

# HOCKLEY HEATH ACADEMY

## FINANCIAL REGULATIONS POLICY

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### **1. Introduction**

The purpose of this manual is to ensure that the academy maintains and develops systems of financial control which conform to 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.

The academy must comply with the principles of financial control outlined in the academies guidance published annually by the DfE. This manual expands on that and provides detailed information on the academy's accounting procedures

### **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 Body**

The governing body has overall responsibility for the administration of the academy's finances.

The main responsibilities of the governing body are prescribed in the Funding Agreement between the academy and the DfE and in the academy's scheme of government.

The main responsibilities include:

- ensuring that grant from the DfE is used only for the purposes intended;
- approval of the annual budget;
- appointment of the Senior Management Team to include the Principal, Vice-Principal and the Business Manager;
- authorising changes to the staffing structure;
- authorising orders above £25,000.

## **The Finance and Buildings Committee**

The Finance and Building Committee is a committee of the governing body. This meets at least once a term but more frequent meetings can be arranged if necessary.

The main responsibilities of the committee are detailed in written terms of reference which have been authorised by the governing body.

The main responsibilities include:

- the initial review and authorisation of the annual budget;
- the regular monitoring of actual expenditure and income against budget;
- ensuring the annual accounts are produced in accordance with the requirements of the Companies Act 1985 and the DfE guidance issued to academies;
- authorising the award of contracts between £10,000 and £25,000;
- reviewing the reports of the Responsible Officer on the effectiveness of the financial procedures and controls. Note: These reports must also be reported to the full governing body.

## **The Principal**

Within the framework of the academy development plan as approved by the governing body the Principal, as Accounting Officer, has day-to-day responsibility for the academy's activities including financial activities.

Much of the financial responsibility has been delegated to the Business Manager but the Principal still retains responsibility for:

- approving new staff appointments, except for senior staff posts which the governing body have agreed should be approved by them; i.e. the Senior Management Team;
- authorising contracts up to £10,000.
- authorising BACS payments and cheques in conjunction with the Business Manager and Vice-Principal or other authorised signatory.

## **The Business Manager**

The Business Manager works in close collaboration with the Principal through whom he or she is responsible to the governors. The Business Manager also reports to the governors via the Finance and Building Committee.

The main responsibilities of the Business Manager are:

- the day to day management of financial issues including the establishment and operation of a suitable accounting system;
- the management of the academy financial position at a strategic and operational level within the framework for financial control determined by the governing body;
- the maintenance of effective systems of internal control;
- ensuring that the annual accounts are properly presented and adequately supported by the underlying records of the academy;
- the preparation of monthly management accounts;
- authorising BACS payments and cheques in conjunction with the Principal or Vice-Principal;
- ensuring forms and returns are sent to the DfE in line with the timetable in the DfE guidance.

## **The Responsible Officer**

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

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

The Responsible Officer will undertake a regular programme of reviews to ensure that financial transactions have been properly processed and that controls are operating as laid down by the governing body. A report of the findings from each visit will be presented to the Finance and Buildings Committee and Full Governing Body.

## **Other Staff**

All members of 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 whom the academy may purchase goods or services. The register is open to public inspection.

The register includes 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 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 detract from the duties of governors and staff to declare interests whenever they are relevant to matters being discussed by the governing body or a committee. Where an interest has been declared, governors and staff do not attend that part of any committee or other meeting.

### **3. Accounting system**

All the financial transactions of the academy are recorded on a suitable accounting system. The accounting system is operated by the Business Manager and consists of:

- Journals
- Nominal Ledger
- Bank
- Transactions
- Purchases Ledger
- Sales Ledger
- Personnel Links
- Automatic updates
- Manual updates

#### **System Access**

Entry to the accounting system is password restricted.

#### **Back-up Procedures**

Data is backed up to an external server.

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

#### **Transaction Processing**

All transactions input to the accounting system are authorised in accordance with the procedures specified in this manual. The detailed procedures for the operation of the payroll, the purchase ledger and the sales ledger are included in the following sections of the manual.

All journal entries are documented on the accounting system by the Business Manager.

Bank transactions are input and checked by the Business Manager.

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

### **4. Financial planning**

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

#### **School Improvement Plan**

The plan is concerned with the aims and objectives of the academy for the next financial cycle and how they are to be achieved; this includes matching the academy's objectives and targets to the resources expected to be available.

The plan includes the estimated resource costs, both capital and revenue, associated with each objective and success criteria against which achievement can be measured.

### **Annual Budget**

The Business Manager is responsible for preparing and obtaining approval for the annual budget. The budget must be approved by the Principal, Finance and Buildings Committee and the governing body.

The approved budget must be submitted to the DfE in line with the latest guidance and the Business Manager is responsible for establishing a timetable which allows sufficient time for the approval process and ensures that the submission date is met.

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 is a clear link between the school improvement plan objectives and the budgeted utilisation of resources.

The budgetary planning process will incorporate the following elements:

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

### **Balancing the Budget**

Comparison of estimated income and expenditure identifies any potential surplus or shortfall in funding. Where shortfalls are identified, opportunities to increase income are explored and expenditure headings reviewed for areas where economies can be made. This may entail prioritising tasks and deferring projects until more funding is available. The school improvement plan and budget is revised until income and expenditure are in balance. If a potential surplus is identified, this may be held back as a contingency or alternatively allocated to areas of need.

### **Finalising the Budget**

Once the different options and scenarios have been considered, a draft budget is prepared by the Business Manager for approval by the Principal, the Finance and Buildings Committee and the governing body.

The budget is 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.

### **Monitoring and Review**

Monthly reports are prepared by the Business Manager. The reports detail actual income and expenditure against budget both for the Principal and the Finance and Buildings Committee.

The monitoring process provides a timely and effective method of highlighting variances to the budget, so that differences can be investigated and action taken where appropriate.

## **5. Payroll**

The main elements of the payroll system are:

- staff appointments;
- payroll administration and
- payments.

### **Staff Appointments**

The governing body has approved a staffing structure for the academy. Changes can only be made to this structure with the approval of the Governing Body who must ensure that adequate budgetary provision exists.

The Principal has authority to appoint staff within the authorised structure except for the Senior Management Team including the Vice-Principal and Business Manager whose appointments must follow consultation with the governors. The Principal maintains personnel files for all members of staff which include contracts of employment.

### **Payroll Administration**

The academy payroll is administered by Solihull MBC

All members of staff are paid monthly by BACS.

A hard copy of all employee contracts is kept in a locked cabinet in the main office

A staff record is maintained on ORACLE for each employee which records:

- Annual salary;
- Hours worked;
- Weeks paid for term time only staff;
- bank account details;
- taxation status;
- personal details and
- any deductions or allowances payable.

Any additional hours worked due to supply cover or overtime requirements are raised on a claim form by the individual concerned and authorised by the Principal. These are then forwarded to payroll for processing.

### **Payments**

After the first run of the payroll has been processed, the Business Manager reviews the proposed payroll transactions against individual gross salaries and outstanding claim forms. Any anomalies are immediately highlighted to payroll for correction in the 2<sup>nd</sup> payment run.

On satisfactory receipt and review of the 2<sup>nd</sup> payment run, a formal instruction is issued by the Business Manager to payroll to proceed with the payment.

All salary payments are made by BACS.

The payroll provider calculates the deductions due from payroll to comply with current legislation. The major deductions are for tax, National Insurance contributions and pensions. The monthly amounts payable are sent directly by payroll by the due date.

After the payroll has been processed, the Business Manager manually updates the nominal ledger.

On an annual basis the Business Manager checks that the gross pay per the payroll system for each member of staff agrees to the contract of employment held on the personnel file.

## **6. Purchasing**

The academy wants to achieve the best value for money from its available funds, in terms of quality, quantity and price. A large proportion of the contracts and purchases made are paid for with public funds. There is therefore the need to maintain the integrity of these funds by following the general principles of:

- Probity**, it must be demonstrable that there is no corruption or private gain involved in the contractual relationships of the academy;
- Accountability**, the academy is publicly accountable for its expenditure and the conduct of its affairs;
- Fairness**, that all those dealt with by the academy are dealt with on a fair and equitable basis.

### **Routine Purchasing**

A quote or price is always obtained before any order is placed.

All orders must be made, or confirmed, in writing using an official order form or email confirmation.

The Business Manager checks to ensure adequate budgetary provision exists.

All orders are approved by the Principal.

On receipt of the goods, the recipient makes a detailed check of the goods received against the goods received note (GRN) where available and makes a record of any discrepancies between the goods delivered and the GRN.

Discrepancies are immediately discussed with the supplier.

If any goods are rejected or returned to the supplier because they are not as ordered or are of sub-standard quality, the Business Manager is notified. A

central record is kept of all goods returned to suppliers.

All invoices are sent to the office where the Business Manager will check the following:

- a) invoice arithmetically correct;
- b) invoice posted to purchase ledger;
- c) goods/ services received;
- d) goods/services as ordered;
- e) prices correct;
- f) invoice authorised for payment;
- g) payment authorised;
- h) VAT treated correctly and
- i) payment made.

### **Orders over £10,000**

At least three written quotations are obtained for all orders over £10,000 to identify the best source of the goods/services. Exceptions may include specialist suppliers and bought in services previously subject to competitive tendering procedures. Written details of quotations obtained are prepared and retained for audit purposes. Telephone or email quotes are acceptable if these are evidenced and faxed or emailed confirmation of quotes has been received before a purchase decision is made.

### **Orders over £173,934**

Purchases over £173,934 fall under EU procurement rules which require advertising in the Official Journal of the European Union.

### **Forms of Tenders**

There are three forms of tender procedure: open, restricted and negotiated and the circumstances in which each procedure is used are described below.

**Open Tender:** This is where all potential suppliers are invited to tender. The Business Manager and Principal will discuss 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 will be given to:

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



## **Invitation to Tender**

If a restricted tender is to be used then an invitation to tender will 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 will 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***

Alternative proposals will be considered on a like for like basis.

Care will be taken to ensure that the tender price is fully inclusive, i.e. there are no hidden or extra costs.

Scope for negotiation will be considered

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

Technical capability of suppliers will be assessed on the basis of:

- 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***

Other considerations include:

- Pre sales demonstrations
- After sales service
- Financial status of supplier.

## **Tender Acceptance Procedures**

The invitation to tender will 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 will 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 - the Business Manager and the Principal;

For contracts over £25,000 – either the Business Manager or the Principal plus a member of the Finance and Buildings Committee.

A separate record will 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 Finance and Buildings Committee highlighting the relevant issues and recommending a decision. For contracts under £25,000, the decision and criteria should be reported to the Finance and Buildings 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.

### **7 Income**

The main sources of income for the academy are the grants from the DfE, (via the Education Funding Agency), Solihull Metropolitan Borough Council (nursery and high-cost low incidence SEN funding), and income generated by the before/after school provision. The receipt of these sums is monitored directly by the Business Manager who is responsible for ensuring that all income due to the academy is collected.

The academy also obtains sundry income from:

parents, mainly for school dinners and trips, and  
the public, mainly for sports and facilities lettings.

### **Trips / Pupil Activities**

For each trip / pupil activity generating additional income, a record by pupil is maintained on Parentpay showing the gross amount, payments to date and balance due.

### **Sports and Facilities Lettings**

The Office Manager is responsible for maintaining records of facility lettings and for identifying the sums due from each organisation.

### **Custody**

All cash and cheques are kept in the office safe prior to banking. Banking takes place on a regular basis.

Monies collected are banked in their entirety.

## **8 Cash Management**

### **Bank Accounts**

The opening of all accounts are authorised by the governing body. The operation of systems such as Bankers Automatic Clearing System (BACS) and other means of electronic transfer of funds are also subject to the same level of control.

### **Deposits**

Particulars of any deposit are entered on a copy paying-in slip, counterfoil or listed in a supporting book.

The details 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 bear the signatures of two of the following authorised signatories:

- Principal;
- Business Manager;
- Vice-Principal;

This provision applies to all accounts, public or private, operated by or on behalf of the governing body of the academy.

### **Administration**

The Business Manager ensures bank statements are received regularly and that reconciliations are performed on a weekly basis. Reconciliation procedures ensure that:

- all bank accounts are reconciled to the academy's accounting system;
- reconciliations are subject to an independent annual review carried out by the External Auditors;
- adjustments arising are dealt with promptly.

### **Petty Cash Accounts**

The academy maintains a cash balance of up to £500. The cash is kept in the office safe.

### **Deposits**

The only deposits to petty cash are 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 are paid directly into the bank.

### **Administration**

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

## **Physical Security**

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

## **Cash Flow Forecasts**

The Business Manager is responsible for preparing cash flow forecasts to ensure that the academy has sufficient funds available to pay for day to day operations. If significant balances can be foreseen, steps should be taken to invest the extra funds.

## **Investments**

Any investments will 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.

## **9 Fixed assets**

### **Asset register**

All items purchased with an individual value over the academy's capitalisation limit of £1,000 are entered in an asset register. The asset register includes the following information:

- asset description
- asset number
- serial number
- date of acquisition
- asset cost
- source of funding
- expected useful economic life
- depreciation
- current book value
- location

The Asset Register helps to:

- 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 and replacement of assets;
- enable 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**

There is a regular, (at least annual), count by someone other than the person maintaining the register. Discrepancies between the physical count and the register are investigated promptly and, where significant, reported to the governing body.

## **Disposals**

Items which are to be disposed of by sale or destruction are authorised for disposal by the Business Manager and Principal where the value is less than £500. Where significant, assets 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 is expected to reinvest the proceeds from all asset sales for which capital grant was paid in new assets. If the sale proceeds are not reinvested, then the academy must repay to the DfE a proportion of the sale proceeds. All disposals of land must be agreed in advance with the Secretary of State.

### **Capitalisation of Assets**

Assets will be added to the fixed asset register where their individual value exceeds £1,000 and depreciation will be applied in the year of purchase.

### **Depreciation of Assets**

Depreciation of assets will follow the straight line rule of depreciation and will be provided on all tangible fixed assets other than freehold land and investment property as follows:

Freehold buildings transferred on 1/8/12	4.0%
Freehold buildings purchased after 1/8/12	2.0%
Fixtures, fittings and equipment	20.0%
ICT equipment	33.3%

### **Loan of Assets**

Items of academy property must not be removed from academy premises without the authority of the Principal. A record of the loan must be recorded 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 academy's auditors.