to the ESFA in line with the timetable in the ESFA guidance.

### **Finance Office (Director of Finance and Operations, Finance Manager and Finance Assistant)**

Finance and Audit Committee in conjunction with the Principal will establish procedures to ensure that:

- personnel are competent, suitably qualified and trained to perform at a level commensurate with their responsibilities;
- clear statements of criteria for personnel selection and formal job descriptions are maintained;
- the finance staffing levels are adequate;
- there are effective arrangements to deal with the absence of key financial personnel;

### **Internal Audit Function**

Internal Audit (IA) is appointed by the Governing Board through the Finance and Audit Committee and provides the Governing Board with an independent oversight of the Academy's financial affairs. The main duties of IA are to provide the Governing Board with independent assurance that:

- the financial responsibilities of the Governing Board 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.

Internal Audit will undertake a quarterly programme of reviews to ensure that financial transactions have been properly processed and that controls are operating as laid down by the Governing Board. A report of the findings from each visit will be presented to the Finance and Audit Committee. Detailed guidance on the transactions to be checked by Internal Audit is provided by the ESFA.

### **Other Staff**

Other members of staff, e.g. Budget Holders, Technicians etc. 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**

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.

The register should include all business interests such as directorships, shareholdings or other positions 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 Governing Board 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**

All the financial transactions of the Academy must be recorded on the PSF accounting system.

#### **System Access**

Entry to the finance system is password restricted and the Director of Finance and Operations is responsible for implementing a system which ensures that passwords are changed at least every 6 months and that sufficient staff have access to the system to cover for staff absence.

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

#### **Backup Procedures**

The Director of Finance and Operations is responsible for ensuring that there are effective backup procedures for the system. Backup copies should be taken on at least a weekly basis.

The Director of Finance and Operations should also prepare a disaster recovery plan in the event of loss of accounting facilities or financial data. This should link in with the annual assessment made by governors of the major risks to which the Academy is exposed and the systems that have been put in place to mitigate those risks.

#### **Integrity of the Accounting System and Accounts**

The Director of Finance and Operations has overall responsibility for ensuring that the accounting system is properly maintained and that the accounts produced meet the necessary accounting standards.

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 virement entries must be authorised by the Director of Finance & Operations. Bank transactions should be input by the Finance Manager-and the input should be checked, and signed to evidence this check, by the Director of Finance and Operations .

The Finance Manager is responsible for ensuring the following reconciliations are performed each month, and that any reconciling or balancing amounts are cleared:

- sales ledger control account;
- purchase ledger control account;

- payroll control account;
- all suspense accounts; and
- bank balance per the nominal ledger to the bank statement.

Any unusual or long outstanding reconciling items must be brought to the attention of the Director of Finance and Operations.

The Director of Finance and Operations is responsible for ensuring the Academy's Balance Sheet is accurate and reflects the assets and liabilities of the Academy [each month].

The Director of Finance and Operations will produce monthly management accounts and will review these against the agreed budget. The monthly management accounts will be made available to the Principal, Finance and Audit Committee and other members of the Leadership Team to enable them to carry out their own checks.

The Finance Office will provide budget holders with details of their budget spend monthly, and more frequently if requested. Budget holders are expected to manage expenditure within their budget limits unless agreed to the contrary with the Director of Finance and Operations. The finance system allows budget holders to have instant access to their budgets.

#### **4. Internal Control**

The Academy must have arrangements in place to recognise, manage and track opportunities and risks. This control framework will include:

- the co-ordination of planning and budgeting processes;
- the establishment of clear financial disciplines, particularly regarding managing banking, the segregation of duties and the overall management of resources, including the handling of money;
- the preparation and reporting of accurate and timely monthly management accounts;
- the compliance with the agreed levels of delegated financial authority;
- the selection, planning, funding and oversight of any capital project;
- the propriety and regularity of all financial transactions;
- the management and oversight of assets;
- action to ensure that the risk of fraud and theft is minimised; and
- procedures to ensure value for money.

The Academy will ensure that:

- there is adequate insurance in place;
- any instances of fraud or theft are properly reported;
- proper accounts are kept;
- a registered auditor has been appointed; and
- annual financial statements are prepared and published in a timely manner.

#### **5. Financial constraints imposed by the ESFA**

##### **Liabilities and write-offs**

The following limits (subject to a maximum of £250,000) are in place with regards to writing off debts and losses and into entering guarantees or indemnities:

- 1% of total income or £45,000 (whichever is smaller) per single transaction;
- cumulatively, 5% of total annual income in any financial year, per category of expenditure (reduced to 2.5% if timely, unqualified accounts have not been submitted for the previous two financial years).

### **Staff severance and compensation payments**

Any payment above contractual entitlement must be justified in terms of a legal assessment of the Academy's likely success in defending any associated case that might be taken to a tribunal. Any payment of £50,000, or more, above the contractual entitlement must be approved by HM Treasury, via the ESFA.

### **Asset sales, leases and tenancy agreements**

The Academy must receive prior approval from the Secretary of State before:

- entering into any freehold sales or purchases;
- granting any leasehold or tenancy agreement, regardless of length; or
- taking up any leasehold or tenancy agreement for more than three years.

### **Novel and contentious transactions**

Novel transactions are those outside of the Academies normal experience. Contentious transactions are those that might reasonably give rise to public criticism. Common examples are severance and ex-gratia payments that go beyond contractual or statutory entitlements. Any discretionary payment that does not achieve best value or is not transparent in nature may fall into this category. Any transactions that might fall into this category should be discussed with the ESFA, and approved by them if necessary, before actioning.

## **6. Expenses**

### **General Principles**

It is Chelsea Academy's policy to ensure that members of staff are reimbursed promptly and appropriately for expenses incurred on Academy business. However, it should be stressed that it is the responsibility of each staff member to ensure that costs are appropriate and reasonable. Any attempt knowingly or falsely to claim expenses in breach of this policy will result in disciplinary action.

- Payments to members of staff for personal expenditure, (e.g. mileage, subsistence etc.) must be made using a travel and expenses / petty cash claim form. This form must not be used by an individual to reclaim, for example, the costs of equipment, which should be ordered using the normal purchase ordering system and paid via invoice.
- Supporting documentation, (e.g. receipts), must be attached to the claim form.
- Before any expenses are paid they will require approval and authorisation by the Principal or Director of Finance and Operations. If a claim is over £50 please seek approval before the expense is incurred from the Principal or Director of Finance and Operations. Claims which are not authorised will not be processed. (The Principal's expenses must be approved by the Chair of Governors or Vice-Principal and the Director of Finance and Operations).
- Claim forms must be completed and signed by the person incurring the expense.
- If a claim is being made on behalf of a group event, the claimant must be the most senior person at the event.
- It is the responsibility of the Principal / Director of Finance and Operations to decide if a claim is "reasonable". Claims considered unreasonable will not be paid.
- The claim form together with supporting documents should be given to the Finance Manager for payment.
- If a member of staff submits a false claim this will be treated as a serious offence and in most circumstances will lead to disciplinary action and dismissal from the Academy.
- Claims should be submitted within three months of the date the expenditure is incurred. Claims submitted after that time, (at the discretion of the Director of Finance and Operations or Principal), may not be reimbursed.
- It is also the Academy's policy to ensure the best use of public monies at all times, taking into account the nature of its business.
- Chelsea Academy encourages staff wherever possible to use public transport or to cycle or walk in preference to using cars, on the grounds of reducing cost, improving health and minimising the

impact of the journey on the environment.

- Members of Staff are expected to display prudence with respect to business related expenses, and at all times to base their business spending decisions on the best interests of the Academy. Only actual expenses incurred in accordance with the travel guidelines, and in the course and interest of the Academy's business, will be reimbursed to employees.
- In some exceptional circumstances expenses payable under this policy may not satisfy HM Revenue & Customs (HMRC) rules, and hence may be taxable. The Academy may make arrangements to meet the resulting tax liabilities. We reserve full discretion to decide not to make such arrangements in any given case, but will not act unreasonably in exercising this discretion.

### **Travel Expenses (Refer to Table 1 for Travel rates)**

- Payment shall be made in respect of expenses necessarily incurred by those travelling on business approved by the Academy.
- The sum paid shall not exceed the amount disbursed by the individual.
- Advance approval from the Director of Finance and Operations is required for travel expenses in excess of £20.
- The cost of journeys or part journeys between home and The Academy is not normally allowable for employees.
- Staff using pedal cycles for official journeys will be reimbursed at the rate shown in Table 1.
- Wherever possible arrangements will be made to invoice the Academy directly for any accommodation etc. to avoid staff having to claim back out of pocket expense.
- Travel costs associated with full time or part time academic courses or with any courses which are not deemed essential will not be reimbursed.

### **Travel by road**

- Staff may not claim reimbursement for business use of their own vehicle until they have filed a current copy of their motor insurance and a copy of the current MOT certificate (where appropriate) with the Finance Department, showing that their insurance cover is valid for travel on Chelsea Academy business. This is necessary because if they need to claim on their policy, they will need to ensure that their policy covers business use.
- Where it is cost effective to make a business journey by car, they may claim a mileage allowance as detailed in Table 1.
- Mileage allowance shall not apply if a member of staff uses a private vehicle in circumstances where travel by public transport would be appropriate
- Reasonable receipted parking fees will be reimbursed. Parking fines or excess charges will not be reimbursed.
- Congestion charges will not normally be reimbursed unless there are particular reasons for the travelling within the charging zone that have been agreed in advance with the Director of Finance and Operations or other senior manager e.g. carrying and delivering heavy equipment to a venue within the zone.
- Car hire should be used exceptionally and generally only where it is either the only practical means of transport or it is clearly the cheapest method. Normally the users own car should be used. The Director of Finance and Operations should be advised when cars are being hired. The cars hired should be in Group B or lower group.
- Staff should use a private vehicle rather than public transport only after taking into consideration:
  - The availability of public transport in relation to the proposed journey
  - The amount and weight of any luggage to be transported
  - Time constraints
  - Personal security

### Travel by rail

- Rail travel will normally be standard class. However, in some circumstances with Director of Finance approval in advance, first class travel is available (e.g. for long distances to be covered in one day on busy routes where work needs to be undertaken during the journey and it is not possible to reserve a suitable standard class seat).
- All staff whose jobs, in the main, require them to travel far less frequently will normally travel standard class. In special circumstances, first class travel may be authorised, with the prior agreement of the Director of Finance and Operations.
- Tickets should always be purchased as economically as possible. This means taking advantage of cheaper fares that are normally available through advance booking. On occasions when this is impractical, claims for reimbursement must be made using the expenses claim form with evidence of payment attached (receipt or ticket).

### Travel by Taxi

- For journeys in central London, the normal mode of travel will be by public transport. However, taxi fares and any reasonable gratuities can be payable in cases of urgency or in other circumstances where an adequate public transport service is not available or is inappropriate (for example, when carrying heavy documents).
- For journeys outside central London, where public transport services are less comprehensive, taxi fares for reasonable distances (e.g. City Centre rail station to place visited) and any reasonable gratuity can be paid. Claims for reimbursement of taxi fares must be made on the Academy's Expenses form with evidence of payment attached.
- Use of Taxi is also permitted where:
  - Several people share a taxi, making the journey cheaper than by public transport
  - Personal security is an important factor. (e.g. late evening travel)

### Travel by Air

- Air travel may be arranged, where it is the most effective use of time for a particular journey.
- Air travel within the UK will always be in Economy class and should be arranged to ensure the purchase of the best value fare available (taking into account that the use of air travel may preclude the need for an overnight stay and the payment of hotel and subsistence costs).
- Air travel within Europe (short haul, flights of up to four hours duration) will always be in Economy class and should be arranged to ensure the purchase of the best fare available.
- Long Haul flights will be in economy class. There may be circumstances when this is not appropriate and then the Chair of Governors and Finance will need to approve a different class of travel (eg attending a recruitment fair in Canada and then being needed back in school the next day)..
- Flights should always be procured as economically as possible. This means taking advantage of cheaper fares that are normally available through advance booking.

### Hotel Accommodation

The reimbursement of costs for bed and breakfast hotel accommodation can be made when an overnight stay is unavoidable. All hotel accommodation should be booked using 3\* (or equivalent) hotels.

- For London, the cost will not exceed £200 (excl. VAT) per night and elsewhere in the UK, will not exceed £150 (excl. VAT) per night. There may be circumstances when these can be exceeded for genuine business reasons (e.g. the choice of hotel was not within the employee's control or cheaper hotels were fully booked)
- If the accommodation is non-commercial (e.g. with relatives/friends) a flat rate of £25 per night will be reimbursed. This is subject to benefit in kind deductions under HMRC guidelines

### **Subsistence**

Chelsea Academy will reimburse reasonable out-of-pocket expenses you incur when a journey on Academy business makes it necessary to stay away from home overnight. You may claim the following for each night whilst you are away:

- hotel bills as above
- breakfast – if not included in the room rate, you may claim the cost of a modest breakfast
- lunch, evening meal and beverages, to an overall maximum of £20 a day

It should be noted that the figures quoted above are not flat rate allowances, but limits on the amounts of actual expenditure that we will reimburse against receipts. Where a trip on Academy business necessarily involves more than one night away from home, receipted expenditure may be averaged over the number of nights of absence to determine whether the amounts to be reimbursed. However, we retain the right to refuse excessive expenditure even when the average is £20 or below per night.

The Academy will not pay for alcohol unless pre approval has been obtained from the Principal or Director of Finance and Operations. Even then the spending must be no higher than £20 per claim.

### **Other Business Expenses**

Claims for postage, faxes, telephone usage and other incidental business expenditure whilst away from office will be made on the basis of the actual cost incurred. Receipts must be attached to the claim.

### **Entertaining visitors**

You may entertain visitors and guests only where it is within budgetary limits and is likely to help the Academy to further its business objectives. Advance approval from the Director of Finance and Operations is required. In-house facilities should be utilised whenever possible.

- The names of each person attending must be noted on the claim, identifying which attendees are from the academy and which are external guests.
- Subject to these constraints, you may claim reasonable and appropriate entertaining expenses.

### **Entertaining staff**

The cost of entertaining other Chelsea Academy staff is not normally reimbursable. Reimbursement may only be claimed where exceptional business purposes justify the expense. Advance approval from the Director of Finance and Operations is required.

- The names of each person entertained must be noted on the claim.
- When approval is given and such entertaining results in a taxable benefit on the staff entertained, Chelsea Academy will meet this tax liability.

### **Other Circumstances**

In circumstances where a member of staff could incur other expenses that are not explicitly covered by this policy, then reimbursement may be available providing agreement has been reached in advance with the relevant senior manager and the Director of Finance and Operations.

### **Reimbursement of expenses**

Expenses will only be reimbursed if they are:

- supported by detailed (VAT) receipts, and credit card slips if necessary;
- submitted on a Reimbursement of Expenses claim form;
- submitted within three (3) months of being incurred
- fully completed;
- appropriately authorised; and
- claimed in line with this policy.

In exceptional circumstances, the Academy may consider reimbursing minor claims for travel without the back-up receipt, for example the use of a prepaid Oyster card to travel on Academy business where no receipt is currently issued, or tube tickets that are retained as you pass through the ticket barrier. You need to give a full explanation to explain why no receipt is available. This must be included on the expense claim form before you get approval from a manager.

In claiming reimbursement, you must confirm both that the expenses have been incurred, and that the Academy business to which they relate has been carried out in the manner most cost effective to the Academy in the circumstances.

Authorised expenses submitted in line with this policy on the required forms will be paid directly into your bank/building society account on a fortnightly basis.

**Table 1. Rates and Allowances**

Employee vehicles: mileage payments for business travel

Type of vehicle	Rate per business mile
Car	For tax purposes: 45p for the first 10,000 business miles in a tax year, then 25p for each subsequent mile  For NICs purposes: 45p for all business miles
Motorcycle	24p for both tax and NICs purposes and for all business miles
Cycle	20p for both tax and NICs purposes and for all business miles

Passenger payments:

If any member of staff carries any other members of staff in their own car or van on business travel, the Academy will pay up to 5p per passenger per business mile without having to report these to HMRC or pay and tax or NICs on them.

**7. Financial planning**

The Academy prepares both medium term and short-term financial plans. 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.

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

**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 ESFA. Each year the Principal will agree a planning cycle and timetable with the Governing Board which allows for:

Financial Planning cycle:

Date	Action	Relevant Form
End of September	Produce first draft of annual accounts, prior to commencement of external audit Provide whole government accounts (to the previous 31 March) to the ESFA, along with a statement of the agreed budget for the year to the following 31 August Report the coming year's budget to the ESFA	As specified by ESFA - As specified by ESFA
End of Autumn term	Agreement of annual accounts by the Finance and Audit Committee	
December	Academy Trust Annual General Meeting where the annual accounts should be approved	
End of December	Submission of annual report and financial statements to ESFA for year just ended from 1 Sept to 31 August ESFA issues draft annual funding letter for forthcoming financial year	As specified by the ESFA
End of June	Agreement of the proposed budget by the Finance and Audit Committee Filing deadline for accounts at Companies House	
End of July	Approval of the budget by the full Governing Board	

The development planning process should include the following:

- 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?"

The completed development plan will include detailed objectives for the coming academic year and outline objectives for the following two years. The plan should have a three-year budget forecast which identifies how the required resources for the plan can be provided.

For each objective, the lead responsibility for ensuring progress is made towards the objective will be assigned to a member of the Leadership Team. The Principal will report to the Governing Board if there is a significant divergence from the agreed plan and will recommend an appropriate course of action.

### Annual Budget

The Director of Finance and Operations is responsible for preparing and obtaining approval for the annual budget. The budget must be agreed by the Finance and Audit Committee and approved by the full

Governing Board.

The approved budget will be reported to the ESFA by the end of July.

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 ESFA 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. personnel establishment, pay increases, inflation and other anticipated changes.

### **Expectations of the Budget**

Comparison of estimated income and expenditure will identify any potential surplus or shortfall in funding and budget expenditure under GAG will be separately monitored. 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. Given that the Academy needs to make provision for costs of replacement of furniture, equipment and long term maintenance and repair, it is expected that an appropriate annual provision will be made in the budget and that the Academy will at least break even after taking account of such provision. The Academy should also maintain an appropriate level of reserves (see Policy on Reserves). The level of surplus must be kept under review by the Director of Finance and Operations and Finance and Audit Committee and they must advise the Governing Board accordingly, both in relation to the desired level of reserves (see Policy on Reserves), the statutory position on Academy reserves and the immediate needs of the Academy.

### **Policy on Reserves**

The policy of the Academy is to carry forward a prudent level of resources designed to meet the long-term cyclical needs of maintenance and renewal and the equivalent of three months normal operating costs to cover any other unforeseen contingencies. This policy is subject to the constraint that the level of resources does not exceed the level permitted by the ESFA.

### **Finalising the Budget**

Once the different options and scenarios have been considered, a draft budget should be prepared by the Director of Finance and Operations for approval by the Principal, Finance and Audit Committee and the Governing Board. 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 working document which may need revising throughout the year as circumstances change.

### **Monitoring and Review**

Monthly reports will be prepared by the Director of Finance and Operations. The reports will detail actual income and expenditure against budget at a summary level for the Principal and Senior Leadership Team. The latest financial position should be a standing item on the Finance and Audit Committee's agenda. The Director of Finance and Operations will report to the members of the Finance and Audit Committee promptly if there is a significant variation in the expected out-turn for the current financial year.

Budget holders reports will be issued monthly or more regularly upon request. Any potential overspend against the budget must in the first instance be discussed by Budget Holders with the Finance Manager and/or the Director of Finance and Operations. The accounting system will not allow payments to be made against an overspent budget without the approval of the Director of Finance and Operations.

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. Budget virements may be approved as authorised under the scheme of financial delegation.

### **Payroll**

The main elements of the payroll system are:

- staff appointments;
- payroll administration; and
- payments.

### **Staff Appointments**

The Governing Board has delegated the responsibility for staff appointments to the Principal, who is required to maintain overall staffing costs within an agreed limit. The Principal will consult with the governing board about the appointment of Assistant and Vice Principal posts and will include governors on these recruitment panels.

Any significant changes to the staffing structure can only be made following consultation with the Governing Board through its Remuneration Committee. The Principal maintains personnel files for all members of staff which include contracts of employment. All personnel changes must be notified to the Director of Finance and Operations.

## **8. Payroll Administration**

The Academy payroll is administered within a service level agreement which will be reviewed every three years. All variations to the payroll will be checked and signed for by the Director of Finance and Operations and Principal before being submitted.

### **Payments**

Each month, after the payroll has been processed but before payments are dispatched the HR Manager will ensure that all of the variations have been processed correctly, carrying out a reconciliation between the current month's and the previous month's gross salary payments, checking adjustments made for new appointments, resignations, pay increases, timesheet payments etc. and sign the payroll reports indicating that this check has been completed. The overall payroll must be checked and signed for by the Director of Finance and Operations. The final authorisation of the payment of the payroll will be made by the Principal. All salary payments are made by BACS.

The Director of Finance and Operations should review the finance system each month to ensure the correct amount has been posted from the payroll system, individual cost centres have been correctly updated and that salary payments to date are in line with budget projections.

### **PAYE/P11D Returns**

The payroll provider will be responsible for the completion of all required returns.

## **9. Purchasing**

The Academy wants to achieve the best value for money from all purchases: economy, efficiency and

effectiveness. A large proportion of purchases will be paid for with public funds and the Academy needs 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**

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 budget statement detailing actual expenditure against budget will be supplied to each budget holder monthly.

Routine purchases up to £1,000 can be made by budget holders using PSF MyPortal software. Orders between £1,000 and £10,000 require approval of the Director of Finance and Operations. In the first instance, a supplier should be chosen from the list of current suppliers maintained by the Finance Office. A quote or price should always be obtained before any order is placed unless there is a genuine emergency e.g. emergency repairs. If the budget holder considers that better value for money can be obtained by ordering from a supplier not on the current supplier list, then the Finance Manager must approve the addition of the new supplier.

Where at all possible all orders must be made via the PSF finance system in accordance with the instructions issued to budget holders. The Finance Manager will check to ensure adequate budgetary provision exists before approving the order.

The accounting system will allocate a reference number to the order which will need to be electronically countersigned by the Director of Finance and Operations or Principal if over £1,000 and emailed to the supplier by the Finance Office.

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 purchase order) and report any discrepancies to the Finance Office to ensure an accurate goods received note (GRN) is completed.. 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 substandard quality, the Finance Office should be notified. The Finance Office will keep a central record of all goods returned to suppliers.

All invoices should be sent to the Finance Office to be entered into purchase ledger on PS Financials. If a budget holder is pursuing a query with a supplier the Finance Office must be informed of the query and periodically kept up to date with progress.

Finance Manager/Assistant will process the invoice using the information already on the system when:

- It is confirmed that goods or services have been received and are of the quality expected
- The invoice is arithmetically correct
- Prices are correct
- VAT has been treated correctly.

**Order related Invoices:** The invoice is posted to PS Financials and matched to the approved and receipted order. The invoice can go forward for payment.

**Non-order invoices:** The invoice is posted directly to PS Financials and approved in line with agreed authority. Non-order invoices must be kept to minimum and should only be processed when it affects smooth running of Academy. Examples of permissible expenditure are utility costs, supply cover, exam staff and exam fees, trips and payments against SLAs or contracts.

At regular intervals the Finance Manager will produce a payment list from the purchase ledger to be reviewed and approved by the Director of Finance and Operations and the Principal. Payments to suppliers will be generated via BACS and authorised via a two stage process by two of the nominated signatories. Only in exceptional circumstances should payment be made by direct debit, cheque or credit card. BACS payment will be notified to suppliers by email. Cheques will be dispatched to suppliers by the Finance Assistant.

#### **Orders over £1,000 but less than £90,000**

At least three quotations should be obtained for all orders between £1,000 and £90,000 to identify the best source of the goods/services. Records of quotations obtained should be retained by budget holders for audit purposes. Telephone quotes are acceptable if these are evidenced before a purchase decision is made. Orders should be countersigned by the Principal or Finance Director.

#### **Orders over £90,000**

All goods/services ordered with a value over £90,000, or for a series of contracts which in total exceed £90,000 must be subject to formal tendering procedures. Purchases over the published threshold will fall under EU procurement rules which require advertising in the Official Journal of the European Union.

Any potential order where a good reason(s) exists as to why the above rules should not apply must be agreed with the Director of Finance and Operations in advance and the reason(s) recorded.

#### **Forms of Tenders**

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 Director of Finance and Operations how best to advertise for suppliers e.g. general press, trade journals or to identify all potential suppliers and contact directly if practicable. 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 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

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 upon 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 all contracts - Two of the Authorised Signatories

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 the person concerned should declare it and not take part in the evaluation 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 £90,000 a report should be prepared for the Governing Board highlighting the relevant issues and recommending a decision.

Where required by the conditions attached to a specific grant from the ESFA, the department's approval must be obtained before the acceptance of a tender.

The accepted tender should be the one that is considered to offer best value to the Academy. All parties should then be informed of the decision.

## 10. Credit cards

The Finance and Audit Committee approve the provision of Academy business credit cards and authorise the Principal and the Director of Finance and Operations to administer the account within the overall limit set by the Business and Operations Committee

### Use of cards

The use of credit cards by authorised staff should only be in the following circumstances:

- For use where items may not be ordered through the academy's normal procurement arrangements.
- Where sufficient budget is held for the purchase of the items.
- That purchases are limited to items for the academy only.
- That the use of the card is with the express permission of the card holder.
- That cardholders do not exceed the monthly expenditure limit authorised on their card.
- There is no use of ATMs
- That cash advances are prohibited
- That staff are responsible for safe custody of cards.
- That staff are responsible for reporting the loss or theft of cards to the provider and the academy immediately.

- That authorised staff are issued with the bank's User guide.
- That staff sign the card immediately on receipt.
- That the cards remain the property of the academy and must be returned immediately upon request.

Any misuse of the cards must be reported to the Finance and Audit Committee who will consider if disciplinary action should be taken against the member of staff involved.

Accounting for, and monitoring of, credit card expenditure should be on the same basis as other expenditure.

## **11. Income**

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

The Academy also obtains income from:

- students, mainly for Academy meals and trips and
- the public, mainly for facility lettings.

### **Lunch monies**

A cashless system is in place for the collection of monies relating to food and drink purchases.

### **Trips**

The person arranging a trip or visit must seek prior approval from an Associate / Vice Principal. An outline of the finances relating to each trip should be included in the approval process and forwarded to the Finance Office. Students should make payments online using the Academy's online payment system, in last resort at Student Services or directly to finance staff. All monies will be passed to the Finance Assistant who will keep a record, by individual student, of amounts received for each trip.

The Finance Office will report to the organiser of the trip concerning the overall position of the trip's finances and the need for remaining outstanding payments to be collected.

### **Lettings**

The Events Co-ordinator is responsible for maintaining records of bookings of facilities, for identifying the sums due from each organization and for informing the Finance Office accordingly. The Finance Office is responsible for raising a sales invoice on the accounting system, sending it to the customer and collecting payment. In some cases payments must be made in advance for the use of facilities.

No debts should be written off without the express approval of the Principal. Organisations using the facilities should be instructed to send all payments to the Finance Office if not by bank transfer.

### **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 £7,500 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 Manager.

## 12. Cash Management

### Bank Accounts

The opening of all accounts must be authorised by the Governing Board 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 Automated Clearing System (BACS) and other means of electronic transfer of funds must also be subject to the same level of control.

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

### Payments and withdrawals

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

- Principal
- Director of Finance and Operations
- Senior Vice Principal
- Vice Principals
- Chair of Governors.

This provision applies to all accounts, public or private, operated by or on behalf of the Governing Board of the Academy.

### Administration

The Director of Finance and Operations must ensure bank statements are received regularly and no less than monthly, 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 Manager;
- reconciliations are subject to an independent monthly review carried out by the Director of Finance and Operations or in his absence the Principal and
- adjustments arising are dealt with promptly.

### Petty Cash Accounts

The Academy is authorised by the Governing Board to maintain a maximum cash balance of £500. The cash is administered by the Finance Manager and is kept in the Finance Office safe.

### Deposits

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

### Payments and withdrawals of petty cash

In the interests of security, petty cash payments will be limited to £50. Higher value payments should be made by BACS / cheque directly from the main bank account.

### **Administration**

The Finance 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 by the Director of Finance and Operations to ensure that the cash balance reconciles to supporting documentation.

### **Physical Security**

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

### **Cash Flow Forecasts**

The Director of Finance and Operations 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 expenditure to cover potential cash shortages.

### **Investments**

An investment policy will be developed by the Governing Board when the need arises.

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.

## **13. Fixed Assets**

### **Fixed Assets**

The Academy's capitalisation limit shall be £1,000 and the Director of Finance and Operations will be responsible for deciding if a purchase should be capitalised and for maintaining the asset register.

### **Asset register**

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

- asset description
- asset number
- serial number
- date of acquisition
- asset cost
- expected useful economic life
- depreciation
- current book value
- location
- name of member of staff responsible for the asset

The Asset Register helps:

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

### Security of assets

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

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 Board. 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, should be noted.

### Disposals

Items which are to be disposed of by sale or destruction must be authorised for disposal by the Director of Finance and Operations and, where significant, should be sold following competitive tender. The Academy must seek the approval of the ESFA 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 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 ESFA a proportion of the sale proceeds.

All disposals of land must be agreed in advance with the Secretary of State.

### Loan of Assets

Items of Academy property must not be removed from Academy premises without the authority of the relevant Head of Department. A record of the loan must be recorded in a loan book and booked back into 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 Director of Finance and Operations.

### Depreciation of Assets

Depreciation is provided on a straight line basis on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

#### Annual Rate

- |                                  |        |
|----------------------------------|--------|
| ● Freehold/leasehold buildings   | 2%     |
| ● Furniture and Equipment        | 20%    |
| ● Computer and related equipment | 33.33% |
| ● Vehicles                       | 20%    |